

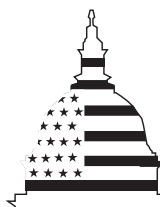
GAO

Report to the Chairman, Subcommittee  
on Housing and Community Opportunity,  
Committee on Banking and Financial  
Services, House of Representatives

November 2000

# PUBLIC HOUSING

## HUD Needs Better Information on Housing Agencies' Management Performance



G A O

Accountability \* Integrity \* Reliability



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## Abbreviations

HUD	Department of Housing and Urban Development
PHAS	Public Housing Assessment System

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**United States General Accounting Office**  
**Washington, D.C. 20548**

November 9, 2000

The Honorable Rick Lazio  
Chairman, Subcommittee on Housing  
and Community Opportunity  
Committee on Banking and Financial Services  
House of Representatives

Dear Mr. Chairman:

The Department of Housing and Urban Development (HUD) spends nearly \$7 billion annually on the public housing program, providing affordable homes to low-income households. HUD depends on and funds more than 3,000 local public housing agencies to manage the day-to-day operations of public housing, providing assistance to and oversight of these agencies through 43 of its field offices. For HUD to be accountable for the performance of the public housing program, it must first rely on holding the housing agencies accountable for providing safe and decent housing and protecting the federal investment in their properties. For HUD to do so, it has to be able to effectively measure housing agencies' performance and—using its measurements of the agencies' performance—assist those that need help and hold accountable those that do not improve. Also, by statute, HUD must assess the performance of housing agencies to evaluate their actions in all major areas of management operations and to designate as “troubled” any agency that fails on a widespread basis to provide acceptable housing conditions.

HUD primarily measures housing agencies' management performance through the management operations indicator of its Public Housing Assessment System (PHAS), which it implemented in June 2000. The PHAS management operations indicator is largely unchanged from HUD's previous performance measurement system, the Public Housing Management Assessment Program, which rated housing agency performance in areas such as completing routine maintenance requests.

Because we reported to you in the past that HUD needed to make its old assessment program more accurate and useful,<sup>1</sup> you asked us to report on the effectiveness of HUD's oversight of the management performance of

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<sup>1</sup>*Public Housing: HUD Should Improve the Usefulness and Accuracy of Its Management Assessment Program* (GAO/RCED-97-27, Jan. 29, 1997).

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housing agencies through PHAS. As agreed with your office, this report discusses factors that HUD field and headquarters staff indicate most influence HUD's ability to (1) effectively measure the management performance of housing agencies, (2) provide assistance to those agencies that need to improve their performance, and, (3) hold accountable those agencies that fail to improve their performance. To address these questions, we surveyed all 43 of HUD's field office directors of public housing because they have the most direct day-to-day experience in HUD's oversight of and assistance to public housing agencies. We received responses from 41 of the 43 field offices, which is a 95-percent response rate. Our survey included questions on the full range of these officials' oversight responsibilities, such as their experiences with HUD's previous management assessment program and PHAS (the current system), the adequacy of current levels of resources and other factors that affect their oversight of and assistance to housing agencies, and their experiences using sanctions to hold accountable poorly performing agencies. We did not independently verify the field offices' responses. Our detailed scope and methodology are discussed at the end of this report, and the results of our survey are presented in appendix I.

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## Results in Brief

According to our survey, the management operations indicator of HUD's Public Housing Assessment System includes the components HUD's field offices judge most important to gauging the quality of a housing agency's management (for example, how many of a housing agencies' major systems—such as heating and air conditioning—it inspects each year). However, HUD lacks adequate assurance that the data that housing agencies self-certify on these components are accurate. Over 40 percent of HUD's field offices reported that, in the past, housing agencies certified to inaccurate or incomplete data to a moderate or greater extent because, for example, the agencies had misinterpreted HUD program requirements, definitions, or rules. Under the new Public Housing Assessment System, HUD headquarters and its field offices perform initial quality assurance reviews of the data the agencies certify, but neither involves first-hand verification of the data. To identify when housing agencies submit inaccurate management operations data, HUD primarily relies on independent audits conducted at most housing agencies each year to substantiate that data. However, HUD headquarters officials told us that their initial quality control reviews of these audits have found that some have not included the work HUD expects of them to substantiate management operations data. According to our survey, in 21 instances, agencies that self-certified to being standard or high performers were later

