

DOCUMENT RESUME

07146 - [B2447494]

Management and Evaluation of the Community Development Block Grant Program Need To Be Strengthened. CED-78-160; B-171630. August 30, 1978. 22 pp. + 2 appendices (2 pp.).

Report to Secretary, Department of Housing and Urban Development; by Baltas E. Birkle (for Henry Eschwege, Director, Community and Economic Development Div.).

Issue Area: Domestic Housing and Community Development (2100); Domestic Housing and Community Development: Assisting Urban Communities to Prevent and Eliminate Blight and Deterioration (2102).

Contact: Community and Economic Development Div.

Budget Function: Community and Regional Development: Community Development (451).

Congressional Relevance: House Committee on Banking, Finance and Urban Affairs; Senate Committee on Banking, Housing and Urban Affairs.

Authority: Housing and Community Development Act of 1974, title I (42 U.S.C. 5301).

The Housing and Community Development Act of 1974 requires communities to certify in their applications for grants that their community development programs are developed in accordance with the act's statutory objectives and requires grantees to provide HUD with an annual performance report concerning activities under the programs and their assessment of how the activities relate to objectives. Findings/Conclusions: HUD is not obtaining the information it needs to evaluate community performance under the Community Development Block Grant program. Neither grant application forms nor grantee performance reports are providing information needed to determine whether programs have been developed in accordance with legislative objectives or to assess the progress of the programs. HUD has not satisfactorily performed postaudits and reviews of the use of block grant funds. It has not emphasized monitoring, and its monitoring efforts have not addressed substantive issues. Also, HUD's annual reports to the Congress on the block grant program provide very little information on the actual use of block grant funds and the progress of the program. New program regulations require communities to provide more detailed information in their applications, but further changes are necessary. Recommendations: The Secretary of HUD should: revise the grantee performance report format to require specific information applicable to grantee goals and activity performance standards as shown in grant applications; revise the HUD monitoring handbook to assure that it provides guidance to field personnel for making substantive assessments of grantee performance; and advise the Congress of specific actions taken or planned by HUD to obtain information on progress in accomplishing program objectives, on use of program funds, and

of HUD's timetable for completing planned actions. (HTW)

7494

REPORT BY THE U.S.

General Accounting Office

Management And Evaluation Of The Community Development Block Grant Program Need To Be Strengthened

The Department of Housing and Urban Development is not obtaining the information it needs to evaluate community performance under the Community Development Block Grant program. Grant application forms, grantee performance reports, and Housing and Urban Development monitoring do not provide the information necessary for (1) determining whether community development programs have been developed in accordance with legislative objectives and (2) assessing the progress of community programs. Also, Housing and Urban Development annual reports to the Congress on the block grant program provide very little information on the actual use of block grant funds and progress of the program. These reports are based primarily on planned program activities and planned use of funds. Although new program regulations should correct the application problems, GAO is making recommendations aimed at solving the remaining problems.





UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

B-171630

The Honorable
The Secretary of Housing and
Urban Development

Dear Mrs. Harris:

This report identifies problems and recommends solutions to the management and evaluation of the Community Development Block Grant program.

This report contains recommendations to you on pages 15 and 22. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the four Committees mentioned above; your Inspector General and Assistant Secretary for Community Planning and Development; the Director, Office of Management and Budget; the House Committee on Banking, Finance, and Urban Affairs; and Senate Committee on Banking, Housing, and Urban Affairs.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "H. Eschwege".

for Henry Eschwege
Director

REPORT BY THE GENERAL
ACCOUNTING OFFICE TO THE
SECRETARY OF HOUSING AND
URBAN DEVELOPMENT

MANAGEMENT AND EVALUATION
OF THE COMMUNITY DEVELOPMENT
BLOCK GRANT PROGRAM NEED
TO BE STRENGTHENED

D I G E S T

The Department of Housing and Urban Development does not obtain from recipient communities the information needed to evaluate community performance and to assure itself and the Congress that Community Development Block Grant programs are developed in accordance with the act's statutory objectives of (1) benefiting low- and moderate-income persons, (2) aiding in preventing or eliminating slums or blight, or (3) meeting other community development needs having a particular urgency.

To obtain the information necessary to evaluate the Community Development Block Grant program, Housing and Urban Development needed to revise application forms and performance reports and improve its monitoring. Beginning May 1, 1978, Housing and Urban Development required communities to provide more detailed information in its applications for proposed program activities. However, improvements are still needed in the performance reports and Housing and Urban Development monitoring.

Application forms

Application forms submitted before May 1978 did not provide the information necessary to (1) effectively determine whether community development programs have been developed in accordance with the above-identified legislative objectives and (2) assess the progress of community programs. To make such determinations, specific information (such as benefits expected and milestones) should be included in the applications, and the proposed activities should be related to legislative objectives. Such information is now being required. (See p. 3.)

Grantee performance reports

Grantee performance reports do not provide sufficient data for evaluating community block grant programs. The information requirements for performance reports do not provide sufficient information to measure progress and accomplishments and to determine whether the desired program results and benefits are being achieved. Also, performance reports often contain incomplete or vague data. (See p. 5.)

