

## DOCUMENT RESUME

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To efficiently and effectively carry out its operations, each Federal agency should establish and maintain adequate internal control systems. Evaluation has been described as one of the most useful tools available to Federal officials in addressing policy questions, deciding on policies and programs, and providing information on the efficiency and effectiveness of policies and programs. An evaluation system's overall effectiveness depends on how well the components of the system specify program objectives and measures of effectiveness, plan and coordinate evaluation activities, design and conduct evaluation studies, and disseminate and use evaluation results.

Findings/Conclusions: Although the Department of Housing and Urban Development (HUD) has made strides in the area of evaluation, it is not realizing its full potential for providing decisionmakers with information on whether programs and activities are meeting their objectives. Although most HUD program evaluations describe program activity, they are not aimed at assessing progress toward the programs' goals. Performance evaluations had no established guidelines for measuring efficiency and effectiveness, and internal audits were only minimally concerned with assessing program effectiveness. Although little duplication was evident, many program evaluations did not address major program issues, internal audits were primarily concerned with compliance and economy and efficiency, and HUD's research and technology budget did not accurately show the resources spent on evaluating ongoing programs. Many program evaluations were research oriented and not designed to determine programs' achievements or objectives. In some cases, there were few or no mechanisms for insuring that evaluation products were accurate and reasonable.

Recommendations: The Secretary of HUD should direct that:

evaluation and program personnel work together to clarify program objectives, develop standards for measuring achievements, and identify data requirements for evaluation; priority for evaluation resources be given to issues identified as deserving attention; more evaluations be conducted on the effectiveness of programs in achieving objectives; department-wide guidelines and standards be established for conducting, contracting, monitoring, and reviewing program and performance evaluations; and deficiencies in the management information system as noted in internal reports be further investigated and corrected. (RRS)

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BY THE COMPTROLLER GENERAL

# Report To The Congress

OF THE UNITED STATES

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## HUD's Evaluation System--An Assessment

A well-directed evaluation system should provide agency management with information on what its programs accomplish, how these accomplishments compare with intended objectives, and how effectively program resources are managed. Although useful information is being accumulated, HUD's system is not providing enough information on whether the Department's programs are meeting their objectives.

This report suggests ways to make the system more responsive to the needs of decisionmakers.

Areas most in need of attention are (1) clarification of program objectives, (2) development of measures of goal achievement, and (3) design of studies to determine a program's progress toward objectives.



PAD-78-44  
JULY 20, 1978



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-114860

To the President of the Senate and the  
Speaker of the House of Representatives

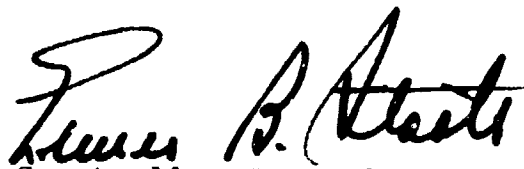
This report presents our assessment of the effectiveness of the Department of Housing and Urban Development's evaluative activities in meeting the information needs of decision-makers within both the Congress and the Department. The report also contains our recommendations as to how the usefulness of these activities can be improved.

We initiated this review because of our concern over the need for improving the management and policy of Federal program evaluation and for increasing its acceptance as a management tool in administering Federal programs. One of the prerequisites for achieving this is an assessment of the system which produced the studies. After the assessment has been performed, attention can be devoted to the task of improving the system.

The Department of Housing and Urban Development was selected for this review because of its experience in evaluation, which includes a formal evaluation system with both field and internal audit activities. We structured this review to draw on the strengths and experience of the Department's evaluation activities. We are presently reviewing the program evaluation systems at the Departments of Transportation and Labor.

Our review was made pursuant to the Budget and Accounting Act of 1921 (31 U.S.C. 53), the Accounting and Auditing Act of 1950 (31 U.S.C. 67), and the Legislative Reorganization Act of 1970 as amended by Title VII of the Congressional Budget Act of 1974 (31 U.S.C. 1154).

We are sending copies of this report to the Director, Office of Management and Budget, and the Secretary of Housing and Urban Development.

  
Comptroller General  
of the United States

D I G E S T

The Department of Housing and Urban Development (HUD) is the principal Federal agency responsible for the Nation's housing and community development needs. In these areas, there is little agreement among policymakers on what type of program(s) will best serve the Nation.

Evaluation can be useful to Federal officials concerned with national policy questions and courses of action in policy and program selections. For fiscal year 1977, HUD identified the staff years and funds allotted to evaluate activities-- 196 staff years and \$9.6 million. This represents less than 0.1 percent of HUD's \$11.0 billion appropriation for fiscal year 1977. (See ch. 2.)

FINDINGS AND CONCLUSIONS

An evaluation system's effectiveness in fulfilling the needs of decisionmakers depends on how well the components of the system

- specify program objectives and measures of effectiveness,
- plan and coordinate evaluation activities,
- design and conduct evaluation studies, and
- disseminate and use evaluation results. (See ch. 3.)

Although HUD has made strides in the area of evaluation and useful information is being accumulated, it is not realizing its full potential as a tool for providing decisionmakers with information on

whether programs and activities are meeting their objectives.

Specifying program objectives  
and measures of effectiveness

An evaluation measures and compares a program's accomplishments with its objectives. Therefore, for evaluations to have useful and conclusive results, it is important that policy officials and program administrators communicate program goals to evaluators. Evaluation units should assess program effectiveness or performance using measures that have been mutually established by program and evaluation personnel and are acceptable to policy officials, including the Congress. GAO found that:

--Although most program evaluations describe program activity, they were not aimed at assessing programs' progress toward their goals. (See pp. 19, 27, 36 and 39.)

--Performance evaluations were established to provide uniform comparable data on regional efficiency and effectiveness in terms of certain factors. However, there were no established guidelines for what to measure or standards to measure against. (See p. 45.)

--Internal audits use standards to measure and compare the compliance, efficiency, and economy of programs and activities. They were, however, only minimally concerned with assessing program effectiveness. (See p. 49.)

Planning and coordinating  
evaluation activities

Effective planning and coordination of evaluations are necessary to make sure that the needs of decisionmakers are being met--that major issues are studied, duplication is avoided, and resources are appropriately allocated. Based upon its review, GAO found that, although little duplication was evident:

- Many program evaluations did not address major program issues. (See pp. 22, 36, and 40.)
- Internal audits were primarily concerned with compliance and economy and efficiency of program activities. Hence they did not address many major program issues. (See p. 50.)
- HUD's research and technology budget did not accurately show the resources spent on evaluating ongoing programs and on conducting and evaluating research and demonstration programs. (See p. 22.)

#### Designing and conducting evaluation studies

To be relevant, useful, and of high quality, evaluation studies should be designed to compare programs' accomplishment with their objectives and have mechanisms for quality control.

GAO found that:

- Many program evaluations were research oriented and were not designed to determine programs' achievement of objectives. (See p. 24.) Other studies provided mostly descriptive information about the programs but made no comparison against standards. (See pp. 37 and 40.)
- In some cases there were few or no mechanisms for insuring that evaluation products are accurate and reasonable, especially those performed under contract. (See pp. 27, 30, and 47.)
- Many evaluation studies did not use data from the many management information systems. These systems are not integrated, contain duplicative information, and are generally of limited use to program managers and evaluators. (See ch. 9.)
- Many program evaluation studies did not include recommendations. (See p. 27.)

### Disseminating and using evaluation results

To assist in decisionmaking, evaluation studies must be promptly distributed to and used by appropriate officials. GAO noted that:

- HUD had no established procedures for distributing program evaluation studies and had no catalog or list of completed studies. (See pp. 32, 37, 42, and 43.)
- Evaluation results were not promptly provided to congressional decisionmakers. (See p. 32.)
- Decisionmakers would like to have more impact-oriented studies. (See p. 32.)

### RECOMMENDATIONS TO THE SECRETARY

The Secretary of Housing and Urban Development should direct that:

- Evaluation and program personnel work together to clarify program objectives, develop standards for measuring achievement, and identify data requirements for evaluation.
- Priority for evaluation resources be given to those housing and urban development issues identified by HUD, the Congress, and others as deserving attention.
- More evaluations be conducted on the effectiveness of programs in achieving objectives and that the availability of such evaluations be made known to the Congress.
- Department-wide guidelines and performance standards be established for conducting, contracting, monitoring, and reviewing program and performance evaluations.



- The Inspector General review the priorities of current assignments and either adjust priorities or obtain additional staffing to improve audit coverage of program results and effectiveness audits.
- Deficiencies in the management information system as noted in internal reports, be further investigated and corrected.

These actions will improve the usefulness of HUD's evaluation system and will thus permit it to more effectively use its limited resources in determining how well its programs are achieving national goals.

Further, to improve management and oversight, the Secretary should separately identify in HUD's research and technology budget the resources needed to evaluate ongoing programs and to conduct and evaluate research and demonstration programs.

#### AGENCY COMMENTS

HUD found the GAO report to be very useful and concurred with most of the recommendations (see app. III). Some of the planned and ongoing activities directed at the recommendations include:

- Making even greater efforts to ensure that program personnel are involved in the early stages of program evaluations, including a clear articulation of program objectives and evaluation standards.
- Taking a three-part approach to focus evaluations on the needs of decision-makers, which includes obtaining input from several levels of HUD as well as from State and local officials and citizens involved in poverty and neighborhood-related activities.
- Extending the Special Studies Division's policy of briefing relevant congressional committee staffs on the findings of studies to all of the Department-level evaluation offices.

- Obtaining outside professional review of all of the Department-level studies before finalizing.
- Assessing during the fiscal year 1980 budget cycle, the amount of additional resources needed to provide adequate coverage of program results audits.
- Making one of HUD's top priorities, the development of a more useful management information system.
- Attempting to clarify the amount of resources devoted to evaluating ongoing programs and to conducting and evaluating research.

HUD was not in full agreement with the recommendation to establish guidelines and performance standards. It pointed out that considerable literature on evaluation research exists and every study is unique, therefore rigorous training of evaluators might be more appropriate. Training in evaluation methodology and techniques is important. However, HUD has established a central evaluation office having as one of its responsibilities the provision of Department-wide guidance and GAO believes that the findings discussed demonstrate the need for the establishment of such guidelines.

In response to GAO's recommendation to give priority for evaluation resources to major issues, HUD stated its belief that the question was not that resources were misdirected but whether enough resources were directed to program evaluation. If HUD is correct in not having sufficient resources, this situation heightens the necessity of identifying major issues and assigning priority for evaluation resources to these issues. The steps planned and taken since the time of the review to improve HUD's evaluation planning process and to expand its evaluation capabilities should help to insure that more major issues are addressed.

**MATTERS FOR CONSIDERATION**  
**BY THE CONGRESS**

The Comptroller General has previously stated that when program goals or objectives are not clearly stated or are subject to misunderstanding, it is more difficult to conduct evaluation studies and the studies may be of limited use to policymakers. Program goals or objectives are often broadly stated in legislation and agency guidelines, as is the case in the housing and community development areas.

Therefore, GAO recommends that, in those cases where evaluations are to be mandated by legislation or are needed by a committee, the Congress should work with agency officials to

- seek a common understanding on the process or approach to be used for clarifying program objectives for evaluation,
- reach agreement on acceptable evaluation measures and data needed for each program to be evaluated, and
- establish a time schedule for the availability of evaluative information.

One approach to developing objectives and using evaluations in congressional oversight is outlined in the GAO report, "Finding Out How Programs Are Working: Suggestions for Congressional Oversight" (PAD-78-3, Nov. 22, 1977).

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ABBREVIATIONS

ADP	automatic data processing
FHA	Federal Housing Administration
GAO	General Accounting Office
HUD	Department of Housing and Urban Development
OIG	Office of Inspector General
PDR	Office of Policy Development and Research

## CHAPTER 1

### INTRODUCTION

To efficiently and effectively carry out its operations, each Federal agency should establish and maintain adequate internal control systems. One type of internal control is the evaluation system which provides feedback on program results to decisionmakers.

Evaluation has been described as one of the most useful tools available to Federal officials in (1) addressing national policy questions, (2) deciding on policies and programs, and (3) providing information on the efficiency and effectiveness of policies and programs.

Evaluation can assist the President and the Congress in deciding what program areas to emphasize and how to allocate resources within the national budget. It is useful also to agency decisionmakers in justifying broad resource allocations and in deciding whether programs should be continued, modified, or terminated. Program managers can also use evaluation to make better choices among projects, program strategies, and techniques.

The lack of a comprehensive and reliable system to measure program effectiveness has been cited as a crucial weakness in Federal policy and budget decisionmaking. With uncertainty about the effects of past and present programs, it is difficult, if not impossible, to efficiently plan or fund future programs. In recent years, the Government has attempted to correct this situation through the increasing use of evaluations. The Congress has included a requirement for evaluating existing Federal programs in many recent acts and decisions. The executive branch has also attempted to improve program planning through such systems as the planning, programming, and budgeting system; management by objectives; and zero-based budgeting.

#### DEFINITION OF EVALUATION AND EVALUATION SYSTEM

For this review, an "evaluation" was defined as ascertaining the value of a program or activity by comparing its accomplishment with a standard, objective, or goal. An evaluation, therefore, compares both outcome (what happened that would not have happened in the absence of the program?) and relative effectiveness (what strategies or projects within a program work best?) with a goal or objective. It includes the identification of program objectives, the

development of measures of progress toward objectives, the assessment of what difference a program actually makes, and the projection of what could be expected if the program were continued or expanded.

An "evaluation system" was defined as the interaction of the various agency units assigned the responsibility of providing information to decisionmakers. An evaluation system includes the studies and the management processes that produce the studies.

#### IMPORTANCE OF EVALUATION TO HUD

The Department of Housing and Urban Development (HUD) carries out a variety of programs to achieve the goal of a decent home and suitable living environment for every American family. However, there is little agreement among policymakers about what type of program(s) will best serve the Nation's housing and community development needs. In early 1974, in an attempt to assist decisionmakers in making more objective judgments on program costs and effects, HUD established a formal evaluation system. The Secretary of HUD issued the following statement:

"Evaluation, when properly planned and executed, has been shown to be an indispensable tool to effective policy formulation and program management. Moreover, the public is increasingly demanding of the Government that it account for the efficiency and effectiveness of its policies and programs--in terms of their legislative goals, their impact on the clients they are intended to serve, and their impact on society in general. With a few exceptions HUD in the past has not been a leader among the Federal agencies in developing and executing a coordinated and meaningful evaluation program. Too often, for example, we have not had the answers when groups claim that a program is causing unintended and negative effects on a particular group, community, or neighborhood. We frequently do not have an institutionalized memory to tell us what has or has not worked effectively in the past and why. Hence, we have tended to learn all over with each new policy or program thrust. This must change."

This has continued to be part of HUD's management philosophy and has recently been reiterated by Department officials.



## SCOPE OF REVIEW

We have issued several reports in the past on aspects of agency evaluation systems. 1/ But this is the first in a series of reviews to assess the entire evaluation system of a Federal department. HUD was selected as the initial agency primarily because it

- had experience in evaluation and a formal evaluation system, including field activity and internal audit activity,
- was required by legislation to evaluate certain programs, and
- used a mixture of in-house and contract evaluation studies.

Our review, conducted from December 1976 through September 1977, concentrated on HUD's evaluation activities from July 1, 1975, through March 31, 1977. We examined organizational handbooks, evaluation plans, operating policies and procedures, and reports from the Office of Inspector General (OIG) and the Office of Administration on HUD's evaluation process. We also reviewed HUD's management information system to determine how it interacted with the evaluation system. Further, we reviewed 60 selected evaluation studies dealing with the housing assistance, mortgage insurance, and Community Development Block Grant programs. These programs account for approximately 84 percent of HUD's budget.

More than 60 HUD evaluators and program managers and administrators from headquarters and 3 regional offices were interviewed, and documents from headquarters and the 10 regional offices were examined. The three regional offices we visited were San Francisco, Boston, and Atlanta, which HUD had recommended for their evaluation activities. At HUD headquarters, our review encompassed the

- Office of Policy Development and Program Evaluation in the Office of Policy Development and Research (PDR);

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1/Some examples are "Problems and Needed Improvements in Evaluating Office of Education Programs," (HRD-76-165, Sept. 8, 1977) and "Evaluation Needs of Crime Control Planners, Decisionmakers, and Policymakers Are Not Being Met," (GGD-77-72, July 14, 1978).

- evaluation offices of the Assistant Secretaries for Housing; Community Planning and Development; and Neighborhoods, Voluntary Associations and Consumer Protection 1/;
- evaluation offices of the New Communities Administration and the Federal Disaster Assistance Administration;
- performance evaluation staff in the Office of the Deputy Under Secretary for Field Operations; and
- Office of Inspector General (OIG).

We also interviewed staff members of congressional committees concerned with housing and community development, several private housing and community development organizations, the Congressional Budget Office, the Office of Management and Budget, and the Urban Institute.

Our review concentrated on HUD's formal evaluation system. We recognize the existence and value of informal evaluations as an integral part of any decisionmaking process. Despite their importance, informal evaluations are not susceptible to the type of assessment underlying this report and therefore were excluded from the review.

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1/Formerly Consumer Affairs and Regulatory Functions.