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found to be troubled; field offices reported that 15 of the agencies' audits did not identify problems with the agencies' self-certified data. Under HUD's Public Housing Assessment System, failing to identify inaccurate housing agency data could be costly to other housing agencies because HUD plans to award performance bonuses to high-performing housing agencies—on the basis, in part, of their self-certified data—and will pay for the bonuses with funds it had set aside for other agencies. As a result, we are making recommendations to HUD to improve its assurances that management operations data are accurate and ensure that it uses adequately verified information on housing agencies' performance for purposes such as awarding performance bonuses.

HUD's field offices identified nine factors in our survey, such as training funds for the field office staff, that they judge to be most important to providing effective assistance to housing agencies needing to improve their performance. Of these nine factors, the field offices reported that for four—their expertise in HUD programs, expertise in rental property management, working knowledge of housing agencies, and travel funds—they are adequately prepared to assist housing agencies. However, they also reported that for five of these factors—the number of field office staff, their workload relative to the number of staff, their workload relative to the field office staff qualifications and training, the amount of field office training funds, and, the amount of technical assistance funds available to them—they believe they are currently not adequately prepared to assist housing agencies. The HUD headquarters official in charge of field office operations acknowledged that its field offices need additional training, in part because of substantial turnover in recent years in the field offices and because of numerous new and revised program requirements resulting from recent public housing reforms. HUD has since begun providing additional training to its field office staff. Moreover, this official agreed that HUD's field offices face resource constraints, particularly in terms of the number of staff relative to workload. HUD attributes field office staffing constraints to attrition and staff reductions in recent years but doubts that it will be able to increase its field office staffing. As a result, HUD is currently evaluating the field offices' workload, focusing on reducing or eliminating responsibilities that may no longer be necessary.

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HUD's field offices may use sanctions if they find it necessary to do so in order to force a housing agency to correct a performance problem, such as an agency's noncompliance with rules for verifying tenants' incomes. Sanctions—such as restricting a housing agency's use of HUD funds—can apply whether or not HUD designates the housing agency as troubled. However, according to our survey, HUD's field offices use sanctions infrequently when housing agencies violate one or more of HUD's program rules and requirements. For example, over three-fourths of HUD's field offices reported that, in their experience, some of the housing agencies they oversee have needed to improve their performance because they made poor use of the funding HUD gave them to operate, maintain, or modernize their buildings. Nonetheless, over the last 5 years, almost 40 percent of the field offices responding to our survey indicated that they have never applied a sanction to improve the performance of a housing agency, and over two-thirds indicated that they have rarely threatened or initiated sanctions. According to a HUD headquarters official, this may be because field offices believe some sanctions, such as withholding HUD funds, could have negative short-term effects on public housing residents and because field offices instead prefer to work cooperatively with housing agencies to address problems. The 1998 public housing reform legislation<sup>2</sup> mandates that HUD use a specific sanction against troubled housing agencies that fail to substantially improve their performance as HUD measures it through its Public Housing Assessment System—giving these agencies at most 2 years to improve before HUD takes possession of the agency or seeks a court-ordered receivership. As a result, HUD now has quantifiable, transparent criteria for deciding when and how it will hold accountable troubled housing agencies. Later this year, HUD expects to seek the first receiverships based on the 1998 public housing legislation.