Program monitoring

Although the legislative history of the Housing and Community Development Act of 1974 emphasizes the importance of postaudits and reviews to assure that block grant funds are used to achieve legislative objectives, Housing and Urban Development has not satisfactorily fulfilled this responsibility. Housing and Urban Development does not require communities to establish adequate criteria or to provide performance data needed to evaluate community performance and progress; it has not emphasized monitoring, and its monitoring efforts have not addressed substantive issues. (See p. 11.)

ANNUAL REPORTS TO THE CONGRESS

Housing and Urban Development annual reports to the Congress on the block grant program provide very little information on the actual use of block grant funds and the progress of the program. Reports are based primarily on planned program activities and planned use of funds based on information shown in community grant applications. (See p. 17.)

RECOMMENDATIONS TO THE SECRETARY

New program regulations effective May 1, 1978, require communities to provide more detailed information in their applications on proposed program activities. Further changes, however, are necessary to correct the additional problems GAO identified. GAO recommends that the Secretary of Housing and Urban Development:

- Revise the grantee performance report format to require specific information applicable to grantee goals, objectives, and activity performance standards as shown in grant applications. Housing and Urban Development reviewers should be instructed to return to grantees performance reports that are vague, incomplete, or otherwise do not conform to revised grantee performance report requirements.

- Revise the Housing and Urban Development monitoring handbook to assure that it provides guidance to field personnel for making substantive assessments of grantee performance. Field office personnel should be instructed to test and verify grantee-provided information to assure that it is accurate and can be used to evaluate grantee performance. (See p. 15.)

GAO further recommends that the Secretary of Housing and Urban Development advise the Congress in her 1978 annual report to the Congress on the block grant program of

- the specific actions Housing and Urban Development has taken or plans to take to obtain information on actual progress in accomplishing Community Development Block Grant program objectives and actual use of program funds and

- the Housing and Urban Development timetable for completing the planned actions above. (See p. 22.)

AGENCY COMMENTS

Community Planning and Development headquarters officials agreed Housing and Urban Development has had problems managing and evaluating the Community Development Block Grant program. They said that new regulations effective May 1, 1978, will improve the applications by requiring more specific information on program activities. Housing and Urban Development also plans to improve the format

and data requirements of the grantee performance report and to revise the monitoring handbook. It was uncertain, however, when the grantee performance report and monitoring handbook revisions would be completed because of higher priority work.

Housing and Urban Development officials stated that field visits and telephone surveys of small samples of communities were used to obtain information on actual program progress for the third annual report; these officials did agree that some chapters were based on planned data. GAO believes that adequate information on actual program progress is not being obtained by reporting what a few communities are doing--more than 1,300 entitlement communities receive grants. Until Housing and Urban Development is able to provide data from a representative sample for the total program on the actual use of funds by activity and its location and relationship to the act's national objectives, a true indication of total program progress and use of funds is not possible. The improved application requirements and anticipated changes in grantee performance report format should provide Housing and Urban Development with the information necessary to report on the actual use of program funds and the progress being made in accomplishing program objectives; but this information will not be available until the grantee performance reports are revised. (See p. 21.)

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ABBREVIATIONS

CDBG	Community Development Block Grant
GAO	General Accounting Office
GPR	grantee performance report
HUD	Department of Housing and Urban Development

CHAPTER 1

INTRODUCTION

The Congress enacted the Housing and Community Development Act of 1974 (42 U.S.C. 5301), Title I, to help develop viable urban communities. Title I established the Community Development Block Grant (CDBG) program and authorized the Secretary of the Department of Housing and Urban Development (HUD) to make grants to help finance community development programs.

The act requires communities to certify in their applications that their community development programs are developed in accordance with the act's statutory objectives of (1) benefiting low- and moderate-income persons, (2) aiding in preventing or eliminating slums or blight, or (3) meeting other community development needs having a particular urgency. Through fiscal year 1978 the Congress has appropriated about \$12 billion for the CDBG program to about 1,300 entitlement communities. 1/

The act consolidated several prior categorical loan and grant programs for community development into a new, single program of community development block grants. The new program was designed to significantly reduce and simplify grant application and review requirements. After the application and review process was simplified, the joint conference committee (the House and Senate conferees on the bill) emphasized the importance of evaluating the use of grant funds.

Section 104(d) of the act requires grantees to provide HUD with an annual performance report concerning activities carried on under their CDBG programs together with their assessment of how their activities relate to the act's objectives and the objectives and needs identified in their applications. The joint conference committee viewed this report as a means by which HUD could verify a grantee application certification that Federal funds will be used effectively to achieve national objectives.

Section 104(d) also requires HUD to make such audits and reviews as necessary to determine whether the block grant funds are being used properly to achieve act objectives. The legislative history emphasized that HUD

1/Entitlement communities receive a formula-determined grant or have prior experience in HUD categorical programs which entitle them to a community development grant.

postaudits and reviews would serve as the basic assurance that CDBG funds are properly used.

ANNUAL REPORTS TO THE CONGRESS

Section 113 of the act requires the Secretary to submit to the Congress an annual report describing the progress made in accomplishing act objectives and summarizing program funds use during the preceding fiscal year. The Secretary has issued three annual reports to the Congress on the CDEG program.