## CHAPTER 2

### OVERVIEW OF HUD AND ITS EVALUATION SYSTEM

The Department of Housing and Urban Development was created in 1965 to consolidate Federal housing activities into a cabinet-level department. As the principal Federal agency responsible for programs concerned with housing needs and community improvement and development, HUD administers over 50 assistance programs, primarily in the following areas:

- Housing assistance--Programs providing financial and technical assistance through interest, rent, or operating subsidies. Individuals and public agencies are assisted in planning, acquiring, and operating safe and sanitary housing for low-income families at affordable rents.
- Mortgage insurance--Programs administered by the Federal Housing Administration (FHA) which provide mortgage insurance for both single-family and multifamily housing.
- Community development--A block grant program to help local governments (1) eliminate slums, blight, and conditions which are detrimental to health, safety, and public welfare, (2) prevent the deterioration of property, (3) conserve and expand housing stock, (4) expand and improve the quality and quantity of public services, (5) use land and other resources efficiently, (6) diversify and vitalize neighborhoods, and (7) restore and preserve property of historical, architectural, or esthetic value.

A more complete description of HUD programs and their major issues is in appendix I.

HUD's fiscal year 1977 budget calls for approximately 15,600 permanent full-time employees and an \$11 billion appropriation, which reflects a budget authority of \$39.3 billion. 1/

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1/Budget authority generally means any new or increased authorization to commit the Government to incur obligations and to make budget outlays. It usually covers the full term of the obligation which, in the case of assisted housing, is a 20- to 40-year payment period.

All HUD programs, resources, and activities are vested by statute in the Secretary. For the most part, line authority flows from the Secretary to the regional administrators and from them to the field office directors. An additional headquarters level, the Assistant Secretaries, assists the Secretary in managing and administering HUD programs and functions. The assistant secretaries are responsible for meeting program objectives.

Regional administrators are directly responsible to the Secretary for achieving HUD's goals and objectives and are accountable to the responsible Assistant Secretaries for program delivery. They have assistant regional administrators, who are responsible for maintaining quality control over field office programs; insuring that programs are carried out in accordance with HUD policies, criteria, and procedures; and seeing that program goals are met. They are also charged with monitoring the performance of the field offices and providing functional, technical, and program guidance to field office staff. 1/

A more thorough description of HUD's organizational assignment of responsibilities can be found in our report "Department of Housing and Urban Development Could Be Streamlined," (FPCD-77-56, June 16, 1977).

#### EVALUATION AT HUD

HUD's formal evaluation system has remained virtually unchanged since it was established in 1974. The following types of evaluations, as identified by HUD, are included in the system.

Impact evaluations attempt to measure the impact of a national program on some social or economic variable. To insure that social or economic change is the direct result of the program and not due to some other external variable, such evaluations normally include not only direct measures of program impact but also the use of a control group sample against which to compare the measured impact.

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1/Since our review, HUD has considered organizational changes which strengthen the Assistant Secretaries' authority and accountability for program operations; provide for managerial supervision, coordination, and regional representation as the primary functions of the regional offices; and limit operational activities to the field offices.

This type of evaluation would analyze such things as the impact of general funding on community development and the effectiveness of efforts to encourage the flow of mortgage funds into declining neighborhoods.

Relative effectiveness evaluations measure the effectiveness of programs' alternative strategies or variables in meeting program objectives. These evaluations must specify and measure a program's impact and delineate major program strategies or methods. Because the emphasis is on which strategy or program variable has the greatest impact, there is normally no need for randomly selected control groups.

Relative effectiveness evaluations may be used, for example, in assessing the effectiveness of techniques for disposing of acquired properties and in determining the causes of single-family defaults from one HUD region to another.

Process/performance evaluations are to provide a systematic, continuous evaluation for determining operational performance in terms of productivity, timeliness of service, cost effectiveness, use of resources, and quality. Through statistical and onsite reviews, actual performance is compared at specified intervals during the year against established standards of efficiency and effectiveness. The evaluations are intended to analyze regional and national trends, track progress toward targets, and provide comparisons on an office-by-office basis.

Examples of performance evaluations are (1) determining the efficiency of completion of construction, (2) monitoring the progress toward processing targets for FHA home mortgage applications, and (3) determining the quality of management monitoring reviews and assistance to local housing authorities.

Internal audits are independent reviews of programs, operations, and management controls and include systematic appraisals of whether (1) financial operations are properly conducted, (2) financial reports are presented fairly, (3) laws and regulations have been complied with, (4) resources are managed and used economically and efficiently, and (5) desired results and objectives are achieved effectively.

In addition to defining the types of evaluation, HUD has further differentiated them, as described below.

- Impact evaluations, which provide important information for policy development, are distinguished from policy analysis because of their intensive nature and heavy reliance on quantification.
- Relative effectiveness evaluations differ from impact evaluations in that they are designed to make a program work better rather than to assess the program's merits. They can be useful to program administrators in managing their programs.
- Performance evaluations differ from program monitoring because they are designed to allow management to determine levels of operational efficiency and cost effectiveness on a comparative basis within and between regions. Program monitoring, on the other hand, is designed to provide program managers with day-to-day information on whether their directions have been carried out.

#### ORGANIZATIONAL RESPONSIBILITIES

The location and size of HUD's evaluation offices are indicated on page 9.

Impact and relative effectiveness evaluations, normally called program evaluations, are conducted at three levels in HUD, with varying focuses and methods of analysis. At the Department level, PDR is responsible for conducting program evaluations of all HUD programs and coordinates the program and regional offices' program evaluations. Additionally, major program impact evaluations are administered by PDR.

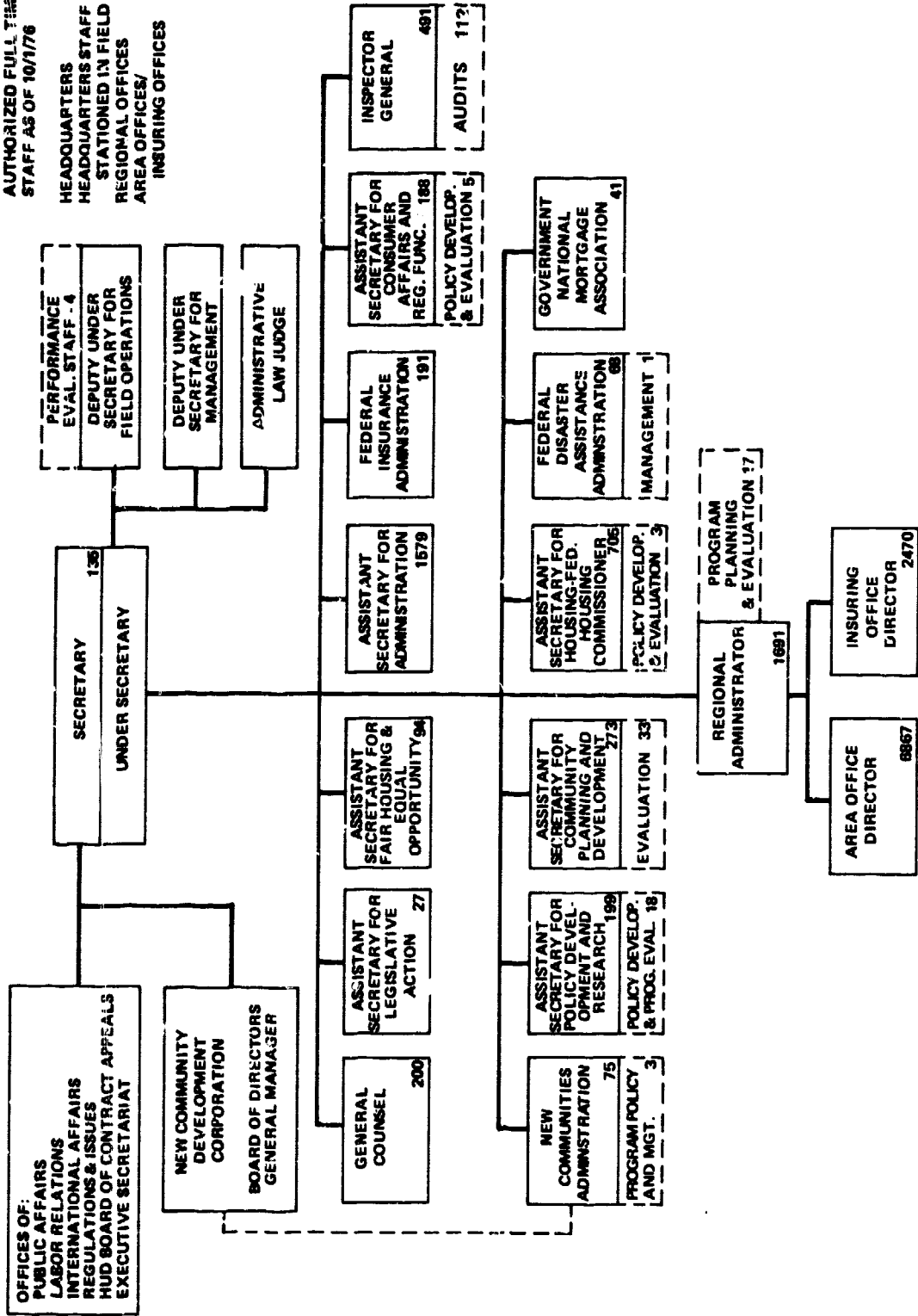
The major responsibility for conducting relative effectiveness evaluations is assigned to program Assistant Secretaries, because they often have authority to modify and implement new program strategies and have a working knowledge of the programs' intricacies. Department policies state that these evaluations are to be coordinated with PDR. Regional administrators share the responsibility for impact and relative effectiveness evaluations with program Assistant Secretaries and PDR.

Performance evaluations include headquarters reviews of regional activities and regional reviews of field activities. The program Assistant Secretaries have major responsibility for conducting this type of evaluation for those activities assigned to their offices. The Deputy

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**  
**FY 1977 TOTAL PROGRAM AND EVALUATION STAFF**

**AUTHORIZED FULL TIME PERMANENT STAFF AS OF 10/1/76**

HEADQUARTERS	3062
HEADQUARTERS STAFF STATIONED IN FIELD	680
REGIONAL OFFICES AREA OFFICES/INSURING OFFICES	1881
INSURING OFFICES	9337
	<u>15,570</u>



Under Secretary for Field Operations is responsible for coordinating performance evaluations, particularly as they relate to regional operational performance. Regional administrators have major responsibility for this type of evaluation of their field activities.

Internal audits are the responsibility of the Inspector General, who has the authority to inquire into all programs and activities of the Department.

RESOURCES DEVOTED TO EVALUATION

In fiscal year 1977, HUD devoted 196 staff years to evaluations. The funds obligated for this purpose totaled approximately \$9.6 million, or less than 0.1 percent of HUD's \$11 billion appropriation for that year. Over half of the 196 staff years and nearly 37 percent of the obligations were devoted to internal audit activities as shown below.

Fiscal Year 1977 Evaluation Resources

	<u>Professional staff years</u>	<u>Obligations (000 omitted)</u>
Program evaluations:		
At the Department level by		
PDR (Policy Development and Program Evaluation)	18	\$2,275
At the program level by:		
Housing (Policy Development and Evaluation)	3	90
Community Planning and Development (Evaluation)	33	2,128
Neighborhoods, Voluntary Associations and Consumer Protection (Policy Develop- ment and Evaluation)	5	206
New Community Administration (Program Policy and Management)	3	a/100
Federal Disaster Assistance Administration (Management)	1	30
At the regional level	<u>17</u>	<u>787</u>
Subtotal	<u>80</u>	<u>5,616</u>
Performance evaluations by performance evaluation staff	<u>4</u>	<u>418</u>
Internal audits by OIG	<u>112</u>	<u>3,541</u>
Total	<u>196</u>	<u>\$9,575</u>

a/Activities funded from New Communities Fund, a public enterprise fund.



The table on page 12 identifies the major programs in HUD, their 1977 budget estimates or amount of insurance in force, and the number and types of evaluations that have been completed for these programs. For the period covered by our review, HUD identified and categorized 160 completed studies and 69 in process. The following are our definitions of these categories:

- Impact evaluations measure the impact of Federal programs or activities on their stated objectives.
- Relative effectiveness evaluations seek to compare the effectiveness of two or more major program strategies or approaches in attaining a program's objectives.
- Performance evaluations measure the operating efficiency of a program or activity.
- Compliance evaluations address whether a program or activity and its expenditures are in compliance with applicable laws, regulations, and procedures.
- Economy and efficiency evaluations determine whether an agency's resources (funds, property, and personnel) are used efficiently and economically.
- Policy analyses provide direction and methods for identifying alternatives relating to policy issues.
- Research increases or fosters general knowledge development which is not expected to be used specifically and primarily in policy and management decisions.
- Issue or option papers define program and policy issues or options that policymakers should consider.

#### LEGISLATION REQUIRING EVALUATION

HUD is required by legislation to provide evaluative information in annual and specific reports, including 13 annual reports to the Congress or the President. Six of these reports deal with ongoing programs or activities.

- The Department's annual report.
- The housing goals report.
- The urban growth report (biannually).

FY 1977 Budget, Number, and Type of Study By Program Area												
Program area	FY 1977 budget	Number of studies in process	Number of studies complete	Impact	Relative effectiveness	Performance	Compliance	Efficiency and economy	Policy analysis	Research	Issue or option paper	Other
Housing:												
Housing assistance:												
Homeownership assistance (section 235)	\$ 165,000	11	0		1	1				2	1	
Lower income rental assistance (section 8)	1,093,000	3	5									
Rental and cooperative housing for low and moderate income (section 236)	583,000	1	1					1				
Public housing												
(operating subsidies, reviews of Public Housing Authorities, low rent leased, and modernization)	1,729,600	4	4									
Other housing assistance	502,200	5	3				3	1			1	
Subtotal	4,072,800	24	13		1	1	2	2	0	2	2	0
Mortgage insurance:												
Single family homes programs	a/6,635,500	2	24	1	1		1	4		b/19		
Multifamily homes programs	a/1,824,500	4	10					7	1	1		
Other insured housing	-	1	3					2				
Insured housing in general	-	6	5					5				
Subtotal	c/1,936,000	13	42	1	1	0	1	18	1	20	0	0
Government National Mortgage Association	26,300	1	2					1		1		
General housing	-	0	2									
Total	\$6,035,100	38	59	1	2	1	6	21	1	23	4	0
Community planning and development:												
Community development block grants	3,248,000	14	23	4	3			8		8		
Urban renewal	1,000,000	0	0									
Comprehensive planning grants (section 701)	62,500	3	2	1	1							
Rehabilitation loans (section 312)	50,000	1	0									
Total	\$4,360,500	18	25	5	4	0	0	8	0	8	0	0
Federal Insurance Administration	\$ 75,000	0	0	2	2							
New Communities Administration	4,400	0	23	2	2							
Consumer Affairs and Regulatory Functions	-	2	9	2	2							
Fair Housing and Equal Opportunity	-	2	6									
Federal Disaster Assistance Administration	300,000	1	4									
Policy Development and Research	55,000	0	0									
Department Management	202,600	8	32									
Other	-	0	2									
Grand total	\$11,032,600	69	160	10	8	5	34	44	9	40	9	1

a/ Amount of insurance in force on Sept. 30, 1976.  
b/ 13 of these were for declining urban areas which account for \$140,000 of insurance in force.  
c/ Total FY 1977 budgeted appropriation for FHA loans, including supplements.

- The Community Development Block Grant report.
- The Coinsurance report.
- The Mobile Home Construction and Safety Standards report.

Also, 15 special reports to the Congress or the President were identified during the period reviewed. Of these, four are required by a future date. Six of the completed reports deal with ongoing programs or activities.

- Substantial Defects for Mortgaged Homes.
- Community Development Block Grant distribution and allocation of funding.
- Modernization funds.
- Adequacy of the Mobile Home Construction Safety program.
- Condominiums and cooperatives.
- Direct financing.

Many of the evaluations on which the annual and special reports were based were not conducted by the evaluation offices and therefore were not included in our review. However, we did review the block grant funding and allocation report. (See ch. 4.)

Certain statutory provisions also call for evaluations, reviews, and audits, without a formal reporting requirement to the Congress. An example is section 104(d) of Public Law 93-383, which states that:

"The Secretary shall, at least on an annual basis, make such reviews and audits as may be necessary or appropriate to determine whether the grantee [of the Community Development Program] has carried out a program substantially as described in its application, whether that program conformed to the requirements of this title and other applicable laws and whether the applicant has a continuing capacity to carry out in a timely manner the approved Community Development Program."

## CHAPTER 3

### CRITERIA FOR ASSESSING HUD'S EVALUATION SYSTEM

In their ideal form, evaluations are conducted for clients who will look to the evaluations for answers on which to base their decisions. An evaluation system's overall effectiveness in fulfilling this purpose depends on how well the components of the system

- specify program objectives and measures of effectiveness,
- plan and coordinate evaluation activities,
- design and conduct evaluation studies, and
- disseminate and use evaluation results.

#### SPECIFYING PROGRAM OBJECTIVES AND MEASURES OF EFFECTIVENESS

To be useful, evaluations must compare outcomes of programs or activities with something else in order to reveal the effects of the programs or activities. To do this, objectives must be defined in clear, specific, and measurable terms; measurable indicators of goal achievement must be developed; and data must be collected on these indicators. The legislative process, however, often has not developed clear statements of program goals or objectives, nor has the subsequent administrative process.

Deciding what a program's objectives are and how progress toward these objectives is to be measured is a policy and legislative task. The evaluators' job is to measure progress against objectives. It is therefore important that evaluators work with decisionmakers to insure that they agree on program goals and performance measures, including the data needed to determine accomplishment of goals.