In commenting on a draft of this report, HUD provided us with additional information for our consideration. This information primarily dealt with the importance of the other PHAS indicators for accurately assessing housing agencies' management, additional quality assurance steps HUD is taking to ensure accurate management operations data, and new field office training to improve oversight of and assistance to housing agencies. However, HUD did not directly address our report's recommendations. Our detailed discussion of HUD's comments are included at the end of this letter.

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<sup>2</sup>Public Law 105-276, the Quality Housing and Work Responsibility Act of 1998, Oct. 21, 1998.



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## Background

Through the United States Housing Act of 1937, the Congress created the federal public housing program to help communities provide decent, safe, and sanitary rental housing for low-income families, the elderly, and persons with disabilities. Today, approximately 1.3 million low-income households live in public housing. Because tenants' rents typically do not cover the cost of operating public housing, HUD subsidizes more than 3,000 local public housing agencies to help pay for their operating costs, such as routine maintenance, staff salaries, and administrative expenses, and provides the housing agencies with technical assistance in planning, developing, and managing public housing. HUD also provides funds to housing agencies for major modernization projects through its Capital Fund program.<sup>3</sup> For fiscal year 2000, HUD provided public housing agencies nearly \$7 billion in such subsidies and technical assistance.

HUD oversees public housing agencies' performance by annually measuring their performance through PHAS and by conducting day-to-day activities to monitor compliance with, and provide assistance in meeting, the various HUD program requirements applicable to each housing agency. Annually, HUD measures the essential housing operations of public housing agencies through the Public Housing Assessment System (PHAS).<sup>4</sup> In its day-to-day oversight of housing agencies, HUD—through 43 of its field offices—monitors housing agencies' compliance with its programs' rules and requirements, many of which fall outside of the scope of PHAS.<sup>5</sup> Figure 1 shows the six components of housing agencies' management operations that PHAS measures.

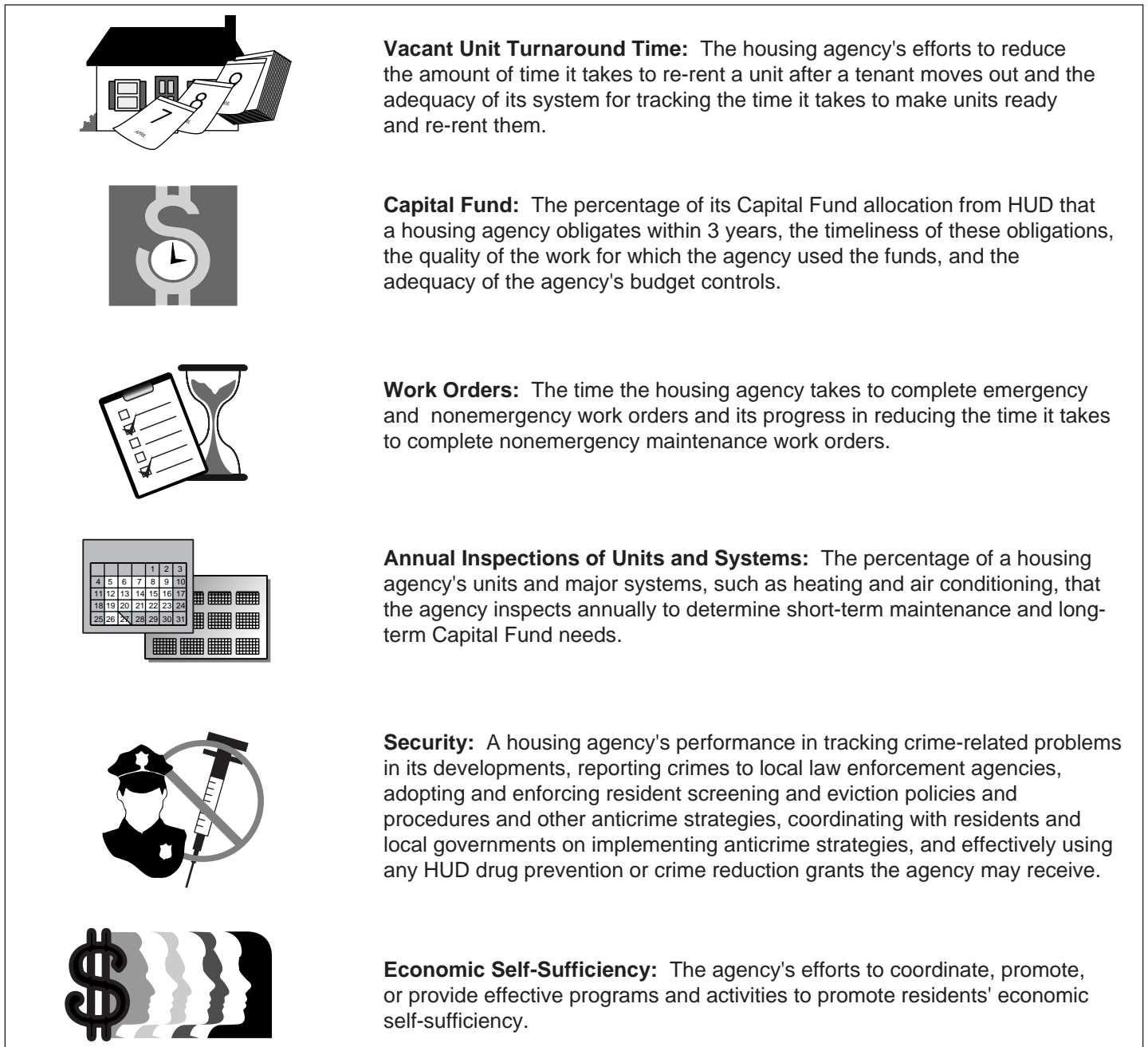
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<sup>3</sup>HUD recently consolidated various modernization programs into a single program, the Capital Fund. HUD allocates money from the Capital Fund to housing agencies on the basis of a formula that includes factors such as the age of each agency's buildings.