SCOPE OF REVIEW

We reviewed HUD management and evaluations to determine whether (1) CDBG funds are properly used to achieve legislative objectives and (2) HUD has accurately reported to the Congress on program progress and funds use.

At the conclusion of our review in HUD region X, we met with HUD Community Planning and Development officials in Washington, D.C. They agreed with most of our preliminary findings and said HUD was planning corrective action. Thus, we primarily limited our review to CDBG program activities in region X.

We made our review at the HUD region X office in Seattle, Washington; its area offices in Seattle, Portland, Oregon; and Boise, Idaho; and at HUD headquarters in Washington, D.C. We reviewed pertinent policies, procedures, reports, and records relating to selected entitlement communities in Washington, Oregon, and Idaho, and interviewed HUD program officials and selected community representatives. We also reviewed in detail grantee performance reports for 12 entitlement communities in region X. (See app. II.) We also examined grant applications for 13 entitlement communities, including one not in region X-- Cleveland, Ohio. (See app. I.) The Cleveland application was used because it was available from our prior work.

CHAPTER 2

HUD CANNOT ASSURE CDBG FUNDS ARE USED

TO MEET LEGISLATIVE OBJECTIVES

HUD does not obtain from recipient communities the information needed to evaluate community performance and to assure itself and the Congress that CDBG programs are developed in accordance with the legislative objectives of (1) benefiting low- and moderate-income persons, (2) aiding in preventing or eliminating slums or blight, or (3) meeting other community development needs having a particular urgency. To do so HUD needed to revise its application forms and performance reports and improve its monitoring. Effective May 1, 1978, HUD revised its application forms to require communities to provide more detailed information concerning proposed program activities. However, HUD should also revise its procedures to require that:

- Performance reports provide progress data and relate the progress to performance standards established by the community application--thus enabling accurate assessments of community program progress.
- HUD monitoring efforts assess accomplishments of program grants.

The act authorizes HUD to finance community development programs that have been approved in accordance with legislative objectives and requires HUD to assess the progress made in accomplishing those objectives. The legislation emphasized that HUD postaudits and reviews would serve as the basic assurance that CDBG funds are properly used. A joint conference committee report noted:

"The committee wishes to emphasize the importance of these post-audit and review procedures to be conducted by the Secretary. Since Federal application review requirements are being simplified to such a great extent, the post-audit and review requirements will serve as the basic assurance that block grant funds are being used properly to achieve the bill's objectives. Although the nature of the annual review would, of course, vary according to the size of the community and the scope of its program, the committee expects the Secretary to exercise his responsibilities in this respect with great diligence."

Thus, particular importance was attached to HUD program monitoring responsibilities. HUD, however, does not have specific information enabling it to determine the extent that CDBG funds have been used to meet legislative objectives.

APPLICATIONS

Our review of 13 community applications showed that the information was often generalized and vague and does not relate the proposed activities to the legislative objectives. (See app. I.) According to some HUD area office officials, the information provided by the communities was insufficient for HUD to effectively determine whether community development programs are developed in accordance with the legislative objectives and to assess the progress of community programs. They stated that to make such determinations, more specific information--such as benefits expected, activity location, and milestones--must be included in the applications, and the proposed activities must be related to act objectives.

Examples of activities in community CDBG applications which were vaguely described and not shown to be related to legislative objectives include:

- Boise, Idaho, proposed park acquisition and development in six census tracts estimated to cost about \$293,000. Specific data on the type and extent of the park developments was not indicated, nor was information provided about expected benefits or how these activities met legislative objectives. According to one HUD official, without specific information the only measure HUD has to determine progress on these activities is drawdown of funds. 1/
- Cleveland, Ohio, proposed various public works projects in 134 census tracts. The specific type, number, and location of these projects was not indicated. Since no specific information was provided in the application, HUD had no standards for measuring this community's progress, nor could HUD evaluate the extent that this community's activities satisfied the legislative objectives.
- Salem, Oregon, proposed a neighborhood improvement program costing \$388,000 but did not indicate what improvements this program would provide. Community officials told HUD that "the exact location and nature

1/Drawdown of funds is an inadequate measure of progress because it does not relate money spent to accomplishments.

of the improvements are designed as an ongoing process of the detail planning within each neighborhood."

None of these community activity descriptions provide sufficient detail to measure progress or to determine how the activity meets act objectives. Thus, HUD officials must rely on community verification of program development and must rely on the community drawdown of funds as a measure of progress.

BETTER GRANTEE PERFORMANCE REPORTS NEEDED

The act requires grantees to provide HUD an annual performance report on their CDBG program. This report was to be a key document for HUD and the public to evaluate grantee performance.

Our review of selected grantee performance reports (GPRs) disclosed that these reports do not provide sufficient data for evaluating community block grant programs.

The performance reports submitted by recipients of block grant funds have two principal weaknesses. First, the information requirements for performance reports do not provide HUD and community representatives sufficient information to measure progress and accomplishments and to determine whether the desired program results and benefits are being achieved. Second, the performance reports accepted by HUD often contain incomplete or vague data that do not meet HUD requirements. These weaknesses limit the GPR usefulness as a gage by which HUD and the public can measure progress or evaluate program results.

Several HUD internal evaluations disclosed similar findings.