#### PLANNING AND COORDINATING EVALUATION ACTIVITIES

HUD, like many agencies, has a central evaluation staff reporting to the Secretary, as well as separate evaluation staffs in the major operating groups. In addition, certain evaluative capabilities may be found in the internal audit staff. An arrangement like this, while complicated, can help insure that the needs of various users in the agency

are met. This arrangement also makes it imperative that the agency have very effective planning and coordination processes; that is, the two processes must integrate the needs of users both within and outside the agency and must allocate available resources as effectively as possible to meet the full range of needs.

Planning studies which will be of maximum benefit to decisionmakers is necessary to (1) identify problems or issues which are evolving as major areas of concern and (2) decide which of the many problems merit studying. Thus, an effective planning process should

- identify the needs of the primary users, especially high-priority policy questions,
- delineate the problems to be studied and questions to be answered,
- identify constraints or assumptions of study designs and methods,
- specify the resources, both in-house and contract, to be committed, and
- identify reporting requirements to provide decision-makers with timely results.

Coordination at virtually every phase of the evaluation process is necessary to (1) avoid duplication of evaluation efforts, (2) more effectively use personnel by pooling resources in high-priority situations, (3) share completed work, (4) exchange ideas among evaluation units regarding data collection techniques, study design, and other methodological considerations, and (5) more extensively evaluate programs.

#### DESIGNING AND CONDUCTING EVALUATION STUDIES

The process of evaluating a program's results should begin when the program begins and continue as needed. Continuous appraisal is possible through a well-structured management information system. Even when such a system exists, however, formal evaluations are needed. To be relevant and useful to decisionmakers, evaluation studies should be designed in accordance with their purpose. For example, if the purpose is to find out what happened that would not have happened without the program, the evaluation design might involve data gathering before, during,

and after the program is carried out and comparisons with control groups, randomization, etc.

There are several approaches to designing evaluations. Some of the more common approaches are summarized below in the order which roughly corresponds to their reliability and cost. 1/

1. The one-shot case study--Makes observations or measurements of the individual or group only after exposure to the program. This is probably the weakest and yet the most common evaluation design.
2. Before versus after program comparison--Compares program results from the same jurisdiction measured at two points in time: immediately before the program begins and at some appropriate time after it begins.
3. Time trend projection of preprogram data versus actual postprogram data--Compares actual postprogram data with estimated data projected from a number of time periods prior to the program.
4. Comparisons with jurisdictions or population segments not served by the program--Compares data from the jurisdiction where the program is operating with data from other jurisdictions where the program is not operating.
5. Controlled experimentation--Compares preselected similar groups, of which some are served by the program and some are not (or are served in different ways). The critical aspect is that the comparison groups are preassigned before the program begins so that the groups are as similar as possible except for the program treatment.

The approach selected depends on the study's purpose. For example, if the purpose is to find out how well a particular program is achieving its goal for a continuation or abandonment decision, the optimal design would be the controlled experiment, which is often impossible in action settings.

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1/See, for example, Harry P. Hatry, Richard E. Winnie, and Donald M. Fisk; "Practical Program Evaluation for State and Local Government Officials," The Urban Institute (Washington, D.C., 1973), pp. 39 and 40.

On the other hand, if the purpose of a study is to help improve a program's practices and procedures, a one-shot case study or a before versus after program comparison may be adequate.

We did not attempt to assess the appropriateness of HUD's evaluation designs because of the extensive amount of resources that would be needed. We did, however, attempt to classify HUD's evaluations according to the research design used and the comprehensiveness of the study. A comprehensive study would, for example, project the outcome if the program is continued or expanded and would make recommendations for program changes which are logical, related to conclusions, highlighted, and addressed to specific officials.

When a formal report is issued, all findings and conclusions should be adequately supported for accuracy and reasonableness. Internal reviews and controls are therefore needed. Such quality controls should also provide technical and functional guidance in agency contracting procedures.

#### DISSEMINATING AND USING EVALUATION RESULTS

To be useful, evaluation results must be promptly disseminated to the decisionmaker or intended users. Although an overview of the evaluation may be orally presented to decisionmakers, evaluation results are usually communicated through a written report. While the report should be comprehensive, timely, and reliable, it is more important that it be tailored to the users' needs. Each evaluation will suggest its own reporting requirements, which should be made a matter of record in the work plan adopted before the evaluation begins.

## CHAPTER 4

### PROGRAM EVALUATIONS AT THE DEPARTMENT LEVEL:

#### AN ASSESSMENT

The Assistant Secretary for PDR has major responsibility for program evaluation and is the principal advisor to the Secretary on overall Department policy, program evaluation, and research.

The Office of Policy Development and Program Evaluation within PDR is responsible for program evaluation across all HUD programs. Its primary responsibilities include:

- Developing and carrying out a plan for analyzing and evaluating programs based on the Department's mission and the national goals and objectives for housing and community development.
- Coordinating the evaluation activities of, and providing functional guidance to, the program planning and evaluation staffs of other Assistant Secretaries, the Inspector General, and regional administrators.
- Reviewing, analyzing, and evaluating the impact and effectiveness of the Department's programs and activities.
- Developing and coordinating the departmental contract evaluation budget.
- Preparing analysis and evaluation reports for the Assistant Secretary for PDR, the Under Secretary, and the Secretary.

Within the Policy Development and Program Evaluation Office, the Division of Impact Analysis 1/ conducts long-term impact studies and the Division of Special Studies conducts short-term impact and reconnaissance studies to identify emerging policy and program issues. In fiscal year 1977, the Impact Analysis Division and the Special Studies Division devoted 10 and 8 professional staff-years, respectively, and \$2.3 million to evaluation.

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1/Shortly after the period we reviewed, the Impact Analysis Division was moved to PDR's Office of Research and Demonstration.



We believe that PDR needs to place more emphasis on:

- Specifying program objectives and measuring program effectiveness.
- Developing an overall master plan for evaluating departmental programs.
- Coordinating HUD's evaluation activities.
- Providing evaluative information in its studies.
- Using evaluation designs which allow for assessment of a program's effect.
- Establishing procedures for disseminating evaluation studies.

SPECIFYING PROGRAM OBJECTIVES  
AND MEASURES OF EFFECTIVENESS

During the period covered by our review, the Policy Development and Program Evaluation Office completed 38 studies dealing with housing assistance, mortgage insurance, and community development block grants. <sup>1/</sup> Of the 38 studies, only 12 used standards to measure achievement. However, 17 of the studies that did not use standards were research oriented and supported a larger overall evaluation which did use standards to measure achievement. For the 12 studies which used standards, legislative and departmental written goal statements were the main sources, as shown below. We believe that measuring a program's achievement in terms of such statements enhances the usefulness of evaluations to decisionmakers.

	Number of studies	Number of studies using standards	Legis-lation	Source of standard (note a)			
				Compliance policies or manuals	HUD written goals	National norms	Other
Impact Analysis Division	30	6	4	-	3	-	3
Special Studies Division	8	6	4	2	3	1	3
Total	<u>38</u>	<u>12</u>	<u>8</u>	<u>2</u>	<u>6</u>	<u>1</u>	<u>6</u>

a/More than one source was used for some studies.

<sup>1/</sup>Seven additional studies completed during the period dealt with other program areas and were not reviewed.

Although the office believes it would be helpful for both evaluators and program managers to develop clearly stated goals and indicators for assessing programs, there were no plans to do so. In 1976 PDR responded to the Office of Management and Budget on this matter and questioned whether the absence of clearly specified goals was a major stumbling block for evaluation. PDR stated that most evaluators know the right questions to ask about a particular program and that evaluators face more important problems, such as the lack of clear identification of which programs most need evaluation, the failure to identify evaluation needs in time to permit adequate analysis, the lack of data, and the lack of adequate methodology. These problems are important to effective evaluations; however, we believe that if decisionmakers and/or program administrators disagree among themselves or with evaluators on a program's objectives and the measures used to determine achievement of objectives, a study will likely be inconclusive.

#### PLANNING AND COORDINATING EVALUATION ACTIVITIES

The Policy Development and Program Evaluation Office is responsible for planning and coordinating the Department's evaluation activities. We found that:

- The Department's planning agenda contains some of the essential planning elements mentioned in chapter 3, but certain areas need more emphasis.
- Coordination with program and regional offices, as well as outside groups, needs improvement.
- Many of the major issues are not being addressed.

#### Need to include more essential elements in Department's agenda

HUD's planning process, which consists of developing an annual departmental evaluation agenda, is being revised to more closely relate the Department's evaluation and research agenda to the major policy questions facing HUD and to reduce the number of loosely related projects. The fiscal year 1979 agenda is being formulated using the new procedures but was not complete at the time of this review. Therefore, we reviewed the fiscal year 1977 agenda. (An agenda for 1978 was not prepared.)

The 1977 agenda lists study proposals by major program area and contains such information as the study title, the

start and completion dates, the HUD office conducting the study (selected studies by program and regional offices are included), the study purpose, the in-house or contract activity, and expected fiscal year activity. Although this information is essential to planning, we believe additional emphasis on the following areas would make the agenda more effective.

- Delineation of the problems to be studied and questions to be answered.
- Identification of the designs and methods to be used, along with the constraints and assumptions.
- Identification of the resources required for studies and the priorities established.
- Identification of all anticipated work in an area. (For example, all efforts planned by program and regional offices should be included.)

Incomplete planning increases the possibility that the important questions on program impact and effectiveness will not be answered. Additionally, failure to identify all work in program areas, as well as the feasibility of a study and the resources required, sometimes results in duplication of a study and misallocation of limited evaluation funds.

Although the revised procedures for developing a departmental agenda will address major policy issues, the agenda will include only PDR's plans; the evaluation plans of the program and regional offices will not be included. We believe that inclusion of the planning elements identified on page 15 would help HUD develop a more coordinated and comprehensive evaluation program.

#### Need to improve coordination

The Office has not placed enough emphasis on coordinating the evaluation activities of HUD's program and regional offices and does not coordinate with outside groups. We believe that increased coordination would allow HUD to realize the full potential of its limited evaluation resources.

We have concluded, as did the 1976 draft of the Assistant Secretary for Administration's "Review of Departmental Evaluation Processes," that the Office has chosen to develop a centralized capability to perform and contract evaluations rather than to function primarily as a coordinator of evaluations.

Evaluation groups have indicated that they normally plan their own work without help from the Office and, with the exception of contracted studies, evaluate those areas they feel merit attention.

In a February 1974 HUD report, "Review of the Departmental Program Evaluation Process," OIG recommended that PDR develop written policy and operating procedures for program evaluation throughout the Department. The procedures were to cover the roles and responsibilities of PDR and other program evaluation units, as well as working relationships and cross-cutting responsibilities such as coordination among the units. We found that, except for stating a few Office responsibilities in its handbook, the Office has not yet developed written policy and operating procedures. Additionally, it has not defined or described all of the various types of studies that HUD evaluation groups conduct. This might improve management of the evaluation function, as well as communication between the groups.

#### Major issues not addressed

As shown on page 23, 20 of the 38 reports reviewed were not directed toward any of the major housing and community development issues discussed in appendix I. Sixteen of these issues were not addressed at all.

The housing assistance area, which has not been reviewed by the Impact Analysis Division, has been examined by another group. Although this group was not identified to us as having evaluation resources and responsibilities, its work appeared in the planning agenda. This group has been given research resources to evaluate the section 8 housing assistance program and the performance funding system (part of public housing operating subsidies). This situation not only makes it difficult to accurately determine the resources devoted to evaluating ongoing programs but also might cause problems in planning and coordinating evaluations.

We found very little duplication between the issues addressed by Policy Development and Program Evaluation and those reviewed by the program offices. (See pp. 38 and 41.) However, we found no evidence that this resulted from coordination. To ensure that duplication continues to be avoided, we believe that coordination should be increased.



## DESIGNING AND CONDUCTING EVALUATION STUDIES

In reviewing the Office's studies and contracting procedures, we found that:

- Most of the studies were research oriented.
- Many of the research designs were characterized by model building or theory development and did not measure program impact or effectiveness.
- Many important evaluation elements were missing.
- Quality controls were needed.
- Potential problems existed for contracted studies.

### Research-oriented studies

The table on page 25 identifies, by program area, the number, cost, and types of studies we reviewed. Of the 30 studies completed by the Impact Analysis Division, 22 were classified by the Division as research and only 2 as impact evaluations. Of the eight studies completed by the Special Studies Division, three were impact and/or relative effectiveness and one was research.

The research studies were directed toward discovering, explaining, and predicting relationships among significant variables or factors. For example, the studies addressed the variables which affect mortgage defaults and the impact of FHA policies on housing density, location, and ownership characteristics.

### Need for more impact- or effectiveness-related designs

The table on page 26 identifies the evaluation designs of the studies reviewed. As can be seen, 12 of the 38 studies used a theoretical design, which can generally be classified as exercises in model building or theory development.

The theoretical design is not really an evaluation design in that it is not concerned with determining a program's achievement of objectives. Most of the studies using such a design were aimed at building up a framework to analyze the effect of FHA policies on such factors as race, income, and housing location and density. These studies used such analytical tools and techniques as statistics,

NUMBER, COST AND TYPES OF STUDIES													
Evaluation Unit/Program Area	Number Studies	No. Contracted	Cost	Impact	Relative Effectiveness	Performance	Compliance	Efficiency/Economy	Policy Analysis	Basic Research	Monitoring	Issue or Option Paper	Other
Impact Analysis Division													
Housing Assistance	0		0										
Mortgage Insurance	20	15	495,017	1				1	15				3
Block Grant	10	2	958,523	1					7				2
Total Impact Analysis	30	17	1,457,540	2				1	22				5
Special Studies Division													
Housing Assistance	4	0	505,000			1						1	
Mortgage Insurance	3	2	364,551	1	1					1			
Block Grant	1	0	50,000	1									
Total Special Studies	8	2	919,551	2	1	1						1	
Grand Total	38	19	2,377,071	4	1	1		3	23			1	5

EVALUATION DESIGNS USED								
EVALUATION UNIT/ PROGRAM AREA	TOTAL NUMBER OF STUDIES	EVALUATION DESIGNS					THEORETICAL	CANNOT DETERMINE
		ONE- SHOT CASE STUDY (1)	BEFORE VS AFTER COMPARISONS (2)	TIME TREND (3)	COMPARISONS WITH AREAS NOT SERVED (4)	CONTROLLED EXPERIMENT (5)		
IMPACT ANALYSIS DIVISION:								
MORTGAGE INSURANCE	20	1		6	1		9	3
BLOCK GRANT	10	3	1	2			2	2
TOTAL IMPACT ANALYSIS	30	4	1	8	1	0	11	5
SPECIAL STUDIES DIVISION								
HOUSING ASSISTANCE	4	4						
MORTGAGE INSURANCE	3		1			1	1	
BLOCK GRANT	1	1						
TOTAL SPECIAL STUDIES	8	5	1	0	0	1	1	0
GRAND TOTAL	38	9	2	8	1	1	12	5



model simulation, hypothesis testing, and comparative analysis. Although useful in policy development, such theoretical studies did not provide decisionmakers with information related to how well a program is functioning.

### Important information excluded from studies

The Policy Development and Program Evaluation Office has defined "program evaluation" as the process of obtaining reliable information and using that information to assess both the benefits and the costs of programs. The definition stipulates that program evaluation should attempt to determine whether an existing program is the best way to achieve a legislated program's intended purpose and how program performance could be improved. Using this definition and the elements identified in chapter 3, we analyzed the 38 studies and found that many of the elements were not evident, as shown on page 28. The studies could be more useful to decisionmakers if they

- referred to program objectives,
- measured progress toward objectives,
- assessed program impact and effect, and
- projected what could be expected if the program were continued or expanded.

Additionally, one of the general criticisms of evaluations has been the failure to include recommendations directed at program, policy, or procedural changes. We found that most of the Office's studies did not contain recommendations, as shown on page 29. PDR feels it is appropriate to keep recommendations separate from the evaluation since the report's function is to communicate the findings of the study and not to serve as a policy document.

### Need for quality controls

To ensure that high-quality work is produced, internal review mechanisms, or quality controls, should provide technical and functional guidance and/or standards for contracting, conducting, monitoring, and reviewing evaluations. We found little evidence that Policy Development and Program Evaluation has provided guidance or standards for the Department. This is particularly important for those program offices conducting few or no evaluations.

EVALUATION UNIT/ PROGRAM AREA/ TYPE OF STUDY	NUMBER OF STUDIES	DEGREE TO WHICH THE STUDY ADDRESSED:																					
		Definition of Program Objectives						Measures of Progress Towards Objectives						Assessment of Difference These Programs Make of Continuing Program									
		* VS		* U		* N		VS		S		U		N		VS		S		U		N	
		*	.	*	.	*	.	*	.	*	.	*	.	*	.	*	.	*	.	*	.	*	.
IMPACT ANALYSIS DIVISION																							
MORTGAGE INSURANCE																							
RESEARCH	17	3		14		2		15		3		14		4		1		12					
OTHER	3	1		2		1		2		1		2		1		2		2		1		2	
BLOCK GRANT																							
RESEARCH	7	5		2				7				7				7						7	
OTHER	3	1		1		1		1		1		2		1		2		1		2		2	
TOTAL IMPACT ANALYSIS	30	1	10	19	1	4		25	1	4		25	1	4		25	1	4		25	1	4	
SPECIAL STUDIES DIVISION																							
HOUSING ASSISTANCE	4	2		1		1		2		1		1		1		2		1		1		2	
MORTGAGE INSURANCE																							
RESEARCH	1	1				1				1				1				1				1	
OTHER	2	2				2				2				2				2				2	
BLOCK GRANT																							
RESEARCH	0																						
OTHER	1	1				1				1				1				1				1	
TOTAL SPECIAL STUDIES	8	6	1	1		6	1	1		6	1	1		5	1	2		5	1	2		5	1
GRAND TOTAL	38	1	16	1	20	1	10	1	26	1	9	1	27	1	10	2	25						

\*VS Very Satisfactory    S Satisfactory    U Unsatisfactory    N No or Not Applicable

Evaluation Unit/ Program Area/ Type of Study	Number of Studies	Study Content Recommendations		Recommendations Require Program Policy/Procedure Changes		Degree to Which Study Recommendations Are:																	
		Recommendations		Yes		No		Logical				Related to Conclusions				Highlighted				Addressed to Specific Group With Authority to Take Action			
		Yes	No	Yes	No	VS	S	U	N	*	VS	S	U	N	VS	S	U	N	VS	S	U	N	
Impact Analysis Division																							
Mortgage Insurance																							
Research	17	3	14	1	2																		
Other	3	1	2	1																			
Block Grant																							
Research	7	1	6	1																			
Other	3	1	2	1																			
Total Impact Analysis	30	6	24	4	2																		
Special Studies Division																							
Housing Assistance	4	0	4/a.																				
Mortgage Insurance																							
Research	1	1	0	1																			
Other	2	1	1	1																			
Block Grant																							
Research	0																						
Other	1	1	0	1																			
Total Special Studies	8	3	5	2	1																		
Grand Total	38	9	29	6	3																		

\*VS - Very Satisfactory  
/a. two of these four had policy papers which we reviewed and determined the quality was satisfactory for all four factors.