<sup>4</sup>On Sept. 30, 1999, the PHAS management operations indicator replaced the Public Housing Management Assessment Program, which was the framework through which HUD met statutory requirements to assess management performance by using certain measures, such as vacancy rates and the average time a housing agency takes to repair and reoccupy vacant units. When HUD replaced the previous management assessment program, it also created new indicators that measure the physical condition of each agency's buildings, residents' satisfaction with living conditions, and the financial condition of the housing agency. Together, these four indicators make up PHAS.

<sup>5</sup>For example, HUD oversees housing agencies' compliance with fair housing laws through an annual contract with each agency because PHAS does not measure housing agencies' performance in this area.

Figure 1: Six Components of PHAS Management Operations



Source: HUD.

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PHAS scores determine (1) whether HUD designates a housing agency as a high performer, standard performer, or troubled housing agency; (2) which HUD office will be responsible for overseeing the housing agency; and (3) whether the housing agency will be eligible for certain bonus funding. Specifically:

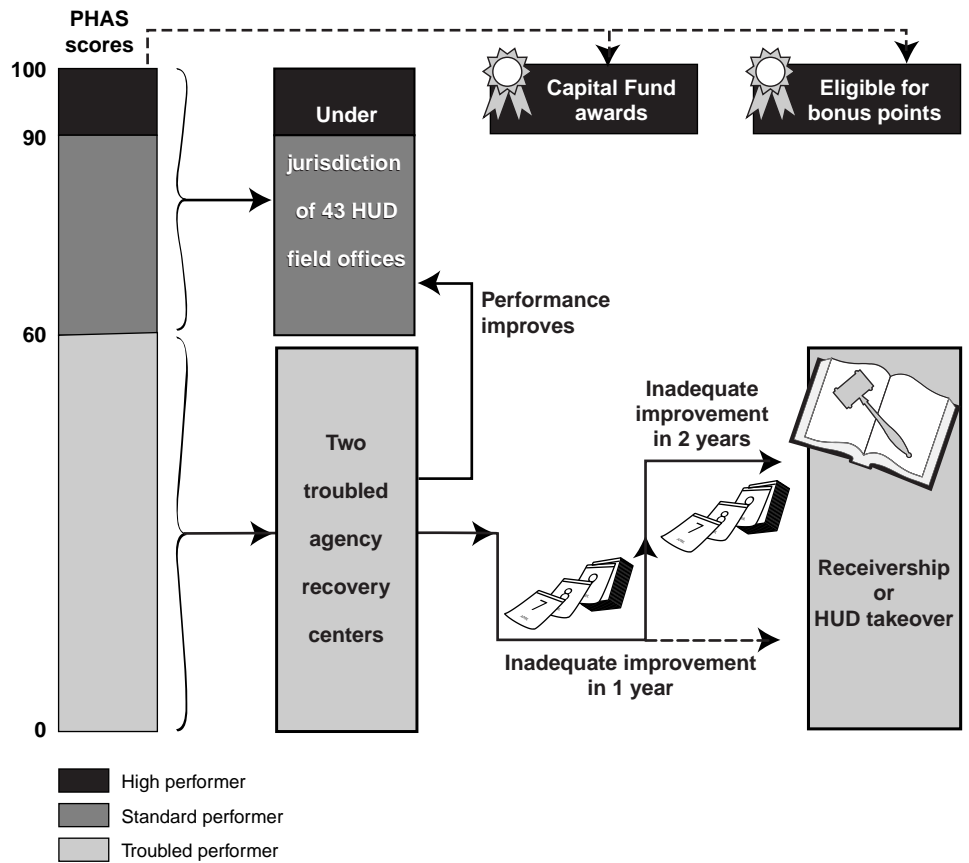
- Using the total PHAS score, high performers are those scoring 90 percent or greater and at least 60 percent of the points available under each of the four PHAS indicators; standard performers are those with a total score of 60 to 89 percent and at least 60 percent of the points available in the physical condition, financial condition, and management operations indicators; and, troubled agencies are those with total scores of less than 60 percent.<sup>6</sup> HUD designates as “substandard” those housing agencies that score less than 18 of the 30 possible points on each of the management operations, physical condition, or financial condition indicators. Also, HUD designates agencies that score less than 60 percent of the maximum calculation for the Capital Fund component as substandard with respect to the Capital Fund program.
- Standard- and high-performing housing agencies remain under the jurisdiction of a HUD field office, but troubled and substandard agencies must report to one of HUD’s two troubled agency recovery centers, which provide specialized oversight and recovery assistance to poorly performing agencies; and,
- High-performing housing agencies may be eligible for bonus points when they apply for certain funding HUD awards on a competitive basis; also, HUD plans later this year to begin using its Capital Fund program to award performance bonuses to high performers.

Figure 2 illustrates how this scoring system and process works.

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<sup>6</sup>The total PHAS score, from 0 to 100 percent, is the summation of an agency’s scores on the management operations, physical condition, and financial condition components of PHAS (with each worth 30 points), plus the measure of the residents’ satisfaction, which is worth 10 points.

**Figure 2: Effect of Housing Agencies' PHAS Scores**



Source: HUD.

To verify that the management operations data housing agencies certify are accurate, HUD relies on the independent public accountant auditors who review housing agencies' financial statements each year to verify the agencies' certifications and the supporting data behind them.<sup>7</sup> HUD expects the independent auditors to review the documentation and other

<sup>7</sup>The Single Audit Act (31 U.S.C. Chapter 7501-7507) requires an annual audit of states, local governments (including housing agencies), and nonprofit organizations that annually expend \$300,000 or more of federal funds. The purpose of the annual audit is to tell HUD and housing agency officials whether the housing agency has fairly presented its financial statements and to provide reasonable assurance that the housing agency is managing its programs in accordance with applicable laws and regulations.