Appropriate data not required

We reviewed selected performance reports for 12 communities in region X (see app. II) and attempted to evaluate the progress they had made toward meeting legislative objectives. We were unable to adequately evaluate performance because communities did not provide specific information on activity accomplishments--such as actual progress versus established goals and actual benefits realized versus anticipated objectives. Furthermore, community activities were not clearly related to legislative objectives.

HUD requires communities to complete several forms in GPR that provide performance information. Our assessment of

these forms and our discussions with HUD and community officials identified the following problems:

Form IA--households benefiting from activities underway or completed--physical and capital improvements

This form requires communities to report the percent of low- or moderate-income households benefiting from physical or capital improvements. It does not show how these households are benefiting nor does it compare these benefits to any established goal. Furthermore, communities are not required to compute such benefits for activities which have no specific beneficiaries or service area.

Form IB--population benefiting from activities underway or completed--services or assistance

This form requires similar data as form IA for services and assistance. It has similar weaknesses as form IA.

Form II--Recipient Assessment

This form requires communities to explain briefly how their current-year activities contribute to the:

- Elimination of slums and blight and the prevention of blighting influences.
- Elimination of conditions detrimental to health, safety, and public welfare through code enforcement, demolition, interim rehabilitation assistance, and related activities.
- Conservation and expansion of the national housing stock.
- Expansion and improvement of the quantity and quality of community services.
- More rational utilization of land and other natural resources and better arrangement of needed activity centers.
- Reduction of the isolation of income groups within communities and promotion of an increase in the diversity and vitality of neighborhoods.
- Restoration and preservation of properties of

special value for historic, architectural, or esthetic reasons.

Communities are also required to explain the relationship to community short-term objectives. This form does not show how community activities contribute to legislated statutory objectives, nor does it indicate the actual progress made toward meeting established goals.

The following examples illustrate the inadequate information provided by three communities that were reporting progress on specific activities in their performance reports:

Vancouver, Washington

Activity description: Street paving.

Benefits: 80 to 90 percent low- and moderate-income households.

Short-term objective: Pave all existing gravel streets.

Relationship to legislative objectives: Not indicated.

Progress: The majority of street paving has been completed.

Our note: The community does not indicate how this activity relates to the legislative objectives, the extent that the short-term objective has been met, or how low- and moderate-income persons benefit.

Bellevue, Washington

Activity description: Micro model-gathering.

Benefits: No computation required because activity was general in nature.

Short-term objective: Not addressed.

Relationship to legislative objectives: Not indicated.

Progress: Not addressed.

Our note: This activity description is vague and no benefits are assessed for low- or moderate-income persons. The relationship to legislative objectives is not indicated, and since no goals are provided progress is difficult to evaluate.

Coos Bay, Oregon

Activity description: Parking lots.

Benefits: Not addressed.

Short-term objective: Provide parking facilities.

Relationship to legislative objectives: Not addressed.

Progress: Central lot acquired and parking structure under-way.

Our note: Activity description is vague, no benefits are assessed, and the relationship to legislative objectives is not indicated. Progress is uncertain because no specific goals were indicated.

The Bellevue, Washington, performance report illustrates the problem of determining the benefit to low- and moderate-income families in communities that fund activities that have no specific beneficiaries or service area. This community did not complete any computations for low- and moderate-income households benefiting from its activities, because its projects had no specific beneficiaries. Therefore, HUD had no indication of how much of the 2 years of grant funds was spent to benefit low- and moderate-income persons. There was no indication in HUD files that HUD had either questioned the completeness of the GPR or had requested the grantee to provide additional information.

Incomplete data

Our attempt to use performance reports to evaluate community performance was also hampered by vague and incomplete data. Several communities either did not complete sections of their reports or provided questionable data.

For example, of the latest available performance reports for 10 communities in region X, only 1 community furnished all required information on benefits to low- and moderate-income persons for its CDBG program activities. (See table I.) This community reported that 12 percent of the benefits from each activity would be realized by persons of low or moderate income. It is questionable that every activity could provide the same benefits to persons of low or moderate income, particularly since these activities ranged from street lighting improvements to rehabilitation loans and grants. However, this community had reported the same benefit for 1975 as it had for 1976. The HUD Area Office Community Planning and

Development representative responsible for monitoring grantee progress stated that this section of the report was not reviewed or questioned because "it is a disaster and it is not useful."

Table I

Analysis of Community GPR Information on Benefits to Low- and Moderate-income Persons

<u>Community</u>	<u>Number of activities funded (note a)</u>	<u>Number of activities shown on schedule IA or IB</u>	<u>Percent of CDBG program activities without required information</u>
Bellevue, Washington	8	5	38
Tacoma, Washington	40	15	63
Everett, Washington	4	2	50
Spokane, Washington	11	9	18
Seattle, Washington	55	50	9
Portland, Oregon	136	63	54
Richland, Washington	5	2	60
Eugene, Oregon	12	9	25
Coos Bay, Oregon	10	5	50
Yakima, Washington	6	6	-

a/Based on latest available performance report, schedule I. Excludes the following activities: studies, planning, administration, and contingencies.