S - Satisfactory  
U - Unsatisfactory  
N - No or Not Applicable

We believe the following steps, if taken by the Office, would improve the effectiveness of HUD's program evaluation system.

- Develop written guidelines describing how various types of studies should be conducted, who should conduct them, what methods should be applied, what types of data should be included, and what modeling techniques could be used.
- Develop control mechanisms to ensure that priority evaluations meet accepted standards of methodology and objectivity.
- Provide technical assistance to other departmental evaluation groups.

#### Potential problems with contract studies

By contracting for data collection and evaluations, HUD has been able to procure studies that it did not have the resources or expertise to make in-house. At a cost of \$2.9 million, HUD has contracted for 32 evaluation studies, or 28 percent of all program evaluation studies initiated and/or completed during the period reviewed.

Although the Policy Development and Program Evaluation Office reviews program offices' requests for contracted program evaluation studies, it has not developed written criteria on which studies or parts of studies will be contracted. Office officials told us they conducted as many studies in-house as staffing resources permitted. Generally, studies have been contracted when (1) clearly defined issues do not cross program lines, (2) a great deal of outside data collection is involved, or (3) a particular contractor has expertise with the issues.

In addition to carrying out their other responsibilities, Office professional staff members serve as Government technical representatives and monitor all evaluation contracts. One individual may monitor as many as four contracts. We believe this workload might prevent them from devoting sufficient time to seeing that contracted studies are properly conducted.

The Office and other HUD officials believed that the present mix of in-house and contracted studies is a good one and that the advantages of contracting offset any disadvantages. They said contracting had the following advantages.

- It increased their flexibility in conducting studies.
- It allowed them to draw from a broader base in selecting qualified evaluators.
- It promoted the development of new ideas and approaches that may have been overlooked by an in-house evaluation group with "program biases."

The disadvantages of contracting mentioned by the officials include:

- Contractors may tend to draw conclusions beyond the scope of their data base.
- HUD personnel do not benefit from the experience of conducting the evaluations.
- It is more difficult to insure the quality of contracted work.

In their comments on our report (see app. III, p. 80), the Department pointed out that agencies often overcome staff constraints with contract funding. This approach creates other difficulties such as designing contracted studies that can respond to changing needs of policymakers and losing the expertise gained by the contractor. While a number of HUD's evaluation studies must be contracted, we believe that to minimize potential problems, written contracting criteria should be developed, individual projects should be thoroughly planned, and contractor performance should be properly monitored.

#### Examples of selected studies

One of the contracted studies, "Block Grants for Community Development," leaves little doubt about its immediate usefulness. The study used a before versus after program comparison design. It dealt with an important topic, the effects of the block grant program's funding and allocation formula on community development, and was produced by the Brookings Institution as input for HUD's use in re-authorization hearings. This study was undertaken in partial response to Public Law 93-383 and was to include a determination of how funds authorized under title I could be distributed in accordance with community development needs, objectives, and capacities.

Two other significant studies are the in-house reports on "Causes of Decline in FHA's Section 203 Default Insurance Program" and "The Future Role of FHA." The section 203 study, which we believe was well done, identified the factors that contributed to the program's decline. The other study was an outgrowth of several studies, including the section 203 study. It contained a relatively good summary of the general trends, findings, and conclusions about FHA. It is not, however, an authoritative study that could provide decisionmakers with the kind of documentation needed to remove uncertainties and confidently define specific actions.

"The Section 8 Housing Assistance Payment Program: Existing Housing" report is an example of a reconnaissance study (a broad-based evaluation of the impact and operation of a program at the field level) completed by the Special Studies Division. This study, through survey research in the field, focused on several key issues relating to the impact of the section 8 program. The issues included dispersion of housing units, fair market rent standards, and proper administration of the program. We believe that this type of study provides decisionmakers with concrete actions to consider based on hard data, clarifies issues and facts, and reduces uncertainty in decisionmaking.

#### DISSEMINATING AND USING EVALUATION RESULTS

Although PDR has established a division for disseminating evaluation studies, it has no set dissemination procedures. In addition, there is no catalog or list of completed studies to which individuals or groups can refer.

We were told that most studies are made available to all HUD program offices and to the regions and that some studies are made available to the public. However, several HUD program office administrators and managers and congressional committee staff members were unaware of much of the Office's work. By establishing dissemination procedures and circulating a list of reports, we believe the Office could more effectively provide studies to the officials who need them.

#### Comments on the evaluations' usefulness

During the discussions with HUD, congressional, and other officials on the effectiveness of the Office's evaluation activities, the following comments were made.

- Although past studies have advanced the state of the art, the evaluations seem to be approaching a "brush fire" operation.
- There are not enough impact-oriented studies.
- There are not enough evaluation studies that can be used by regional decisionmakers.
- The studies are moderately objective and accurate but are not received in a timely manner.
- The studies are not sufficiently related to program missions.
- There have never been adequate long-term evaluations of housing programs. Until this is done, good short-term evaluations cannot be made.

### CONCLUDING REMARKS

Many Policy Development and Program Evaluation studies are oriented toward model building and theory development. Although such studies may provide important information, they do not provide sufficient feedback to decisionmakers on a program's progress in achieving its objectives. To provide more useful information to decisionmakers, the Office needs to place more emphasis on specifying program objectives and measures of effectiveness and on using evaluation designs which permit assessment of a program's effectiveness.

PDR's comments on this recommendation state that while it agrees on the desirability of clearly specifying program objectives and measures of effectiveness, and that studies are enhanced when evaluators and program personnel work together, the problem is not easily resolved. HUD identified their activities for accomplishing this recommendation and reasons why the solution is not easy. They stated that it is difficult to:

1. Develop more concrete goals for programs like block grants which have such vague objectives as elimination of slums and blight and which provide funds to local governments for general community development goals.
2. Find ways to measure progress toward achievement of goals and have program managers and evaluators use the same measure.

3. Find ways to identify and measure the indirect effects of programs.

These types of difficulties are among the reasons why we believe that more emphasis on specifying program objectives and measures of effectiveness is needed to provide more useful evaluative information on programs' achievement of objectives.



## CHAPTER 5

### PROGRAM EVALUATIONS AT THE PROGRAM LEVEL:

#### AN ASSESSMENT

The program Assistant Secretaries and other program administrators have major responsibilities for conducting relative effectiveness evaluations and some responsibility for conducting impact evaluations.

This chapter describes the program evaluation activities of two program offices--the Offices of the Assistant Secretaries for Housing and for Community Planning and Development. These Offices currently have the major program responsibility for formal evaluation studies.

Involvement in program evaluation at the program level during our review is indicated below.

<u>Program office</u>	<u>Number of studies</u>		<u>1977 resources</u>	
	<u>Com- pleted</u>	<u>In process</u>	<u>Staff</u>	<u>Obliga- tions</u>
Housing	5	-	3	\$ 90,000
Community Planning and Development Neighborhoods, Voluntary Associa- tions and Consumer Protection	6	18	33	2,128,000
New Communities	3	-	5	206,000
Federal Disaster Assistance Administration	22	-	3	1,100,000
Fair Housing and Equal Opportunity	1	-	1	30,000
	-	-	-	-

#### OFFICE OF ASSISTANT SECRETARY FOR HOUSING

Within the Office of the Assistant Secretary for Housing, the major responsibility for program evaluation is assigned to the Office of Policy Development and Evaluation. This Office has delegated its responsibility to its Program Evaluation Division. We found that within the Office only minimal efforts have been devoted to assessing program effectiveness and impact.

1/ Activities funded from New Communities Fund, a public enterprise fund.

### Specifying program objectives and measures of effectiveness

The Housing and Urban Development Act of 1968 (82 Stat. 476) reaffirmed the 1949 national housing goal of "a decent home and a suitable living environment for every American family" and established the following objective:

"\* \* \* it [national housing goal] can be substantially achieved within the next decade by the construction or rehabilitation of twenty-six million housing units, six million of these for low and moderate income families."

However, the general opinion of housing program administrators is that setting measurable goals and objectives other than overall production goals is difficult and somewhat infeasible, especially before a program has been established. Furthermore, there is, in many cases, an uncertainty about the congressional intent in establishing a program, and the multipurpose nature of many programs adds to the problem. As a result, measurable objectives have not been established for many programs. We also noted that there has been little interaction between legislators, program managers, and evaluators in trying to establish them.

As indicated on page 35, the Division has completed five formal evaluation studies, of which we analyzed three. The other two studies were issue papers prepared for the new administration and, therefore, were not included in our analysis. In two of the three studies we analyzed, the program's outcome was compared to some base measure.

### Planning and coordinating evaluation activities

The Program Evaluation Division does not have a formal planning process and, in general, their studies have been undertaken on a case-by-case basis with little or no planning. We were told that prior housing officials had little interest in evaluation and that, in fact, the evaluation staff was detailed to another division in the Office from July 1975 through March 1976 to carry out a task other than program evaluation. We believe that this may be part of the reason that the Program Evaluation Division has devoted little effort to planning evaluations.

Coordination has consisted of supplying PDR with proposals for the Department's agenda and keeping abreast of PDR's evaluation activities. Some information is also provided to the Office of the Inspector General in planning its internal audit activities.

Although the Division has completed few studies, six of the major housing issues identified in appendix I were discussed in the three studies we reviewed, as shown on page 38. There appears to be minimal duplication of these issues by other evaluation groups, although four of the issues addressed were also addressed in PDR studies. (See p. 23.)

### Designing and conducting evaluation studies

One of the three studies reviewed was a discussion paper involving the problems of, and alternatives to, converting one program to another. As such, it provided no indication of how well a current program was progressing. The other two studies drew conclusions based on compliance with HUD policies and comparisons to national statistical averages. The designs used in conducting the studies were not very extensive (mostly a one-shot case study), although they may have been appropriate for the studies' purposes.

All three studies contained recommendations for program or procedural changes. Generally, the recommendations appeared to be logical, related to conclusions, highlighted, and directed to the specific groups with authority over the programs.

### Disseminating and using evaluation results

The Policy Development and Evaluation Office has no formal process for distributing evaluation studies to decisionmakers. However, most of the appropriate housing program administrators had received, or at least were aware of, the reports completed during our review.

### Concluding remarks

In view of the fact that housing programs account for more than 50 percent of HUD's budget, there is reason for concern that only minimal effort has been devoted to evaluation. Generally, those studies that were undertaken provided little information on how well housing programs are meeting established objectives.

The relatively small size of the evaluation staff in the Office of the Assistant Secretary for Housing (compared to that organization's size and responsibility), the relatively

ISSUES ADDRESSED BY STUDIES		MORTGAGE INSURANCE ISSUES																					
		HOUSING ASSISTANCE ISSUES											MORTGAGE INSURANCE ISSUES										
PROGRAM AREA	NUMBER OF STUDIES	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	No
		Dispersion of Housing	Const. vs. Preservation	Prod. Subs. vs. Cash Ass.	Low vs. Moderate Subs.	Ass. Hous. Role in CDBG	Hous. Ass. vs. Sect. 8 Progs.	Block Grant for Sect. 8	Sect. 8 Finance Const.	Change Sect. 8 Financing	Proper Admin. of Progs.	Sect. 235 Serve Moder. Inc.*	Use Sect. 8 for FHA	Fair Market Rent for Sect. 8	Alter. FHA Structure	Inc. Mortgage or Dec. Paymt.	Insur. and Counsel for Default	Const. Rules on FHA	Property Mgmt. and Dispos.	Interest Rate Subsid.	Housing's Economic Role	No Issues	
HOUSING ASSISTANCE	2					1	1																
MORTGAGE INSURANCE	1				1																		1
TOTAL	3				1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1

little output of that staff, the evident willingness to use the staff for tasks other than evaluation, and the limited interest of prior housing officials in evaluation has led us to the conclusion that previous housing officials placed a low priority on program evaluation. If evaluation is to become useful to housing program officials, management must exert direction and control. This point was highlighted in the Inspector General's report, "Review of the Departmental Program Evaluation Process," and confirmed during our review.

#### OFFICE OF ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT

The Office of Evaluation in the Office of the Assistant Secretary for Community Planning and Development is responsible for program evaluation, specifically relative effectiveness evaluations. The Evaluation Office has three divisions--Urban Studies, Program Evaluation, and Technical Support and Dissemination--which are responsible for planning, conducting, and coordinating evaluations and analyses of community planning and development programs and activities at all levels.

The Evaluation Office is different from the housing program evaluation unit because of its higher staffing level (see p. 35) and its separation from the policy group. Although the Office has made the most progress of the program offices in establishing an evaluation capability, several actions could increase the usefulness of its studies.

#### Specifying program objectives and measures of effectiveness

Although the Office has made progress in measuring some of the block grant program's secondary objectives, we noted a lack of quantification of the primary program objectives. Again, program officials pointed out the difficulty of measuring certain program aspects, such as an increase or decrease in blight.

The Housing and Community Development Act of 1974 (88 Stat. 633) requires the Evaluation Office to report to the Congress on the progress made in meeting the legislative objectives of the Community Development and Block Grant Program. We reviewed the first and second annual reports and found they provided information on the use of the funds but did not sufficiently address the program's progress. For example, the reports identified four major types of activities which can eliminate slums and blight and discussed the amount of funding for each. However, the reports did not define "blight" or describe how much of it existed in the various localities. Therefore, the measurement of a change in blight,

which we believe is essential in determining the program's progress toward its goals, is difficult. Although the legislative objectives of the block grant program may be general and ambiguous, we believe that they must be translated into specific, measurable terms before evaluations can be useful.

Community Planning and Development officials have stated that they did not attempt to measure the program's progress toward all of its objectives because of a conscious decision to give the recipients time to put the program's measurable activities (such as rehabilitation structures, streets, and other physical and social development) into place. Some of the block grant's secondary objectives for which the Office has developed measures are: citizen participation, fostering the undertaking of community development and housing activities in a "coordinated and mutually supportive manner," conserving and expanding the Nation's housing stock, and providing assistance to localities with "maximum certainty and minimum delay."

#### Planning and coordinating evaluation activities

A draft master plan for evaluating the block grant program was developed in 1975, but we found no indication that this or any other master plan had been used. Furthermore, we were told that the Evaluation Office's planning is basically done on a project-by-project basis. Potential evaluation projects are given priorities by the importance of the issues and the needs they address. We reviewed four studies indepth and found that three of them were directed at some of the major issues identified in appendix I. The issues addressed are shown on page 41.

Like the Housing evaluation group, the Evaluation Office submits requests and other information to PDR for the Department's agenda. Both the Office and PDR are aware of each other's evaluation work and plan accordingly. Generally, we believe that the Office has adequately coordinated its evaluation activities.

#### Designing and conducting evaluation studies

The Evaluation Office prepares three basic types of reports: the block grant annual reports required by law, a series of national evaluation reports to aid future policy formulation, and working papers for HUD's internal use.

During the period reviewed, the Office completed 5 studies and had 18 in process. Four of the six completed studies dealt with the block grant program. Of these,

ISSUES ADDRESSED BY STUDIES													
PROGRAM AREA	NUMBER OF STUDIES	COMMUNITY PLANNING AND DEVELOPMENT ISSUES											
		22	23	24	25	26	27	28	29	30	31	32	
		Role of CDBG	Declining Cities	Urban Dev. Action Grants	Applic. of CDBG	CDBG Formula Adequacy	CDBG Commercial Devel.	CD Part. Criteria	CDBG and Housing	Purp. and Effect of 701	Contr. or Discort. Sect. 312	No Issues	
BLOCK GRANT	4				1	1	1	1	1				1

three were classified by the Office as relative effectiveness evaluations and one as an impact evaluation. We found, however, that two of the studies made no comparison to a base measure and that none of them satisfactorily measured progress toward objectives. Generally, the studies provided a basic monitoring and description of the program. These four reports have been classified as one-shot case studies because they provided measurements only after exposure to the program. However, the Office has stated that these studies are part of an ongoing activity to evaluate the block grant program. (See app. III, p. 87.)

### Disseminating and using evaluation results

Although the Evaluation Office has a dissemination division, it has no formal report distribution list. The reports are sent to those who might be interested, such as office directors and various local groups which might have participated in the study.