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information to substantiate the management operations certifications submitted by housing agencies. Any major discrepancy between what a housing agency certifies and what its auditor finds should result in findings in the auditor's annual audit report to that agency, and these results are also sent to HUD.

In the course of their day-to-day oversight of housing agencies' compliance with HUD program requirements, field offices may use sanctions to bring about improvements in a housing agency's performance, but in most cases they are not required to do so if they do not believe sanctions are the best way to improve poor performance. Sanctions available to the field offices could include restricting the agency's use of certain HUD program funds or temporarily withholding funds altogether. Under PHAS, troubled and substandard agencies face statutory deadlines for improving their performance and a mandatory sanction if they fail to do so. Specifically, if a troubled agency does not substantially improve its performance in each of the 2 years after HUD first designates it as troubled, HUD must either take over all or part of the agency's operations itself or seek from a court the appointment of a receiver to take over all or part of the troubled agency's operations.

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## HUD Assesses Important Measures of Management Performance, but It Needs Better Data on Housing Agencies' Performance

HUD field office officials reported that the components that make up the PHAS management operations indicator are important measures for assessing the quality of a housing agency's management. However, many of these officials' responses to our survey also indicated that housing agencies' self-certified data about their performance on the components of management operations can be inaccurate. HUD relies on the independent audits that many housing agencies must have done each year to alert it when management operations data might be inaccurate. However, HUD has found during a limited number of quality control reviews of these audits that some auditors have not done the work HUD expected of them and others are unclear about HUD's expectations. According to our survey, in 15 instances involving troubled housing agencies, the audits did not identify for HUD problems with the agencies' self-certified data.

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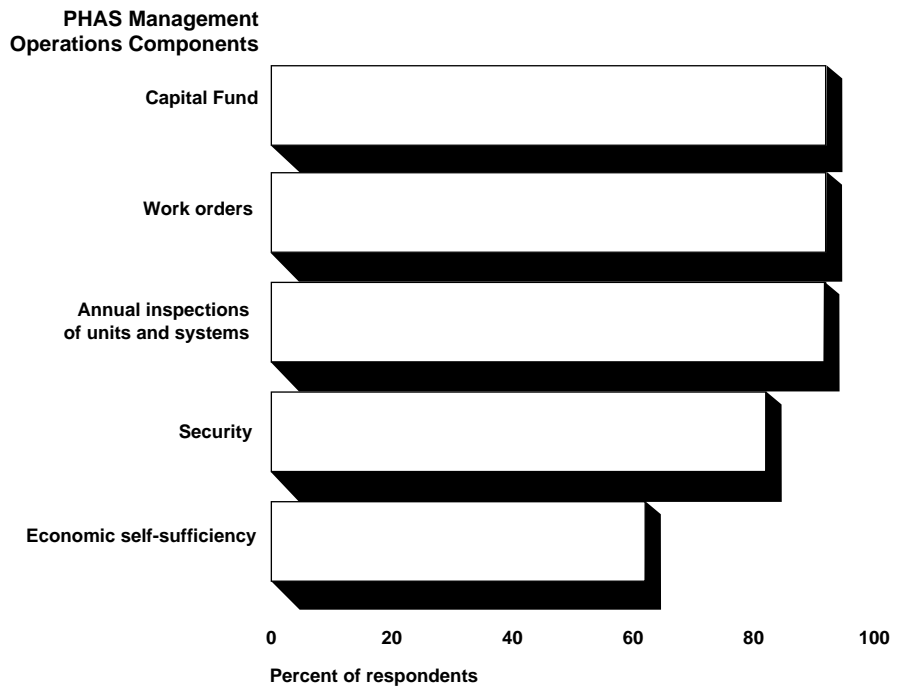
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## HUD's Public Housing Assessment System Includes Components Key to Measuring Management Performance and Identifying Poor Performers

To have an effective oversight system, HUD must ensure that it is measuring the right things—that is, it is using valid measures of management performance and has not overlooked additional components identified by those most familiar with housing agency operations. Our survey results indicate the field office officials believe HUD is measuring the right things in order to be sure housing agencies are providing safe and decent housing and protecting the federal investment in their properties. As figure 3 shows, field office officials concluded that nearly all of the PHAS management operations components are important measures for gauging how well a housing agency is managing its public housing program.