Internal reviews noted similar problems

The HUD Office of Evaluation, which prepares the annual report to the Congress that describes the progress made under the CDBG program, reviewed housing assistance plan data in 40 GPRs covering fiscal year 1976 and reached conclusions similar to ours. A July 1977 memorandum discussing the Office findings stated " * * * the data on these forms are not valid and cannot be used as the basis for a performance analysis * * * " The memorandum also stated:

" * * * [these information problems] involve more than just simple arithmetic inaccuracies, but lead us to question the validity of the data and the sources used to provide information regarding assisted housing. In addition, the requirement of cumulative performance data

complicates the matter even further. It is often difficult to determine whether or not cities are reporting for both fiscal years. And where both years are reported, any errors in the FY '75 GPR are most likely carried over to the FY '76 forms.

"* * * It is unfortunate that data required on the GPRs are not credible and cannot be used as a reliable source in our evaluation of performance."

A HUD working group consisting of HUD and community officials that studied GPRs also recognized that these reports were deficient. Weaknesses they identified include:

- The report does not contain timely information.
- The report is primarily directed toward reporting on compliance with other Federal laws and regulations.
- The report does not provide Community Planning and Development representatives sufficient information on which to base a funding decision. According to the HUD group, this was the most important deficiency.

The working group recommended in July 1977 that HUD revise the GPR into "* * * an instrument for monitoring and management of the CDBG program."

These findings are consistent with a HUD audit report dated August 18, 1977, on HUD monitoring of the CDBG program, which noted:

"Grantees and HUD managers * * * indicated that the design of the Annual Grantee Performance Report (GPR) limits its usefulness and that it is overly cumbersome. It does not provide Area Office personnel with some of the information they need and the information included in the GPR is not readily understood by the public. Your office should review the format of the GPR to determine whether it can be improved, taking into consideration the comments of HUD monitors and grantee officials; make appropriate revisions to the GPR; and issue a directive that explains the purpose of the information in the GPR and how it is to be used in the performance of the monitoring."

In March 1978 HUD officials said they planned to revise the GPR; however, as of May 1978 no changes had been made. Since the performance report is a key document in evaluating performance, we believe it should be revised to make it a more informative and useful management tool for both HUD and

communities to assess actual performance. Revisions to the report should allow the public and HUD to (1) evaluate the progress grantees have made compared to the standards set out in the application and (2) evaluate the extent that grantee activities have met the objectives legislated.

HUD MONITORING OF THE CDBG PROGRAM NEEDS IMPROVEMENT

Although the legislative history emphasizes the importance of HUD postaudits and reviews as the basic assurance that block grant funds are used to achieve legislative objectives, HUD has not diligently fulfilled this responsibility to a satisfactory degree. HUD has not adequately addressed substantive issues or emphasized the monitoring function. HUD has also not had adequate standards, criteria, and performance data to evaluate community performance and progress.

Substantive issues not adequately addressed

HUD monitoring policy has primarily emphasized reviews of procedural requirements rather than substantive issues (such as progress) in carrying out the community development program and the program benefit to low- and moderate-income families.

In January 1978 a Community Planning and Development notice was issued to all HUD staff involved in monitoring entitlement communities. This notice instructed HUD representatives to perform more substantive monitoring visits:

"During the initial years of the CDBG program, the Department's monitoring policy primarily addressed the review of procedural requirements. In furtherance of our recent efforts to strengthen HUD's administration of the program, we must now go beyond reviewing for conformity with the technical requirements. This Notice establishes priorities for the CPD generalist when making monitoring visits. While I do not expect CPD staff to ignore technical requirements, it is now appropriate to look at the substance of what communities are accomplishing. In terms of the role of Community Planning and Development generalists, the areas of highest priority for monitoring purposes are: maximum feasible priority requirements; housing assistance plan implementation; citizen participation; and progress in carrying out the community development program. * * *"

Despite HUD headquarters instructions for more substantive monitoring, field office staff stated that they are still unable to make the substantive determinations mentioned in the headquarters notice because the CDBG monitoring handbook had not been revised to provide field staff with the guidance needed for evaluations. As of May 1978 the CDBG monitoring handbook had not been revised.

For example, field office staff are required to determine whether a community complied with the maximum feasible priority requirement contained in section 104(b)(2) of the act. This requirement states that except for activities designed to meet community development needs having a particular urgency CDBG grants shall be made

"* * * only on condition that the applicant certify to the satisfaction of the Secretary that its Community Development Program has been developed so as to give maximum feasible priority to activities which will benefit low- and moderate-income families or aid in the prevention or elimination of slums or blight."

Section 104(d) requires at least an annual review of compliance with the act requirements and for appropriate adjustments in the amount of the annual grants in accordance with the findings of such reviews.

HUD field office staff stated that because HUD does not have effective monitoring guidelines it generally does not determine whether the community programs give maximum feasible priority to activities that benefit low- and moderate-income families, help eliminate slums and blight, or satisfy urgent community needs.

Monitoring can be more effective by emphasizing indepth reviews. This would require specific guidelines to field office staff on how to conduct substantive monitoring visits.