Officials of HUD, the Office of Management and Budget, the Congressional Research Service, congressional staff members, and several private housing groups identified several areas affecting the usefulness of the Office's studies, such as:

- The studies mostly monitor program efficiency, without sufficient depth of review.
- Vague and unmeasurable objectives make evaluation difficult.
- There is no master plan relating studies to program missions.
- The annual agenda is inflexible and has no allowance for short-term projects.
- The objectivity of studies was questionable.

### Concluding remarks

There has been little success in translating block grant program objectives into measurable terms, primarily because of the belief that it is impossible to quantify such things as neighborhood blight. Because of this problem, the reports submitted to the Congress have merely described the program at a certain point in time and have not reported whether the program's primary objectives are being met. If more than this is needed by decisionmakers, objectives will have to be translated into measurable terms.



## CHAPTER 6

### PROGRAM EVALUATIONS AT THE REGIONAL LEVEL:

#### AN ASSESSMENT

To effectively manage programs, regional managers should be able to determine how realistic program objectives are, whether they are being met, and--if not--why. In addition, because they have decisionmaking authority, they should be able to assess the impacts and side effects of HUD programs on geographic regions and local governments.

Regional managers share the responsibility for making and coordinating impact and relative effectiveness evaluations with program Assistant Secretaries and the Assistant Secretary for PDR. We found that, for the most part, the regions have limited evaluative information available for making program decisions.

#### LIMITED INFORMATION AVAILABLE

The regions have limited evaluative information available for use in making decisions because headquarters has made little effort to provide them with either evaluation studies or the staff allocations to make their own evaluations. More specifically, we found that:

- Studies made by the headquarters evaluation groups are not designed and written to aid regional decision processes. Regional personnel have criticized these studies for being too broad in scope, too technical, and often taking an historical perspective.
- The headquarter groups have no formal procedure for disseminating reports or for notifying regions of ongoing and planned studies. This leaves regional management unaware of available information.
- Headquarters has not allocated sufficient evaluation resources to the regions, which has prevented most regions from developing needed information.

In allocating staff years to the regions, headquarters does not allocate positions specifically for evaluations. Thus, to conduct evaluation studies, regional offices must assign program personnel or use discretionary positions (positions which can be used at the discretion of the regional administrator to help carry out program and administrative responsibilities). Since regional priorities, workloads, and staff levels differ, the emphasis placed on evaluation varies considerably. Except for San Francisco, which has committed five program and four discretionary positions to evaluation, the regions have very few evaluation resources.

During fiscal year 1977, the regional staff years devoted to evaluation, as reported to the Office of Management and Budget, were as follows:

<u>Region</u>	<u>Staff-years</u>
I--Boston	3.0
II--New York	1.5
III--Philadelphia	-
IV--Atlanta	.5
V--Chicago	.3
VI--Dallas	1.3
VII--Kansas City	-
VIII--Denver	.1
IX--San Francisco	9.0
X--Seattle	<u>1.5</u>
Total	<u>17.2</u>

Regional officials told us they wanted to increase their evaluation capability by either conducting more of their own studies or assisting headquarter groups.

#### CONCLUDING REMARKS

Regional program managers need to know whether program objectives are being met and, if not, why not. We found, however, that most regional offices have been given limited resources for evaluation purposes. The regions' present total commitment of 17.2 staff years to evaluation does not appear to be sufficient to allow them to develop information for use in managing programs at the field level. We believe this commitment should be reviewed.

## CHAPTER 7

### PERFORMANCE EVALUATIONS: AN ASSESSMENT

Performance evaluations determine the operational performance of regional and field offices in relation to established standards. At present, the operational performance of headquarters organizations is not evaluated, even though about one-fourth of HUD's full-time employees are located at headquarters.

The Deputy Under Secretary for Field Operations is responsible for coordinating and administering onsite reviews of the regional offices. The Performance Evaluation Staff, consisting of four full-time professional staff members, carries out this responsibility by assisting the program offices in their annual evaluation of each regional office. These evaluations are conducted during 1-week onsite visits.

Regional office evaluations of field offices vary in frequency, format, and amount of remote and onsite reviewing. As a result, we were unable to accurately identify the amount of resources devoted to such evaluations.

We believe HUD's performance evaluations could be improved by

- developing performance criteria or guidelines for developing such criteria,
- including headquarters functions in the scope of this activity, and
- identifying methods to improve performance.

#### SPECIFYING PROGRAM OBJECTIVES AND MEASURES OF EFFECTIVENESS

The objective of performance evaluations is to determine the efficiency and effectiveness of HUD's operations. Performance is to be measured in terms of

- productivity,
- timeliness of service,
- cost effectiveness,
- use of resources, and
- quality of service.

At the time of our review, the Department had no standards for measuring performance in these terms. We were told that three Assistant Secretaries' staffs (Fair Housing and Equal Opportunity, Community Planning and Development, and Administration) had developed performance standards but that the Department had not officially adopted or released them. Such standards are essential to evaluations, especially if performance evaluations are to provide uniform, comparable data which can be analyzed for national trends and used as a basis for comparing one office's performance with another's.

The May 1976 draft report by the Assistant Secretary for Administration, "Review of Departmental Evaluation Processes," recommended the establishment of a handbook on performance evaluations. A draft handbook has been developed which provides a framework for a revised performance evaluation system, including criteria for measuring performance. However, we were told that the approval and use of the handbook is pending the reorganization of HUD. In our opinion, a handbook which provides guidelines for developing performance criteria and the criteria themselves are critical to a useful evaluation system.

#### PLANNING AND COORDINATING EVALUATION ACTIVITIES

The Performance Evaluation Staff annually prepares a schedule of evaluations of the regional offices. Regional evaluations of field offices are coordinated by a designated group in each region and are then approved by the Deputy Under Secretary for Field Operations.

A formal planning process is being developed pending the proposed reorganization of HUD. We believe such a process is necessary to ensure that (1) priority is given to those program areas with the most visible operational problems and (2) resources are allocated to the most significant problem areas.

#### DESIGNING AND CONDUCTING EVALUATION STUDIES

The emphasis of headquarters evaluations of regional offices has moved from checking compliance with policies and procedures to evaluating management performance in general. Recent evaluations have focused on determining the regions' effectiveness in terms of their monitoring and evaluation systems, technical assistance and field support, training, and organization and staffing. These evaluations, however, have been conducted without the benefit of criteria delineating what constitutes success.

We also found that evaluation reports sometimes contained recommendations that did not consider operational constraints, such as staffing and travel. In many cases, recommendations did not relate to improving performance. We believe that highlighting the reasons for inefficiency and ineffectiveness would increase the studies' usefulness. Furthermore, many of the recommendations merely endorsed ongoing regional activities by recommending that the activity continue. Such endorsements may be useful in sustaining the same level of performance but are of limited use in improving performance.

Discussions with HUD officials further disclosed that headquarters evaluators do not maintain records of interviews and documents examined to support their findings and recommendations. Regional office responses to evaluation reports also indicated that regional officials occasionally disagreed with the facts and conditions reported. Disagreements of this type and the lack of supporting documentation may reduce the credibility of the evaluations and adversely affect their usefulness.

#### DISSEMINATING AND USING EVALUATION RESULTS

The findings and recommendations of headquarters reviews of regional offices are usually discussed with the regional personnel at the end of the onsite visit, and a formal report is distributed to all regional and headquarter participants. We were told, however, that regional personnel were usually already aware of many of the problems found during the visits and generally did not have the time or resources to correct them.

Regional reviews of field offices are handled in a similar manner. Though not mandatory, reports are also sent to the Deputy Under Secretary for Field Operations and are circulated at headquarters for comments. Comments from field office personnel on the utility of these reviews were inconclusive; some personnel were generally pleased with the studies' results, while others thought the reviews were a nuisance which offered no useful information.

Congressional committee staff expressed interest in performance evaluations. They want information on productivity, timeliness, and cost effectiveness; however, only a few studies actually addressed these terms (see p. 12), and they were produced by program offices, not by the performance evaluation group.

## CONCLUDING REMARKS

HUD's system for measuring productivity, timeliness of service, cost effectiveness, use of resources, and quality of service has generally not evaluated organizations in these specific terms, primarily because it lacks specific criteria. Criteria for performance evaluations are now being drafted. We believe this is a step toward making the evaluation results more useful to decisionmakers and should be emphasized.

Departmental and congressional decisionmakers view performance evaluations as a worthwhile function, but headquarters organizational units are not included. Consideration should be given to assessing the performance of these units.

## CHAPTER 8

### INTERNAL AUDITS: AN ASSESSMENT

Internal audits, as defined by HUD, are independent reviews of programs, operations, and management controls, including systematic appraisals of whether (1) financial operations are properly conducted, (2) financial reports are presented fairly, (3) laws and regulations are complied with, (4) resources are managed and used economically and efficiently, and (5) desired results and objectives are achieved effectively. All HUD organizational units and programs are subject to audit.

Two groups in OIG are responsible for internal audits: the Office of Audit, which has principal responsibility for field activities, and the Office of Washington Operations and Special Projects, which has primary responsibility for headquarters activities. Internal audits dealing exclusively with financial operations were excluded from this review and are the subject of our report "Internal Audit of Financial Operations in the Department of Housing and Urban Development" (FGMSD-78-25, Apr. 12, 1978).

#### SPECIFYING PROGRAM OBJECTIVES AND MEASURES OF EFFECTIVENESS

Of 15 HUD internal audit reports reviewed, a few touched on program results but most did not go into much detail on program impact or effectiveness. Rather, most of the internal audits tried to determine whether the units had complied with laws, regulations, and procedures or whether the units had managed their resources economically and efficiently and, if not, why.

OIG operating procedures recognize the problem of specifying program objectives and measures of effectiveness. The following is an example of the guidance given to auditors for evaluating program results:

"When possible, measure results against HUD-established standards. If HUD prescribes no standards or they are unclear, inappropriate or unreliable, consider developing such points for reporting along with recommendations. Suggest specific criteria if you can." 1/

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1/"OIG Manual," Department of Housing and Urban Development, ch. 2070 (Oct. 1973), p. 13.

Almost all of the reviewed audits used standards of comparison to measure compliance, efficiency, and/or economy. The standard most often used was compliance with policies and procedures contained in HUD handbooks.

#### PLANNING AND COORDINATING EVALUATION ACTIVITIES

Internal audits are planned and coordinated through an annual work plan prepared by the Office of Audit and subject to the Inspector General's approval. Headquarters and regional management personnel are asked for suggestions on the plan, and program areas to be reviewed are clearly identified.

Although many of the planning elements identified in chapter 3 were in the work plan, many audits were not planned to include information on program results and effectiveness. This, we believe, is the reason the reviewed audits did not focus on many of the major issues identified in appendix I. Also, OIG has a goal of devoting 50 percent of its resources to internal audits. In actual practice, however, 35 percent of its resources are devoted to internal audits and 65 percent to external audits, such as reviews of grantees, borrowers, and contractors. Although this practice is based on a demonstrated audit need, if more resources were available for internal audits, more information on program results and effectiveness might be provided.

The OIG annual work plan is distributed to each Assistant Secretary for comments and is occasionally changed when another HUD evaluation group is conducting or has completed an evaluation study in an area appearing in the plan. But even though OIG's work plan is widely distributed, it often does not receive other evaluation groups' evaluation agendas. OIG does, however, try to determine what evaluations have been completed or started by other evaluation groups before beginning its audits.

#### DESIGNING AND CONDUCTING EVALUATION STUDIES

During the period covered by our review, OIG had completed 78 audits, of which 35 dealt with housing and community development programs. The following table identifies the cost and type of 15 of these studies which we randomly selected for review.



Program area	Studies reviewed	Cost	Type of study			
			Compliance	Economy and efficiency	Compliance and economy and efficiency	Other
Housing assistance	5	\$ 385,700	3	2	-	-
Mortgage insurance	6	423,425	-	-	3	3
Block grant	3	317,800	-	2	1	-
Other	<u>1</u>	<u>13,125</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>
Total	<u>15</u>	<u>\$1,140,050</u>	<u>3</u>	<u>5</u>	<u>4</u>	<u>3</u>

Our review showed that

--most internal audits were case studies,

--important program effectiveness information was often missing, and

--many quality controls had been established.

#### Mostly case studies

Most of the reviewed reports were case studies which did not use control groups. Case studies are one of the most commonly used evaluation designs and are appropriate for improving a program's practices and procedures. The use of control groups, which would account for the effects of extraneous factors, could enhance the usefulness of efficiency and economy reviews.

#### Limited program effectiveness information

Since all of the reviewed internal audits were primarily compliance and/or economy and efficiency oriented, they provided limited information on program effectiveness and results. The studies, however, did contain recommendations. Most of the recommendations required some changes in program policies and procedures and were logical, related to conclusions, highlighted, and addressed to the specific groups with authority to take action.

#### Many quality controls

The OIG Manual provides guidelines, standards, and policies to be followed during audits. The chapters deal

with such topics as: reviews of operations; interview techniques; sampling; the nature and presentation of audit findings and recommendations; audit working papers and files; and preparation, review, and issuance of audit reports. Although we did not review the manual or adherence to it, its existence helps to ensure that high-quality work is produced.

One of OIG's responsibilities is to follow up on recommendations. But we found that many of the problems brought out in OIG's 1974 "Review of the Departmental Program Evaluation Process" still exist today. We believe that, if there had been adequate followup and implementation of their recommendations, many of the problems we identified in previous chapters may have been corrected. (Due to the creation of a task force in late 1975 to review HUD's performance evaluation systems and their relationships with other HUD evaluation processes and management systems, follow-up on the 1974 report was suspended. Further, since the time period of our review, the Secretary has established an Audits Management System for prompt action on audit recommendations.)

#### DISSEMINATING AND USING EVALUATION RESULTS

OIG reports are addressed to the HUD officials responsible for taking action on the reported matters. Copies are also furnished to other officials having an interest in the matters covered. OIG follows a standard distribution instruction list for its internal audits.

Our review of the audits and discussions with HUD and other officials indicate that internal audits are very useful to decisionmakers for improving compliance, accountability, and efficiency of programs. However, decisionmakers would like to have more information on the effectiveness of programs. Hence, if more emphasis were placed on determining whether desired results and objectives are being effectively achieved, we believe OIG's work could be even more meaningful.

#### CONCLUDING REMARKS

HUD's internal audit function plays an important role in assessing the compliance, economy, and efficiency of programs and activities. Few of the audits, however, provide information on program results and effectiveness, principally because of staff and resource constraints. Specifically, the internal audit staff is composed of auditors with primarily accounting and auditing skills, whereas broader skills and interdisciplinary teams have been cited as necessary to produce information on program effectiveness.

Further, we have in recent reports identified two other areas that require additional emphasis from OIG: financial audits of revolving funds and audits of computer systems. 1/

There is an increasing demand for evaluations of the results of programs. If internal auditors are going to do this work well, they will have to:

--Acquire new skills, such as a mixture of mathematics, statistics, actuarial science, engineering, economics, operations research and data processing.

--Learn to work on what is happening now rather than what did happen.

Therefore, OIG should review the priority of current assignments and either readjust its priorities or obtain additional staffing to improve coverage of program results and effectiveness audits.

OIG agrees that it is necessary to perform audits of program results and to have an audit staff with various types of skills. Therefore, during the fiscal year 1980 budget cycle, they will assess the amount of additional resources needed to provide adequate coverage of program results and effectiveness audits and the need for adding individuals to the audit staff with broader skills. (See app. III.)

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1/See "Internal Audit of Financial Operations in the Department of Housing and Urban Development" (FGMSD-78-25, Apr. 12, 1978) and "Computer Auditing in the Executive Departments: Not Enough Is Being Done" (FGMSD-77-82, Sept. 28, 1977).

## CHAPTER 9

### MANAGEMENT INFORMATION SYSTEM: AN ASSESSMENT

Every agency needs certain data before it can evaluate its programs. HUD has gathered and coded a large volume of data, but it is not as useful as possible.

The Department's management information system consists of a number of automated systems managed in the Office of the Assistant Secretary for Administration. Within this Office, the Office of ADP 1/ Systems Development is responsible for system definition, design, programming, testing, and user acceptance, and the ADP Operations Office is responsible for implementing released production systems and operating them to meet user schedules.

As of March 31, 1977, HUD had a total of 101 operational automated systems and 51 systems under development or planned for development. The 51 systems were expected to replace 32 of the 152 systems in operational, developmental, or conceptual stages, which would leave a total of 120 systems in operation. Of the 120 systems, 59, or about half, were identified by HUD as having potential for use in program evaluation or policy analysis. The Community Development Block Grant program evaluation system is an example. This system analyzes the planning of grant entitlement recipients to meet the objectives of title I of the Housing and Community Development Act of 1974. It also produces statistical tables which are included in the annual report to the Congress. The tables show the distribution of funds in blighted and low- to moderate-income areas and relate budget expenditures to national and local objectives.

Even though many automated systems exist, they often are not used for evaluation studies. Of 60 studies we reviewed, less than half used an automated system to obtain needed information. We did not attempt to determine the reason for this, but we noted that HUD's information system has been criticized for not providing sufficient information.

In recent years HUD's management information system and its complementary computer operations have been studied and criticized by various internal and external groups. The 1974 Inspector General's report on evaluations indicated that top HUD officials had criticized the Department's capability

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1/Automatic data processing.

to store, retrieve, and analyze management data and had questioned the accuracy and usefulness of much of the existing data. The Inspector General found indications that the Department's system was not sufficiently compatible with the data needs of the program evaluation units. Program evaluation units were gathering most of the basic data used in evaluations on their own because they were unable to rely on the system.