Lack of monitoring emphasis

HUD has emphasized front-end processing and program management over its post application reviews and site visits. In fiscal year 1978 about 23 percent of the staff years available for entitlement communities was allocated to monitoring activities. In contrast, 77 percent was allocated for application processing and program management. This appears inconsistent with the importance that legislative committees placed on HUD postaudit and review procedures. Field office

staff said greater emphasis had to be placed on the monitoring function to adequately fulfill their legislative responsibilities.

Lack of standards, criteria, and performance data

The problems we found on the applications and the performance reports have weakened HUD monitoring of CDBG programs. Without specific goals and milestones in the applications to measure progress, city personnel cannot readily document progress in their performance reports nor can HUD community development representatives easily evaluate the adequacy of performance.

Furthermore, vague and incomplete data included in some community performance reports hamper evaluations. HUD field office staff stated that they do not systematically verify the data provided by grantees because, in general, performance reports are vague and incomplete and are not useful for evaluating performance. Also, the HUD monitoring handbook does not require HUD officials to verify performance report data. If HUD continues to accept incomplete performance reports and does not verify the data provided, HUD will not have a valid basis for assessing performance.

NEW REGULATIONS

In March 1978 HUD issued new regulations, effective May 1, 1978, which if implemented properly should improve its management and evaluation of the CDBG program. These regulations require communities to provide more specific information in their grant applications about proposed projects to effectively evaluate project performance. Information required includes

- description, location, purpose, and duration of the project;
- the sequence of activities which must occur to achieve desired results;
- identification of the entity responsible for each project;
- whether the activity principally benefits low- and moderate-income persons, aids in preventing or eliminating slums and blight, or meets other community needs having a particular urgency; and

--anticipated accomplishments.

The additional information should allow communities to more effectively document their performance in the GPRs by comparing progress to their standards and legislation objectives. Thus, HUD should be better able to evaluate community programs.

These new regulations will be ineffective, however, if similar revisions are not made to GPRs. GPR format should be revised to complement the application by requiring communities to report progress in terms of the performance standards established in the application.

HUD-revised applications should provide HUD a more accurate basis for measuring progress. To fully benefit from the application changes, however, HUD headquarters should emphasize indepth monitoring, provide adequate guidance to field office staff, and verify the data that communities provide.

Since these new application requirements were not effective until May 1, 1978, they will not affect many grant applications for calendar year 1978. Thus, the benefits from these new regulations will not fully accrue until calendar year 1979.

CONCLUSIONS

HUD has neither required nor obtained the information needed to determine whether grantees are using CDBG funds to meet legislative objectives. HUD procedures and requirements for grantee applications for funds, annual grantee reports on performance, and HUD field staff monitoring of grantee performance suffer from inadequate measurable performance standards. Such standards--when applied to grantee-planned activities--would provide the grantee and HUD with a more objective basis to evaluate performance; assess progress toward meeting community and legislative objectives; and determine future-year program needs, direction, and priorities. Without such standards, grantee performance and progress are not measurable, and HUD lacks assurance that program funds are being used in accordance with legislative objectives.

HUD actions should, if properly implemented, improve the HUD ability to effectively manage and evaluate the CDBG program. However, further HUD action (in regard to GPRs and monitoring) is necessary to provide HUD with the means to assess community progress toward meeting legislative objectives. In addition, HUD field offices must improve how they

carry out their responsibilities. The new grantee requirements will not improve the situation if HUD field office staff continue to accept applications and performance reports that are vague, incomplete, and do not comply with HUD requirements.

RECOMMENDATIONS

To improve the HUD ability to effectively manage and evaluate the CDBG program, we recommend that the Secretary of HUD:

- Revise the GPR format to require specific information applicable to grantee goals, objectives, and activity performance standards as shown in grant applications. HUD reviewers should be instructed to return to grantees GPRs that are vague, incomplete, or otherwise do not conform to revised GPR requirements.
- Revise the HUD monitoring handbook to assure that it provides guidance to field personnel for making substantive assessments of grantee performance. HUD field office personnel should be instructed to test and verify grantee-provided information to assure that it is accurate and can be used to evaluate grantee performance.

AGENCY COMMENTS

We discussed our preliminary findings with HUD headquarters officials in March 1978 and discussed our draft report with them in July 1978. These officials agreed that HUD has had problems managing and evaluating the CDBG program. They believed, however, that actions taken and planned would resolve the problems noted in our report. Specifically, HUD officials stated:

- New regulations effective May 1, 1978, would improve the application by requiring more specific information on program activities.
- HUD plans to improve the format and data requirements of GPR.
- HUD has requested authorization for additional monitoring staff and will give greater emphasis to substantive issues.
- The monitoring handbooks will be revised.

Concerning revision of G.R, the officials said they have obtained suggestions for improving GPRs from HUD field personnel and block grant recipients. HUD is also awaiting the recommendation of a task force--made up of Community Development Directors from four cities--which should be submitted to HUD by August 1978. The HUD officials were uncertain as to when the GPR revisions would be completed, however, because of higher priority work demands on their staff.

We were also advised that the organizational unit responsible for the monitoring handbook is being staffed to make the necessary revisions. They currently have four persons on board and anticipate adding two more shortly. The headquarters officials said that field input will be solicited on the draft handbook after it has been prepared. The handbook was initially scheduled to be completed by September 1978, but that date will not be met. As with the GPR revisions, the officials were uncertain about when the handbook revisions would be completed.

The changes planned by HUD should alleviate the problems we identified. However, HUD has been wrestling with improving GPRs for over a year, and it has been 6 months since HUD recognized that its monitoring of CDBG programs should focus on more substantive issues. In view of HUD uncertainty about completing GPR and handbook revisions, the necessary revisions may not be made for some time. GPRs and the monitoring handbook must be revised soon if HUD is to realize the maximum benefits of the improvements in the application requirements.

CHAPTER 3

HUD DOES NOT ADEQUATELY REPORT ON PROGRAM PROGRESS AND USE OF FUNDS

Section 113 of the act requires the Secretary to report annually to the Congress on (1) the progress made in accomplishing CDBG program objectives and (2) the use of such funds as approved by the Secretary during the preceding fiscal year. HUD annual reports to the Congress on the block grant programs, however, provide very little information on the actual use of block grant funds and program progress. HUD has relied primarily on information from community applications--which identify planned activities--with limited followup through interviews and questionnaires because GPRs could not be relied on as a performance data source. The annual reports have provided much useful information but, without actual performance data, the reports will not adequately assess the extent of progress being made in accomplishing program objectives nor identify the actual uses of program funds.

REPORTS BASED ON PLANNED ACTIVITIES

The introduction to the Secretary's first annual report on the CDBG program (1975) included a comment that the report was based on planned use of funds, but indicated that later reports would evaluate actual implementation:

"* * * At this point, most recipients have had very little time for actual implementation of the Community Development Programs; therefore, this Report is, of necessity, based on recipients' planned program objectives and use of funds. Later reports will indicate the extent to which actual implementation differs from plans as well as other aspects of the program. * * *"

Our analysis of the annual reports for the second and third years showed that much of the information reported to the Congress is still based on planned rather than actual activities. For example, the HUD second and third annual reports to the Congress included the following comments, which indicated that much HUD information is based on grantees' budgets, plans, or goals:

"Comparison of Fiscal Year 1975 and 1976 budgets and applications for a sample of CDBG entitlement communities reveals little change in the legislative objectives receiving emphasis. * * *"

* * * * *

"Entitlement communities, in developing their Fiscal Year 1976 block grant programs, budgeted:

"--57.3 percent of the funds for activities that benefit families in low- or moderate-income areas.

"--38.6 percent of the funds for activities that aid in the prevention or elimination of slums or blight.

"--9.6 percent of the funds for activities certified as meeting other community development needs of particular urgency."

* * * * *

"Entitlement communities gave primary emphasis to redevelopment, public works, and housing rehabilitation. Emphasis changed between Fiscal Year 1975 and 1976 in these three areas: redevelopment (-8.2 percent), other public works (+7.3 percent), and housing rehabilitation (+5.3 percent). The proportion of funds budgeted decreased for all other activities except one; a slight increase was planned for open space and neighborhood facilities projects. * * *"

* * * * *

"Communities are budgeting assistance for more than half the census tracts within their boundaries. * * *"

* * * * *

"The average annual housing assistance goal showed an overall increase of 10 percent from 1975 to 1976. The average * * * number of units planned to be substantially rehabilitated increased 37 percent; the average units planned for new construction decreased by 6.5 percent; while average community goals for meeting needs through existing units stayed the same for the first and second years. * * *"

"Program mix of housing assistance proposed by all communities for Fiscal Year 1976 (with comparable 1975 percentages in parentheses) was: 35 percent

through construction of new units (40%); 38 percent through substantial rehabilitation of deteriorating housing (30%); and 27 percent through existing units by means of rental subsidies to eligible families (30%).

"The Fiscal Year 1976 goal would meet eight percent of the housing need identified by the communities, compared to seven percent for Fiscal Year 1975."

* * * * *

"Communities plan to rehabilitate, with CDBG funds, 36 percent more residential dwelling units in Fiscal Year 1976 than they planned to rehabilitate in Fiscal Year 1975."

* * * * *

"Funds budgeted for this objective * * * were * * * 44.3 percent in Fiscal Year 1977. * * *"

* * * * *

"More than 55 percent of Fiscal Year 1977 program funds * * * in the 147 sample cities are budgeted for low and moderate income residential neighborhoods or are for activities * * * benefiting low- and moderate income families and persons * * *."

* * * * *

"* * * A total of 54.5 percent of the Fiscal Year 1977 funds in the sample cities visited is budgeted for target areas in which most of the CDBG activities are intended to encourage property owners to rehabilitate their properties, according to city officials. * * *" (Underlining added.)

GRANTEE PERFORMANCE REPORTS NOT RELIABLE

According to HUD headquarters officials, information on actual progress has not been included in the HUD annual report because reliable information needed for evaluating and reporting grantee progress has not been available. For example, in a July 1977 memorandum to the Assistant Secretary for Community Planning and Development, the HUD Office of Evaluation noted that data from grantees was not valid and could not be used as the basis of a performance analysis. The memorandum stated: "It is unfortunate that data required

on the GPRs are not credible and cannot be used as a reliable source in our evaluation of performance."