A May 1977 report by PDR's Special Studies Division reiterated many of these deficiencies. The report questioned the adequacy of the data maintained and HUD's capability to manipulate the data into useable form. The report cited the following problems:

- Incompatibility. The data maintained are incomplete over time and between data files. Because data bases are under constant flux, data must be added, deleted, or redefined, which precludes the data from being comparable over time. Further, data from one office's files are likely to be incompatible with another office's files. As a result, the files cannot be merged to provide a complete picture of a specific activity.
- Redundancy. The same type of program data is collected and stored in various data systems.
- Incompleteness. Much of the data in the system is incomplete because HUD is generally 6 months to a year behind in posting current records.
- Uselessness. Even if complete and accurate data existed, its usefulness would be questionable because of difficulty in obtaining it. Requests from PDR have frequently been met by procedural obstructions, paperwork requirements, and machine and programming delays, which all contribute to slow response time. Thus, PDR has been forced to bypass the system and collect data independently. A December 1976 report by a consultant corroborates PDR's contention concerning poor response times because of programming and machine delays. The report attributed the delays to poor systems design, especially in the area of software for teleprocessing, and an unreasonable number of job aborts and subsequent reruns. The consultant concluded that the poor systems design and lack of suitable teleprocessing software had resulted from the failure to clearly assign ADP development and support responsibilities.

Our interviews with regional ADP and program personnel supported the contention that the data files are inaccurate. Regional personnel criticized the system because they are required to add data to it but frequently are unable to edit or correct their data later. Comments from regional personnel also supported PDR's finding of data incompatibility and redundancy. For example, a regional ADP official commented that five different systems have similar data on multifamily housing yet each system has a different way of coding the data and each uses a different project identification number.

#### CONCLUDING REMARKS

A well-structured management information system can provide program managers a systematic means of knowing what they have accomplished, where they are at present, or where they are heading. HUD has attempted to establish such a system. The evidence, however, strongly suggests that the system is not capable of effectively meeting departmental information needs and that, if the system were used, the accuracy and completeness of the data would be questionable. Evaluations could be greatly enhanced if the system's deficiencies were corrected.

## CHAPTER 10

### CONCLUSIONS, RECOMMENDATIONS, AND AGENCY COMMENTS

Evaluations are becoming increasingly important in developing Federal policies and managing Federal programs. A well-directed evaluation system provides agency management with objective evidence on what its programs accomplish, how these accomplishments compare with intended objectives, and how effectively program resources are managed.

Our assessment of HUD's evaluation system is that, although it accumulates useful information, it is not realizing its full potential as a tool for providing decisionmakers with information on whether programs are meeting intended objectives.

#### SPECIFYING PROGRAM OBJECTIVES AND MEASURES OF EFFECTIVENESS

An evaluation measures and compares a program's progress toward some goal or base. Therefore, for evaluations to have useful and conclusive results, it is important that policy officials and program administrators communicate program goals to evaluators. Evaluation units should assess program effectiveness or performance using measures that have been mutually established by program and evaluation personnel and are acceptable to policy officials including the Congress. We found that:

- Although most program evaluations describe program activity, they were not aimed at assessing programs' progress toward their goals.
- Performance evaluations were established to provide uniform comparable data on regional efficiency and effectiveness in terms of certain factors. However, there were no established guidelines for what to measure or standards to measure against.
- Internal audits use standards to measure and compare the compliance, efficiency, and economy of programs and activities. They were, however, only minimally concerned with assessing program effectiveness.

## PLANNING AND COORDINATING EVALUATION ACTIVITIES

Effective planning and coordination of evaluations are necessary to make sure that the needs of decisionmakers are being met--that major issues are studied, duplication is avoided, and resources are appropriately allocated. Although little duplication was evident, we found that:

- Many program evaluations did not address major program issues.
- Performance evaluations often did not identify problems that the regions were unaware of.
- Internal audits were primarily concerned with compliance and economy and efficiency of programs/activities. Hence they did not address many major program issues.
- HUD's research and technology budget did not accurately show the resources spent on evaluating ongoing programs, and on conducting and evaluating research and demonstration programs.

## DESIGNING AND CONDUCTING EVALUATION STUDIES

To be relevant, useful, and of high quality, evaluation studies should be designed in accordance with their intended purposes, contain certain information (as discussed in ch. 3), and have some mechanism of quality control. We found that:

- Many program evaluations were research oriented and were not designed to determine a program's achievement of objectives. Other studies provided mostly descriptive information about the programs but made no comparison against standards.
- Many evaluation studies did not use data from the many management information systems. These systems are not integrated, contain duplicative information, and are generally of limited use to program managers and evaluators.
- Many program evaluation studies did not include recommendations.
- In some cases there were few or no mechanisms for insuring that evaluation products are accurate and reasonable, especially those performed under contract.



## DISSEMINATING AND USING EVALUATION RESULTS

To assist in decisionmaking, evaluation studies must be promptly distributed to and used by appropriate officials. Our review noted that:

- The Department had no established procedures for distributing program evaluation studies and had no catalog or list of completed studies.
- Evaluation results were not promptly provided to congressional decisionmakers.
- Decisionmakers would like to have more impact-oriented studies.

## RECOMMENDATIONS TO THE SECRETARY

We recommend that the Secretary of Housing and Urban Development direct that:

- Evaluation and program personnel work together to clarify program objectives, develop standards for measuring achievement, and identify data requirements for evaluation.
- Priority for evaluation resources be given to those housing and urban development issues identified by HUD, the Congress, and others as deserving attention.
- More evaluations be conducted on the effectiveness of programs in achieving objectives and that the availability of such evaluations be made known to the Congress.
- Department-wide guidelines and performance standards be established for conducting, contracting, monitoring, and reviewing program and performance evaluations.
- The Inspector General review the priorities of current assignments and either adjust priorities or obtain additional staffing to improve audit coverage of program results and effectiveness audits.
- Deficiencies in the management information system, as noted in internal reports, be further investigated and corrected.

These actions will improve the usefulness of HUD's evaluation system and will thus permit the Department to more

effectively use its limited resources in determining how well its programs are achieving national goals.

Further, to improve management and oversight, the Secretary should separately identify in the Department's research and technology budget the resources needed to evaluate ongoing programs and to conduct and evaluate research and demonstration programs.

#### AGENCY COMMENTS

The Department found our report to be very useful and concurred with most of our recommendations (see app. III). Some of the planned and ongoing activities directed at these recommendations include:

- Making even greater efforts to ensure that program personnel are involved in the early stages of program evaluations, including a clear articulation of program objectives and evaluation standards.
- Taking a three-part approach to focus evaluations on the needs of decisionmakers, which includes obtaining input from several levels of HUD as well as from State and local officials and citizens involved in poverty and neighborhood-related activities.
- Extending the Special Studies Division's policy of briefing relevant congressional committee staffs on the findings of studies to all of the Department-level evaluation offices.
- Obtaining outside professional review of all of PDR's in-house and contract studies before finalizing.
- Assessing during the fiscal year 1980 budget cycle, the amount of additional resources needed to provide adequate coverage of program results audits.
- Making one of HUD's top priorities, the development of a more useful management information system.
- Attempting to clarify the amount of resources devoted to evaluating ongoing programs and to conducting and evaluating research.

However, HUD was not in full agreement with our recommendation to establish guidelines and program performance standards for conducting program evaluation. While HUD agrees

that as much rigor as possible is needed in conducting program evaluations, they are concerned about needlessly adding to the broad literature on evaluation research since every study would need to be adapted to the purposes at hand. Further, HUD stated that since a successful evaluation is dependent on the technical skills and creativity of the evaluator, rigorous training of evaluators might be more appropriate. We believe that training in evaluation methodology and techniques is important. However, PDR has a responsibility to provide guidance within the Department and we believe that our findings demonstrate the need for the establishment of Department-wide guidelines.

Although HUD's comments on this recommendation dealt only with conducting and reviewing evaluations, the importance of Department guidelines for contracting and monitoring studies should not be overlooked. In particular, guidelines in such areas as recommendations, quality control procedures, use of the management information system, and dissemination procedures are necessary.

In response to our recommendation to give priority for evaluation resources to major issues, the Department stated their belief that the question was not that resources were misdirected but whether enough resources were directed to evaluation. If the Department is correct in not having sufficient resources, this situation heightens the necessity for identifying major issues and assigning priorities. We believe that the steps planned and taken since the time of our review to improve HUD's evaluation planning process and to expand the Department's evaluation capabilities will help to ensure that more major issues are addressed.

#### MATTERS FOR CONSIDERATION BY THE CONGRESS

The Comptroller General has previously stated that when program goals or objectives are not clearly stated or are subject to misunderstanding, it is more difficult to conduct evaluation studies and the studies may be of limited use to policymakers. Program goals or objectives are often broadly stated in legislation and agency guidelines, as is the case in the housing and community development areas. Therefore, we recommend that, in those cases where evaluations become mandated by legislation or are needed by a committee, the Congress should work with agency officials to

- seek a common understanding on the process or approach to be used for clarifying program objectives for evaluation,

- reach agreement on acceptable evaluation measures and data needed for each program to be evaluated, and
- establish a time schedule for the availability of evaluative information.

One approach to developing objectives and using evaluations in congressional oversight is outlined in our report, "Finding Out How Programs Are Working: Suggestions for Congressional Oversight" (PAD-78-3, Nov. 22, 1977).

DESCRIPTION OF HUD PROGRAMS AND THEIR MAJOR ISSUES

The major issues identified in this appendix have been arrived at from a review of the President's fiscal year 1977 and 1978 budgets and from interviews with individuals knowledgeable in housing and community development issues at the Urban Institute, the Office of Management and Budget, the Congressional Budget Office, and GAO. The lists which follow are not intended to be an exhaustive tabulation of all major issues facing HUD. Further, while there may not be unanimous agreement on all issues, the lists represent our considered opinion of the major housing and community development issues.

HUD's involvement in the housing field has been guided by the Federal Government's recognition of (1) a responsibility to maintain and promote economic stability, (2) a social obligation to help those in need, and (3) an interest in the development of sound communities. Additionally, in 1949 a national housing policy was adopted which called for a decent home and suitable living environment for every American family as soon as feasible. The Federal Government has developed a variety of programs to achieve this goal. Although some programs have been in existence for nearly 40 years, there is little consensus on what type of program(s) will best serve the Nation's housing and community development needs. However, the most feasible alternatives include

- assisting low- and moderate-income households in occupying housing that is decent, safe, and sanitary,
- encouraging a stable and high level of growth in the housing stock, with concomitant stability in employment and production in the construction industry,
- increasing the proportion of families that own their own homes, and
- supporting the creation and maintenance of viable neighborhoods and communities.

A description of the housing assistance, mortgage insurance, and community development programs and the issues surrounding them follows.

HOUSING ASSISTANCE PROGRAMS

The housing assistance programs provide financial assistance to low- and moderate-income families to enable them

to afford decent, safe, and sanitary housing. At present HUD administers four principal housing assistance programs. The section 8 program subsidizes rents in newly constructed or existing apartments by making up the difference between what low-income families can afford and the unit's fair market rent. The Low Rent Public Housing program subsidizes the cost of public housing authorities by paying off their long-term construction debt and part of their operating cost. The section 236 program subsidizes mortgage interest on privately built apartments, and the revised section 235 program subsidizes the mortgage interest on new or rehabilitated homes. These subsidies allow apartment and homeowners to borrow funds at lower effective interest rates.

Federal housing assistance policy for low- and moderate-income households has developed primarily around two major goals.

1. To enable low- and moderate-income families to occupy and afford housing that is decent, safe, and sanitary.
2. To encourage a stable and high level of housing construction and construction employment.

For the fiscal year 1978 budget, the principal decisions facing the Congress will concern the amount of budget authority and the mix of programs to increase the number of low- and moderate-income families receiving housing assistance. The housing assistance programs differ substantially in the problems they address, the subsidy mechanisms they use, the families they assist, and their costs for each assisted family.

The following chart compares the housing assistance programs and their beneficiaries. 1/

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1/See Congressional Budget Office, Budget Issue Paper, "Housing Assistance for Low- and Moderate-Income Families" (Feb. 1977), p. XV.

<u>Program and type of housing</u>	<u>Estimated median participant income level in 1975</u>
Revised section 235--homeowner mortgage interest subsidy (new construction)	<u>a</u> /Middle income (\$13,000)
Section 236--rental mortgage interest subsidy (new construction)	<u>b</u> /Moderate income (\$10,000)
Public housing--rental debt service and operating cost subsidies (principally new construction)	Low income (\$3,400)
Section 8--rent subsidies (new construction)	<u>b</u> /Low and moderate income (\$5,700)
Existing housing	<u>b</u> /Low and moderate income (\$4,200)

a/Estimated median income of likely program participants.

b/Estimated tenant income necessary to afford basic rent in 236 project. Income could be lower if additional subsidy were provided through rent supplement or "deep subsidy" provisions of the 236 program.

The following issues have been identified for this area.

1. Effects of assisted housing programs on dispersion of housing units and types of families housed.
2. Supporting new construction versus promoting conservation of old stock, especially impact on amount of housing stock and employment.
3. Providing production subsidies to owners versus cash assistance to families.
4. Subsidies for low- versus moderate-income families.
5. Role of assisted housing under the Community Development Block Grant programs.
6. Role of conventional public housing, interest subsidy, and other housing assistance programs versus section 8 program.

7. Modified block grant concept for section 8.
8. Section 8's ability to finance new construction.
9. Effect on conventional financing of changing contract period for privately financed section 8 housing.
10. Proper administration of housing assistance programs, including effect on viability of programs.
11. Section 235's ability to serve moderate-income families with current mortgage limits and its interest and downpayment requirements.
12. Ability to use section 8 for FHA property disposition and loan requirements.
13. Fair market rent standards and procedures of section 8.
14. Effects of public housing modernization.

#### MORTGAGE INSURANCE

FHA administers mortgage insurance programs which provide mortgage insurance for both single-family and multi-family housing. HUD's basic insuring program is the section 203(b) and (i) program which provides mortgage insurance to anyone able to make the cash investment and mortgage payments. Other HUD insuring programs are for special purposes and normally have special eligibility criteria. For example, the section 223(e) program provides mortgage insurance for housing in older, declining urban areas where normal requirements for mortgage insurance cannot be met. Section 237 provides mortgage insurance and homeownership counseling to families with a credit history which would prevent them from qualifying for insurance under normal circumstances. Further, section 221(d)(3) and (4) provides mortgage insurance to public agencies, nonprofit or cooperative organizations, and others to finance rental or cooperative multifamily housing for low- and moderate-income households.

A major question in the mortgage insurance area is how to ensure, in the long run, an adequate supply of mortgage funds at interest rates which permit the bulk of American families to purchase new homes without incurring excessive housing costs. Answers to this question may be found by examining the effectiveness of various housing finance options, such as interest rate subsidies, direct loans, insurances and guarantees, secondary market support activities, tax expenditures, and regulation of mortgage lending institutions.



Some of the specific issues which merit attention are:

15. The effect of substantially altering the structure of all FHA insurance funds.
16. The effect of increasing insurable mortgage limits and/or decreasing the downpayment.
17. The effect of insurance and/or counseling to prevent defaults and abandonment.
18. The effect of different FHA, Veteran's Administration, and State construction rules, regulations, and specifications.
19. The effect of property management and disposition.
20. The effect on insurance of interest rate subsidies and the Government National Mortgage Association Tandem subsidy program.
21. Housing's role as an economic factor affecting the Nation's economy, including the impact of new construction programs on housing stock and employment.

#### COMMUNITY DEVELOPMENT

The primary objective of community development programs is the development of viable urban communities by providing decent housing and a suitable living environment and by expanding economic opportunities, principally for persons of low and moderate incomes. The principal instrument for carrying out this objective is the Community Development Block Grant program. All activities previously eligible under separate categorical grant programs are currently funded by this program.

Spending priorities are determined at the local level, but the law enumerates general objectives which the block grants are to fulfill. Metropolitan cities and counties receive 80 percent of the funds and are guaranteed an amount calculated by a formula which considers population, poverty, and overcrowded housing. Smaller communities compete for the remaining funds on the same basis.

The funding for this program is expected to increase from \$3.1 billion in 1977 to \$3.5 billion in 1978. More than 1,300 metropolitan areas received entitlement grants in each of the first 2 years of the program, and about 1,000 communities qualified for discretionary grants.

The following major issues have been identified.

22. The role of the block grant program in urban and rural strategy and its relationship with efforts in other departments (internal and external to HUD).
23. An examination of what to do with declining cities.
24. The viability of urban development action grants which are aimed at assisting cities faced with the greatest physical decline and economic deterioration.
25. The effects of the block grant application and review requirements on community development.
26. The adequacy, effectiveness, and equity of the formula for distributing block grant funds.
27. The use of block grants for commercial and industrial development activities.
28. The adequacy and effectiveness of community development performance criteria. (Criteria are used to determine if localities are making sufficient progress and have continuing capacity to achieve goals.)
29. The link between the block grant and housing programs.
30. The purpose and effectiveness of the 701 comprehensive planning program.
31. The continuance or discontinuance of the rehabilitation loan (section 312) program.