As a result, much of the information in the HUD second and third annual reports to the Congress was based on data from a sample of community applications and interviews with community representatives. For example, the third annual report was substantially based on the following data sources:

- Applications and housing assistance plans were reviewed for 147 entitlement cities.
- A subsample of 25 communities was selected for field visits and telephone surveys to obtain more detailed data. Interviews were conducted with HUD and community representatives.

Thus, much of what HUD has reported to the Congress has been based on planned activities because HUD has not had an effective system for obtaining reliable data on actual program performance.

ADEQUATE DATA ON ACTUAL PROGRESS NOT
AVAILABLE FOR 1978 ANNUAL REPORT

As discussed previously, HUD has not obtained data for effectively evaluating program progress by grantees. Effective May 1, 1978, new application regulations require more specific information on planned program activities. However, since many applications for the 1978 program year were submitted before May 1, the new requirements will primarily affect grantee applications for 1979. GPRs covering 1979 program activities will thus be the first reports relating grantee performance to specific, measurable performance standards. As a result, HUD will not have adequate actual performance data for its 1978 report to the Congress.

CONCLUSIONS

HUD has not reported actual program progress to the Congress because it has not developed a system for accumulating and evaluating measurable data on grantee accomplishments. If our recommendations on page 15 concerning GPRs and monitoring are properly implemented, HUD should have the management tools necessary to effectively evaluate and report to the Congress on the progress in accomplishing CDBG program objectives and in using CDBG funds.

Since full implementation of these recommendations may not be complete until calendar year 1979, the HUD fourth annual report to the Congress may have to be prepared without actual progress data.

AGENCY COMMENTS

We discussed our draft report with HUD headquarters officials in July 1978. These officials said that our report seems to be based on evaluations of the first two HUD annual reports, and that it does not adequately recognize the differences in methodology used for the third annual report. They said that field and telephone surveys of small samples of communities were used to provide HUD with information on actual program progress. The officials stated that all chapters in the HUD report contained information from the surveys except for chapters 13, 14, 15, 16, and 18, which were based on analysis of 147 community applications.

Our criticism of the HUD annual reports is based on our evaluations of all three reports issued to date. The HUD third annual report is a voluminous 454-page document consisting of 23 chapters and assorted appendixes, which contains a wealth of useful information on the CDBG program. The report did develop information through the use of field and telephone surveys of a small subsample of communities, but the data used came from 18 to 25 communities (depending on the subject). The data collected from this subsample provided HUD with the views and perceptions of local officials and residents on the CDBG programs as well as information on the actual progress of program implementation. The third annual report, therefore, did contain some judgments about program progress--this is a departure from the two previous reports.

Field visits and telephone surveys are useful for obtaining supplementary information and for gaining program insight. In view of the over 1,300 entitlement communities receiving funds, however, information developed from 25 communities is limited in providing adequate information on actual total program progress. We believe adequate information on actual program progress is not being provided by knowing what 18 to 25 communities are doing.

Although the third annual report uses the results of field visits and telephone surveys, discussions in the report dealing with the total program are based on planned activities. The chapters in the annual report that use data based on planned or budgeted information deal with major activities being funded (water and sewer, street improvements, rehabilitation), their location, and their relationship to the act's national objectives. We believe that until HUD can provide data from a representative sample of the actual funds used by an activity, its location, and relationship to the act's national objectives, a true indication of total program progress and funds use is not possible.

GPR provides HUD with the means for obtaining actual program information on all communities participating in the CDBG program. We believe that the improved application requirements and anticipated changes in GPR format should provide HUD with the information needed to report on the actual use of program funds and the progress being made in accomplishing the program objectives, but this information will not be available until GPR is revised. (See p. 20.)

RECOMMENDATIONS

To show the Congress that adequate data on actual program progress and use of funds is unavailable, and to inform the Congress of HUD actions to obtain such data, we recommend that the Secretary of HUD advise the Congress in her 1978 annual report to the Congress on the block grant program of

- the specific actions HUD has taken or plans to take to obtain information on the actual progress in accomplishing CDBG program objectives and the actual use of program funds and
- the HUD timetable for completing the above actions.

COMMUNITY APPLICATIONS REVIEWED FOR SPECIFIC
INFORMATION ON PROGRAM ACTIVITIES

- (1) Boise, Idaho
- (2) Everett, Washington
- (3) Salem, Oregon
- (4) Eugene, Oregon
- (5) Richland, Washington
- (6) Spokane, Washington
- (7) Tacoma, Washington
- (8) Yakima, Washington
- (9) Coos Bay, Oregon
- (10) Portland, Oregon
- (11) Reedsport, Oregon
- (12) Vancouver, Washington
- (13) Cleveland, Ohio

GRANTEE PERFORMANCE REPORTS REVIEWED
TO EVALUATE PROGRESS MADE TOWARD
MEETING LEGISLATIVE OBJECTIVES

- (1) Pocatello, Idaho
- (2) Bellevue, Washington
- (3) Boise, Idaho
- (4) Eugene, Oregon
- (5) Everett, Washington
- (6) Portland, Oregon
- (7) Richland, Washington
- (8) Spokane, Washington
- (9) Tacoma, Washington
- (10) Coos Bay, Oregon
- (11) Salem, Oregon
- (12) Vancouver, Washington

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