LIST OF EVALUATION REPORTS  
JULY 1, 1975 THROUGH MARCH 31, 1978  
BY MAJOR PROGRAM AREAS

<u>Program area and title of study</u>	<u>Evaluator</u>	<u>Completion date</u>
<b>Housing assistance:</b>		
Section 235 Subsidy Payments and Reclassifications	OIG	(a)
Single Family Acquired Property Sales	OIG	(a)
Repairs to Single Family Acquired Properties	OIG	(a)
Mortgage Credit Processing of Single Family Loans	OIG	(a)
Reconsideration of Single Family Mortgage Cases	OIG	(a)
Protection of Single Family Foreclosed Properties	OIG	(a)
Single Family Loan Settlement Fees	OIG	(a)
Single Family Housing Division	OIG	(a)
Single Family Mortgage Servicing Activities	OIG	(a)
Neighborhood Impact of Property Disposition in Detroit	PDR	12/77
A Model of Home Mortgage Default Risk	PDR	(a)
Section 8 Fair Market Rents	PDR	1/76
Section 8 Loan Management in Portland, Oregon	PDR	7/76
Section 8 Housing Assistance Payments (HAPS), the Loan Management Set Aside	PDR	12/76
Section 8 HAPS, Existing Units	PDR	6/76
Housing Opportunity Plan (HOP) Study	PDR	<u>a/</u> 6/77
Section 8 Leased Housing Existing Units	OIG	(a)
HAPS and Section 8: Extent to which Section 8 Units Are Being Delivered in Accordance with Approved HAPS	<u>b/</u> CPD	<u>a/</u> 5/77
Rent Comparability for Section 8	Housing	2/77
Review of Section 236 Subsidy and Payment	OIG	5/76
Cost Effectiveness Comparison Elderly Housing	PDR	6/77

a/Study in process as of Mar. 31, 1977.

b/Community Planning and Development.

<u>Program and title of study</u>	<u>Evaluator</u>	<u>Completion date</u>
Low Rent Leased Housing	OIG	Various
PHA Consolidated Supply Program	OIG	Various
Section 23 Conversions	Housing	3/77
Target Projects Program (OA)	OIG	(a)
Target Projects (WOSP)	OIG	(a)
PHA Operating Subsidies	OIG	(a)
Area Manager	OIG	7/76
Review of Consolidated Supply Program	OIG	(a)
Review of Management Agreements	OIG	(a)
HUD Monitoring of PHA's Management Reviews	OIG	(a)
Low Rent Housing Modernization Program	OIG	8/76
College Housing Management	OIG	9/76
Study of Gautreaux 400 Unit Demonstration	PDR	a/12/77
Indian Housing Study	PDR	a/ 6/77
Mortgage Insurance:		
Urban Land Use With Fixed Structures	PDR	7/75
A Model of Neighborhood Change	PDR	7/75
FHA, Activity in Older, Urban Declining Areas: Options	PDR	7/75
FHA, Neighborhood Externalities and Urban Housing: Preliminary Report	PDR	10/75
Simulating the Impact of Capital Cost Reduction with the Urban Institute Housing Model	PDR	2/76
FHA, Income Differentials and Urban Housing	PDR	2/76
FHA Neighborhood Externalities and Urban Housing	PDR	2/76
FHA, Fixed Structures and Urban Housing	PDR	2/76
FHA, Activity in Older, Declining Urban Areas: Evaluation Site Selection	PDR	6/76
FHA, Unsubsidized Single Family Activity in the Seventies: Regional and Metropolitan Patterns	PDR	6/76
FHA Single Family Activity in Philadelphia: An Exploratory Neighborhood Analysis	PDR	11/76
Neighborhood Dynamics: A Review of Previous Studies and Some Strategies for New Empirical Research	PDR	2/77

## APPENDIX II

## APPENDIX II

<u>Program area and title of study</u>	<u>Evaluator</u>	<u>Completion date</u>
FHA, Tenant Choice and Residential Land Use	PDR	7/75
Sectoral Dynamics in Urban Housing Backlog of Unresolved Delinquent Home Mortgage Insurance Premium Payments	PDR	12/76
Home Mortgage Termination Function Form 2344	OIG	2/76
Analysis and Processing Residential Subdivisions	OIG	10/75
HUD Operating Data Relating to Mortgage Insurance Activities	OIG	9/75
The Causes of Decline in Section 203 Default Insurance Program	OIG	1/75
An Econometric Analysis of Cream Skimming in the Home Mortgage Default Insurance Industries	PDR	9/75
A Note on Home Mortgage Default Risk	PDR	2/76
Evaluation of AMB Fee Incentive Demonstration Program	PDR	3/76
Redevelopment of Occupancy Patterns of Single Family Properties Sold Under As-Is Program	PDR	(a)
Single Family As-Is Sales Monitoring Study	PDR	12/76
Pilot Study on Sheriff and Trustee Sales	PDR	<u>a/</u> 1/79
Review of Single Family Case Binder System	PDR	<u>a/</u> 1/79
Contractor Defaults on Construction of Multifamily Projects	OIG	3/76
Operating Expense Estimates for Multifamily Project Feasibility	OIG	(a)
Cost of Repairing (Rehabilitation/Dispositioning) Multifamily Acquired Properties	OIG	(a)
Multifamily Acquired Property Sales	OIG	(a)
Multifamily Mortgage Servicing Delays in Final Endorsement of Multifamily Projects	OIG	(a)
Review of Multifamily Mortgage Branch	OIG	(a)
Multifamily Mortgage Branch	OIG	5/76
Multifamily Interim Premium System	OIG	8/75
Implementation of Previous Participation Clearance Procedure	OIG	8/75
		2/76

<u>Program area and title of study</u>	<u>Evaluator</u>	<u>Completion date</u>
Interest Charges by Mortgages on Insured Construction Loans	OIG	5/76
Elderly Housing Director Loans Management	OIG	2/77
Mortgage Insurance for Nursing Homes and Intermediate Care Facilities	OIG	1/76
Multifamily Housing Management Study	PDR	4/77
Multifamily Property Disposition Comparison of Markets Served by FHA Unsubsidized Multifamily Programs and by Conventionally Financed Multifamily Units	PDR	9/75
Implementation of Co-Insurance Section 518(b) - Repairs to Single Family Insured Properties	OIG	1/76
Review of Title I Property Housing Improvement and Mobile Home Loan Program	OIG	(a)
Title I Property Improvement Study	Housing	5/76
Analysis of FY 76 Audits of HUD Approved Mortgages Investigative Referrals	OIG	3/77
Analysis of FY 76 Audits of HUD Approved Mortgages	OIG	10/76
Implementation of Section 223 Existing Multifamily Project Mortgage Insurance	OIG	9/76
Letter of Credit Practices	OIG	(a)
Delays in Issuing Actual Development Cost Certificates	OIG	(a)
HUD's Use of Fee Appraisers	OIG	(a)
Field Office Cost Certification Review	OIG	(a)
Sections 213 and 234 Application Processing	OIG	(a)
Receipt and Analysis of Non-Supervised Mortgage's Annual Financial Statements	OIG	(a)
Special Review of Written Procedure for the OFA Mortgage Insuring Operation	OIG	1/76
Architectural Services	OIG	5/76
GNMA's Special Assistance Functions	OIG	3/77
GNMA Mortgage Backed Security Program	OIG	7/75
		(a)

<u>Program area and title of study</u>	<u>Evaluator</u>	<u>Completion date</u>
A Study of the Impact of the GNMA's Tandem Plan on Housing Production	PDR	8/75
Transition Book	Housing	6/76
Transition Book	Housing	3/77
<u>Community Planning and Development:</u>		
Citizen Participation in the CDBG Program	CPD	a/ 8/77
Approaches to Organizing the Citizen Participation Process in the CDBG Program	CPD	a/ 6/77
Housing Assistance Plan Evaluation	CPD	(a)
Case Studies of Environmental Review by CDBG Recipients	CPD	a/ 8/77
Study of CDBG Economic Development Activities	CPD	a/ 5/78
Evaluation of Urban County Experience in the CDBG Program	CPD	a/ 2/73
Survey of Rehabilitation Financing Techniques	CPD	a/12/77
Special Study of the Discretionary Balances Program	CPD	a/ 9/77
Recipient's Experiences in Implementing Their First Year Programs	CPD	a/ 7/77
Progress in Implementing CDBG: Data from the First-Year Grantee Performance Reports	CPD	a/ 7/77
Housing Assistance Plan Guidance Material	CPD	3/77
Urban Counties: CDBG First Year Experience	CPD	3/77
Employment Potential of the BLS Study	CPD	a/ 4/77
CDBG Program: First Annual Report	CPD	12/75
CDBG Entitlement Cities: The First Year Planning and Application Process	CPD	8/76
CDBG Program: Second Annual Report	CPD	12/76
Commercial and Industrial Land Disposition in Selected Urban Renewal Projects	CPD	(a)
Background Paper for Review of the CDBG Formula	PDR	1/77
Model of the Local Substitution Effects of CDBG Funds	PDR	1/76
Simulation of Model of Urban Fiscal Crisis	PDR	8/75

<u>Program area and title of study</u>	<u>Evaluator</u>	<u>Completion date</u>
Local Government Decisionmaking in the CDBG Program in Small Cities	PDR	1/76
Effectiveness of Citizen Partici- pation in HUD Programs: CDBG Background Paper	PDR	9/76
Policies for Urban Redevelopment: A Preliminary Analysis	PDR	5/76
Effects of Lump Sum Transfers on the Housing Choice Made by Recipients of Relocation Allowance	PDR	1/77
Microeconomic Analysis of Urban Redevelopment Policies	PDR	1/77
An Economic Evaluation of Some Policy Approaches to Urban Redevelopment	PDR	1/77
Block Grants for Community Development	PDR	1/77
Evaluating the CDBG Formula	PDR	12/76
Review of Block Grant Funding Formula	OIG	7/76
Closeout of Open Space Land Projects by Birmingham Area Office	OIG	8/75
Monitoring Letters of Credit- CDBG Program	OIG	9/76
Review of Unccompleted Resources Development Projects	OIG	10/75
Review of Environmental Review Activities--CDBG Program	OIG	12/76
Implementation of Relocation Requirements	OIG	11/76
Monitoring the CDBG Program	OIG	(a)
Administration of CPD's Professional and Technical Service Contracts	OIG	2/76
Office of Field Support Under the Assistant Secretary for CPD	OIG	1/76
Evaluation of Section 312 Rehabili- tation Loan Delinquent Payments	CPD	(a)
Comprehensive Planning Assistance Housing Element Study	CPD	a/ 6/77
Work-Study Program Evaluation	CPD	a/ 7/77
Citizen Participation in 701 Program	CPD	a/ 8/77
A-95 Project Notification and Review System: An Evaluation Related to CDBG Entitlement	CPD	11/76



<u>Program area and title of study</u>	<u>Evaluator</u>	<u>Completion date</u>
Housing Survey	CPD	1975
<u>New Communities:</u>		
Study of Costs and Benefits of Planned Unit Developments (PUD's)	<u>c/</u> NCA	7/76
Discussion Paper: Proposed Federal New Communities Program	NCA	10/76
National Growth Policy and New Communities in the United States	NCA	1975
Policy Implication of Canada	NCA	2/76
Policy Implication of Reduction in the Size of Existing Title VII NC	NCA	2/76
Summary Review Options and Recommendations for the Title VII NC Program	NCA	9/75
Low and Moderate Income Housing in New Community: Can We Build Balanced Community	NCA	11/75
NC and National Urban Growth Policy Strategy for NC Development	NCA	1975
Preliminary Report on French New Towns and Growth Policy in Paris Region	NCA	1976
Soviet New Towns Housing and National Urban Growth	NCA	1976
New Towns In Town: A Paper Containing Background, Definitions, and Financing Relationships	NCA	1976
New Communities and Energy Resources Development	NCA	1/76
Option Papers on Possible NCA Roles in New Town Development in Rocky Mt. West	NCA	10/75
Energy Conservation and New Town Developments	NCA	7/76
An Assessment of Current Problems	NCA	12/76
Achievements and Potentials	NCA	12/76
Report of Panel on Title VIII NC Programs	NCA	7/75
New Communities: Problems and Potentials	NCA	12/76
Legislative Background - NCA	NCA	12/76
Design of the NC Program	NCA	5/76

c/New Communities Administration.

<u>Program area and title study</u>	<u>Evaluator</u>	<u>Completion date</u>
Federal Role in NC: An Analysis of Program Objectives	NCA	10/76
St. Charles Communities Impact Evaluation	NCA	8/75
Selected Activities of the NC Program	OIG	8/75
<u>Fair Housing and Equal Opportunity:</u>		
Research Design for Impact Evaluation of Title VIII of the Federal Civil Rights Act	PDR	7/75
Methodologies To Analyze the Impact of Enforcement of Title VIII of the Civil Rights Act of 1968	PDR	7/75
The Effectiveness of Open Housing Laws: An Audit Evaluation	PDR	7/75
Measuring Residential Decentralization of Blacks and Whites	PDR	8/75
Evaluation of the Impact of EO Requirements on HUD Projects for Region X Natives	PDR	(a)
Evaluate the Impact of Civil Rights Enforcement Activity-Cross Sectional Analysis	PDR	(a)
Selected Aspects of EO	OIG	3/77
Review of Office of the Assistant Secretary for FH and EO	OIG	11/75
<u>Consumer Affairs and Regulatory Functions:</u>		
Section 235 Default Counseling	PDR	4/78
Counseling for Delinquent Mortgages	PDR	(a)
Counseling Demonstration in Detroit	PDR	a/ 7/78
Counseling for Delinquent Mortgages (Supplement)	PDR	11/75
Consumer Reaction to Advance Disclosure of Settlement Costs	PDR	11/75
Effectiveness of Interstate Land Sales Registration Program	OIG	8/75
Review of Administration of Interstate Land Sales Registration Program	OIG	12/75
Review of Mobile Home Certification Process	OIG	12/75
Case Study--Consumer Forum on Citizen Participation-Component of CDBG Program Handling System d/CARF		1/77
Case Study--Consumer Forum on HUD's Consumer Complaint Handling System	CARF	3/77
<u>d/Consumer Affairs and Regulatory Functions.</u>		

<u>Program area and title of study</u>	<u>Evaluator</u>	<u>Completion date</u>
Education of CARF's Issue Analysis Activities	CARF	2/77
<u>Federal Disaster Assistance Administration:</u>		
Evaluation of FDAA Public Assistance	OIG	7/76
FDAA Public Assistance Activities	OIG	8/75
Disaster Assistance Provided by Other Federal Agencies	OIG	(a)
Emergency Preparedness Staff	OIG	11/75
Evaluation of Title II Grants	OIG	12/76
<u>Other Evaluations:</u>		
Federal Management Circular 74-7	OIG	4/76
Review of Technical Suitability of Products	OIG	11/76
<u>Administrative studies:</u>		
Control and Resolution of Project Audit Findings (25 separate reports during period)	OIG	Various
Analysis of Trends Disclosed by Reports on Evaluations of Pricing Proposals and Audits of Cost Reimbursable Contracts	OIG	<u>a/</u> 4/77
Unliquidated Obligations in the Central Office in Connection with RAD Review	OIG	12/75
Review of Imprest Fund	OIG	11/75
Nationwide Review of HUD Practices in Handling Custody of Cash, Securities and Negotiable Instruments	OIG	12/76
Review of Regional Accounting Divisions and Selected OFA Activities	OIG	9/76
Administration of Labor Statistics	OIG	3/76
Review of Property and Supply Branch Activities	OIG	3/76
Office of Procurement and Contracts	OIG	(a)
Review of Office of Procurement and Contracts	OIG	(a)
Regional Office Employee Development and Training	OIG	(a)
Regional Contracting Activities	OIG	(a)
Use of Overtime	OIG	(a)
Design and Development of HUDMAP	OIG	(a)

## APPENDIX II

## APPENDIX II

<u>Program area and title of study</u>	<u>Evaluators</u>	<u>Completion date</u>
Confirmations and ADP Test Development-FHA Accounts	OIG	(a)
Review of HUD's Claim Collection Procedures	OIG	(a)



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D.C. 20410

ASSISTANT SECRETARY FOR  
POLICY DEVELOPMENT AND RESEARCH

May 8, 1978

IN REPLY REFER TO

Henry Eschwege, Director  
Community and Economic Development Division  
United States General Accounting Office  
Washington, DC 20548

Dear Mr. Eschwege:

Secretary Harris has asked me to respond to your March 1, 1978 letter transmitting a proposed report entitled "The Department of Housing and Urban Development's Evaluation System -- An Assessment and Recommendations for Improvements". We appreciate your choice of HUD as an agency with experience in evaluation and a formal evaluation system, including, as you noted, field activity and internal audit activity. We are well aware that our system is still developing, and your comments will help us to improve it further. It is our intention to provide HUD with the best program evaluation system in the Federal Government. To further this goal, we are enlisting the assistance of outside experts with extensive experience in program evaluation to provide an additional review of HUD's evaluation efforts. The Secretary will select these experts shortly and we expect a report by the end of the summer.

Response to Recommendations

On your specific recommendations to the Secretary, we have the following comments:

First Recommendation:

Evaluation and program personnel (should) work together to clarify program objectives, develop standards by which program achievement will be measured, and identify data requirements for evaluation.

In response to this GAO recommendation we will make even greater efforts in the future to ensure not only that program personnel are involved in the early stages of program evaluations but also that the program objectives and evaluation standards are clearly articulated at the beginning of the evaluation. For new programs this process should take place at the very beginning of the program whenever possible. In those cases where the Office of Policy Development and Research (PDR) is the evaluating agent, I will ensure that the program objectives and evaluation standards are developed in consultation with program personnel and that those who are responsible for administering the program being evaluated are advised, in writing, of the selected objectives and standards.

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The problem of clarifying program objectives in order to develop evaluation standards, of course, is not easily resolved. Many of our programs have broad goals which apply differently in different cities or housing markets. In addition to HUD's programs, there are also many private and government actions which simultaneously affect progress toward these goals, and these must be "controlled for" when evaluating program achievement. Developing reasonable measures of the effects of individual Federal programs, thus, poses difficult and challenging methodological problems and we have devoted a great deal of attention to these problems. Although the GAO report characterizes such efforts as research-oriented, we believe that they are crucial to the development of standards by which program achievement can be measured.

Second Recommendation:

Priority for evaluation resources (should) be given to issues in housing and urban development areas identified by HUD, Congress, and others as deserving attention.

It is my belief that HUD has been directing its program evaluation resources towards major policy issues. Recent examples include our detailed and on-going studies of the Community Development Block Grant Program, the Section 8 Housing Assistance Payments Program, and the Section 202 Elderly and Handicapped Housing Program. It would appear, then, that the point is not whether our resources have been misdirected but whether enough resources have been directed towards program evaluation.

HUD's program evaluation system is still evolving and we recognize that a greater effort is required to bring its advantages to all of the Department's major policy areas. I would stress, however, that the expansion of evaluation activities must be gradual because of the need to develop a highly qualified professional staff. Federal agencies frequently have attempted to overcome staff constraints by relying on contract funding, but it is difficult to design such studies so that they can respond to changing needs of policy makers. Moreover, the expertise gained by contract evaluation organizations is lost to the Federal government at the conclusion of the contract. Discussed below, in greater detail, are the significant steps that we have recently taken to improve the policy development process by expansion of PDR's research and evaluation capabilities and by the increased application of program evaluations.

Third Recommendation:

More information (should) be developed on the effectiveness of the Department's programs in achieving objectives and the availability of such information should be made known to Congress.

As indicated by my comments on the first two recommendations, HUD is taking vigorous action to develop more information on the effectiveness of its programs. We shall ensure that this information is made available to the Congress in a timely and useful fashion. PDR's Special Studies Division has already made it a practice to brief the staff of relevant Congressional committees on the findings of their field studies, and we are extending this policy to all of PDR's evaluation offices.

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Fourth Recommendation:

Uniform guidelines and program performance standards (should) be established for conducting, contracting, monitoring, and reviewing program and performance evaluation.

HUD agrees that as much rigor as possible is needed in program evaluation studies but is concerned about the prospect of needlessly adding to the broad literature on evaluation research. This literature, which includes the work of various academic disciplines, should certainly be familiar to the staff who conduct evaluations, but it does not seem possible or even worthwhile to condense this variety into one set of guidelines. Every study must be adapted to the purposes at hand and a guidebook of approaches would, then, provide only general advice.

Therefore, a more appropriate alternative to "uniform guidelines and program performance standards" for conducting program evaluations would be more rigorous training of the personnel in HUD's evaluation system. The Department has exercised great care in selecting its evaluation staff; it is placing strong emphasis on professional training; and it has initiated a policy of encouraging continuous interchange between Departmental staff and researchers from the university community.

Last Fall PDR established the policy of obtaining outside professional review of all in-house and contract evaluation and research studies before they are considered final. We have retained a group of eight scholars as consultants to review draft reports from our evaluation and research projects. Their comments as well as the comments received from other offices in HUD are considered carefully before we approve a final report. Most importantly, the Deputy Assistant Secretaries who supervise PDR's research and evaluation activities are themselves experienced researchers, eminently qualified to assess the quality of our in-house and contract work.

Fifth Recommendation:

The Inspector General (should) review the priority of current assignments in the context of the shortfall of program results and effectiveness audits, and either adjust priorities or obtain additional staffing to improve audit coverage in this area.

The draft GAO report indicates that an increase in the percentage of internal audit time from 35 to 50 percent would allow the OIG to perform more program results audits. Although OIG's "goal" is to devote eventually 50 percent of its resources to internal audits, they have made a conscientious decision to devote 35-40 percent of resources to internal audits. This decision was based on the priority need process. We attempt to schedule audit resources based on demonstrated audit need and, as the GAO draft report points out on page 80, two other pending GAO reports recommend that we do more of other types of audits. Therefore, three different GAO reports are recommending that OIG do more:

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- Program Results Audits
- Financial Audits
- ADP Audits

Increased efforts in any one area, at least through FY 1979, would have to be accomplished at the expense of reducing coverage in some other area. During the fiscal year 1980 budget cycle, we will make an assessment to determine the amount of additional resources needed to provide adequate coverage of program results audits.

Sixth Recommendation:

Deficiencies in the management information system as noted in internal reports should be further investigated and corrections made accordingly.

The Secretary has made it one of her top priorities to turn the Department's management information system into one that is more useful to the Department's principal staff. My Office, in conjunction with HUD's ADP units, has the responsibility to produce current data on housing market conditions and on the status of the Department's major programs. This exercise provides a useful mechanism for identifying and correcting problems with our internal data systems. This work is already under way.

Seventh Recommendation:

The Secretary of Housing and Urban Development should consider separately identifying in the Department's research and technology budget the resources required for evaluating on-going programs and resources required for performing and evaluating research and demonstration programs.

This is a good suggestion and, accordingly, we will attempt to clarify the amount of resources devoted to these two purposes. At the same time we know that there will always be some ambiguity, because evaluations of existing programs and research on potential new programs very often overlap, and this overlap is extremely valuable.

Conclusion

In addition to the above comments on your six formal recommendations, I have enclosed comments from several HUD offices on other issues raised in the report.

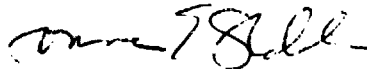


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In conclusion, I agree with GAO that evaluation is a critical part of any good policy-making process. To focus evaluations as directly as possible on the needs of decision-makers, I have taken a three-part approach. First, on major new Departmental programs such as the Section 8 Housing Assistance Payments Program and the Community Development Block Grant Program, my staff have developed detailed agendas for on-going evaluations. These agendas have been circulated, at several stages while still in draft, among HUD's central and field office officials, among government officials at state and local levels, and among citizens involved in poverty and neighborhood-related activities. Detailed discussions are held regularly with these sources, and the evaluation designs and research issues are changed to reflect their information needs. Second, I have re-directed the HUD research program by asking the HUD Assistant Secretaries for detailed specific research needs each year before I develop our research priorities for that year. Third, I have strengthened our ability to conduct short term high quality studies as special issues arise during the year. Followup on evaluation studies has been institutionalized by using the completed reports, and the analysts who wrote them in preparing PDR's comments on proposed policies, regulations, and program issuances, and in preparing PDR options papers for the Secretary.

Your detailed report has been very useful to us, and your assessments of the evaluation systems of other Federal Departments will, when completed, be of general benefit to the Federal evaluation process.

Sincerely,



Donna E. Shalala

Enclosure

## ENCLOSURE

The following comments include responses from several of the HUD offices mentioned in the GAO report.

Policy Development and Research Evaluations

Clarifying program objectives: The Office of Policy Development and Research (OPDR) agrees with GAO on the desirability, for both evaluation and management purposes, of establishing clear program objectives and also agrees that the usefulness of program evaluations is enhanced by the extent to which program personnel are involved in developing the standards for measuring program performance. This has been our practice for our major program evaluations.

The issue of defining and clarifying program objectives is quite complex. For example, the GAO draft report recognizes that legislative goals are frequently vague or overly broad and addresses a recommendation to Congress to remedy this situation. The problem, of course, is not easily resolved. For example, the Community Development Block Grant Program has several relatively broad goals, including: the elimination of slums and blight; the deconcentration of housing opportunities for lower income families; the expansion and improvement of the quantity and quality of community services, principally for persons of low and moderate income; etc. Indeed, it would be inappropriate to expect more concrete goals for a non-categorical program which provides funding directly to local governments to pursue their own community development goals. The lack of specificity does not make these objectives any less valid. It does mean that the evaluator must show great sensitivity and care in selecting standards against which program performance will be judged.

Furthermore, program evaluators must be concerned with the indirect effects of programs. For example, the Federal Housing Administration (FHA) insurance program for older, urban areas is designed to facilitate the sale and purchase of homes on reasonable terms in areas where conventional lenders are reluctant to make mortgages. The major direct performance measure of program costs, actuarial soundness, is easily obtained and well-known in the Department. However, the program has been accused of encouraging neighborhood racial transition. It is also possible that the program has major indirect consequences on the structure of local housing markets. Therefore, as part of our FHA evaluation, my Office undertook several studies to attempt to assess the importance of these indirect consequences. These tasks, which the GAO report judged too research oriented, were key parts of the overall evaluation process, needed in order to develop approaches to some of these difficult conceptual issues.

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Developing measurement standards.

Agreement on a program objective is generally less than half the problem. Finding ways of measuring progress toward achieving these goals is often the most difficult task. Because national programs are rarely conducted in an experimental framework, it is necessary to determine what would have happened in the absence of the program. This requires the careful construction of statistical models using either cross-sectional or time series data. On this issue, we think GAO should have mentioned the use of simulation models in the list of evaluation designs on page 26. These models are being used increasingly to assess the general equilibrium effects of programs.

It is worth noting that, when it is possible to construct estimates of the impact of a program, the estimation technique is frequently an after-the-fact methodology which could not be used in making day-to-day program management decisions. In other words, impact evaluation requires some estimation measures of program success which, by their very nature, are rarely available in time to guide the operating decisions of program administrators. The ideal of program managers and program evaluators using the same measurement technique is rarely, if ever, possible.

Coordination among evaluation offices.

A frequent comment in the report concerns the need for more coordination among evaluation offices, though the report notes that overlap has not been a problem up to the present. HUD agrees that more communication among the Office of Policy Development and Research and the program and regional offices involved in program evaluation would be useful. While we have made progress in implementing our evaluation plans and in disseminating the results of our studies, a more finely tuned process of evaluation agendas and dissemination procedures would increase our effectiveness.

Recommendations in studies.

The report indicates that many of PDR's studies do not contain recommendations and that "one of the general criticisms of evaluation has been the failure to include recommendations directed at program, policy or procedural changes." It is true that many studies do not contain recommendations, but it should be noted that their absence is due to a conscious decision to exclude them. For example, it is rare that improvements can be identified which would unambiguously advance one program goal while not adversely affecting others. More often, a major improvement in one goal can only be achieved at some cost in terms of other goals. Choosing policy goals, then, requires a value judgment. We feel that the primary job of an evaluation staff is to discover and measure those trade-offs, but not to make value judgments or recommendations about them.

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Analysts frequently form opinions about the programs that they study and we generally forward these as recommendations to the Secretary or to other appropriate staff. We believe, however, that it is appropriate to keep these recommendations separate from the evaluation report itself since the report's function is to communicate the findings of the study. This separation preserves the credibility of the report as an evaluation and not a policy document.

#### Community Planning and Development Evaluations

The Community Development Block Grant (CDBG) program is still new and has multiple and non-complementary objectives, reflecting the fact that the enabling legislation was a compromise of differing viewpoints within the Congress. There are few other programs in which the measurement problems are greater. Attempting to measure the extent to which CDBG neighborhoods are attracting persons of higher income, and the extent to which low and moderate income persons are benefiting from the program, etc. presents significant measurement problems. The Office of Community Planning and Development (CPD), however, has for the last three years been committed to the task of measuring the extent to which the CDBG program is achieving its stated objectives and has made much more progress than was noted in the GAO report.

Benefits for low and moderate income families and persons have been measured by analysis of neighborhood income levels using data, coded by evaluation personnel, on 22,655 activities that were undertaken over a three-year period in more than 4,600 census tracts located in 151 cities (including pre-CDBG data on census tracts receiving HUD categorical funds, thereby providing before and after data on this issue.

Progress toward the achievement of the legislative requirements of citizen participation in the CDBG program has been measured by: (1) the extent to which citizen recommendations were incorporated into local community development programs in a sample of CDBG communities, (2) citizen opinions about the effectiveness of their access to the decision-making process, and (3) the extent to which they had been able to express preferences meaningfully and to influence the selection of activities. In each community, data were collected on the details of the citizen participation process and the exact nature, time and dollar amount of recommendations made by citizens or a citizens' group and the community's response. These data were cross-validated among a number of citizen groups and local officials.

Progress toward fostering the "undertaking of housing and community development activities in a coordinated and mutually supportive manner" has been measured by: (1) the number of Section 8 units delivered to communities in accordance (and not in accordance) with the localities' Housing Assistance Plans, and (2) the extent to which Section 8 and CDBG activities were co-located within a given area when the area was of low or moderate income.

-4-

Planned and actual progress toward the objective of conserving and expanding the Nation's housing stock, principally for persons of low and moderate income has been measured by the number of units planned for rehabilitation and new construction against the need identified in local Housing Assistance Plans and national studies.

Progress toward the objective of providing assistance to localities "with maximum certainty and minimum delay" has been measured, by the number of applications approved within 75 days, the number of conditioned or rejected applications, and the number of opinions of local officials in 880 localities (obtained through mail-out questionnaires) on whether there was more or less "red tape" under CDBG than under categorical programs and whether the amount of "red tape" increased or decreased from year 1 to year 2 to year 3.

The first two annual reports did not attempt to measure progress toward the achievement of the primary objective of the program (Section 101(c)) or the first two specific objectives. This was not due to disinterest, however, but to a conscious decision to give the recipients time to put measurable goods, structures, and activities into place (rehabilitation structures, streets, and other physical and social development) before attempting a measurement. Since this is the area of least agreement on which measures of effectiveness are appropriate, CPD plans to use provisional criteria to measure progress in years 3 and 4, and to hold a series of evaluation forums with all interested or affected parties to attempt to arrive at consensus on measures.

CPD's evaluation of CDBG is an on-going study. GAO's classification of the evaluation methodology for analyzing the program as a "one-shot case study" is inaccurate in the face of the fact that CPD's Office of Evaluation is using a time series analysis of data on a sample of 151 entitlement communities, all 76 urban counties, and a sample of 350 discretionary communities. CPD also conducts field visits in a sub-sample of these communities but the study design is one of cross-sectional and longitudinal analysis, not one-shot case studies. Compromises between rigor and cost, of course, must be made. CPD feels that it has struck an adequate balance on the issue by obtaining both large sample and small sample data on a variety of issues and objectives.

#### Office of the Inspector General Evaluations

As I pointed out above, we agree with the GAO conclusion that it is necessary to perform audits of program results. We also agree that the audit staff should be composed of people with a mix of skills to allow for the use of interdisciplinary teams. During the fiscal year 1980 budget cycle, we will assess the need for adding individuals to the audit staff who possess skills in areas such as statistics, engineering, and operations research.

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Office of Field Coordination

The GAO findings in the body of the report regarding the Field Performance Evaluation System accurately reflect the state of the system at the time of the review (approximately 15 months ago). Specific recommendations such as standardized criteria, handbook issuance, and improved system documentation are either in place or under development.

PRINCIPAL HUD OFFICIALS RESPONSIBLE FOR  
ACTIVITIES DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
<b>SECRETARY OF HOUSING AND URBAN DEVELOPMENT:</b>		
Patricia R. Harris	Jan. 1977	Present
Carla A. Hills	Mar. 1975	Jan. 1977
James T. Lynn	Feb. 1973	Feb. 1975
<b>DEPUTY UNDER SECRETARY FOR FIELD OPERATIONS:</b>		
Albert M. Miller	June 1977	Present
John A. Jennings (acting)	Jan. 1977	June 1977
Richard L. McGraw	Jan. 1976	Jan. 1977
Robert E. Ruddy	Apr. 1973	Jan. 1976
<b>ASSISTANT SECRETARY FOR POLICY DEVELOPMENT AND RESEARCH:</b>		
Donna Shalala	Apr. 1977	Present
Jerry J. Fitts (acting)	Jan. 1977	Apr. 1977
Charles Orlebeke	Sept. 1975	Jan. 1977
Michael H. Moskow	Mar. 1973	Sept. 1975
<b>ASSISTANT SECRETARY FOR HOUSING-- FEDERAL HOUSING COMMISSIONER (note a):</b>		
Laurence B. Simons	Mar. 1977	Present
James L. Young	June 1976	Mar. 1977
<b>ASSISTANT SECRETARY FOR HOUSING MANAGEMENT:</b>		
James L. Young	Mar. 1976	June 1976
Robert C. Odle, Jr. (acting)	Jan. 1976	Mar. 1976
H.R. Crawford	Apr. 1973	Jan. 1976
<b>ASSISTANT SECRETARY FOR HOUSING PRODUCTION AND MORTGAGE CREDIT-- FHA COMMISSIONER:</b>		
David S. Cook	Sept. 1975	June 1976
David deWilde (acting)	Dec. 1974	Sept. 1975

a/On June 14, 1976, HUD combined the functions of the Assistant Secretaries for Housing Management and Housing Production and Mortgage Credit under a single Assistant Secretary for Housing-Federal Housing Commissioner.

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
<b>ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT:</b>		
Robert C. Embry	Mar. 1977	Present
John Tuite (acting deputy)	Jan. 1977	Mar. 1977
Warren H. Butler (acting)	Nov. 1976	Jan. 1977
David O. Meeker, Jr.	Mar. 1973	Sept. 1976
<b>ASSISTANT SECRETARY FOR ADMINISTRATION:</b>		
William A. Medina	May 1977	Present
Vincent J. Hearing (acting)	Nov. 1976	May 1977
Thomas Cady	May 1974	Nov. 1976
<b>INSPECTOR GENERAL:</b>		
Charles L. Dempsey (acting)	Nov. 1977	Present
James B. Thomas, Jr.	Sept. 1975	Nov. 1977
Charles L. Dempsey (acting)	May 1975	Sept. 1975