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**Figure 3: PHAS Management Operations Components Rated as Moderately, Very, or Extremely Important**



Note: The “vacant unit turnaround” component was not part of the PHAS management operations indicator at the time we developed our survey. The management operations components we included in our survey were drawn from the January 11, 2000 final PHAS rule, which listed the five components we show in figure 3. In June 2000, HUD issued a technical correction to the PHAS rule, noting that it (1) had inadvertently removed the vacant unit turnaround component when it also removed a separate vacancy-related component (vacancy rate) and (2) was reinstating the vacant unit turnaround component as part of the PHAS management operations indicator.

Source: GAO's survey of HUD's field office directors of public housing.

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Field offices rated only the economic self-sufficiency component as noticeably less important than the others, possibly because economic self-sufficiency focuses on the nonhousing needs of public housing residents. Additionally, few offered suggestions on other areas of performance HUD does not already measure.

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### HUD Lacks Adequate Assurance That Housing Agencies' Management Operations Data Are Accurate

HUD lacks adequate assurance that housing agencies' management operations data are accurate because it does not have in place a proven way to systematically verify the agencies' self-certified performance data. HUD first depends on the housing agencies to collect performance data throughout the year in order to measure their management operations performance. At the end of their fiscal year(s), housing agencies analyze their performance data, report the information to HUD, and certify that the information is accurate. However, over 40 percent of the field offices responding to our survey reported that in the past, housing agencies certified to inaccurate or incomplete management operations data to a moderate or greater extent. Most often, they said, they believe housing agencies did so because the agencies (1) failed to collect all the data HUD requires; (2) misinterpreted HUD program requirements; or (3) lacked the expertise necessary to collect, analyze, and present detailed management operations performance data.

To substantiate housing agencies' management operations data, HUD relies heavily on the agencies' independent audits to alert it to whether any of the data may be inaccurate. HUD officials stated that it is necessary to use the independent audit to substantiate the management operations data to which the agencies self-certify because its field offices usually do not have sufficient resources to visit significant numbers of housing agencies to do so themselves. Prior to PHAS, HUD required its field offices to visit some housing agencies to verify the agencies' self-certified data. Under PHAS, HUD no longer requires these visits. Instead, as one HUD official characterized it, the independent audit is the Department's first line of quality control in ensuring that housing agencies' management operations data are accurate.

According to HUD headquarters officials, because of the importance of the audit to its oversight of housing agencies, HUD has begun performing quality control reviews of the independent auditors' work for public housing agencies. These reviews are to assess the audits' compliance with professional standards and to ensure that the auditors comply with the associated statutory requirements. HUD envisions these reviews as a

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deterrent against substandard work by housing agencies' auditors. To date, HUD headquarters has performed only a limited number of reviews of housing agencies' audits, but it has found instances in which the auditors have not performed the work HUD requires of them, including testing the housing agencies' management operations data. HUD has also found that some auditors are unclear about what HUD expects they should and should not report when they find discrepancies between these data and the agencies' certifications.

HUD's preliminary findings through these quality control reviews may explain some of the reasons why, according to our survey, HUD has not always learned through the agencies' audits when agencies have certified to inaccurate data. Specifically, according to the field offices responding to our survey, prior to PHAS, 21 housing agencies certified to data indicating they were standard- or high-performing agencies. The field offices reported that HUD later determined these 21 agencies were, in fact, troubled during the time they had made these certifications. For six of these agencies, the field offices reported that the housing agencies' audits had identified problems with the agencies' certifications. However, for 15 of these agencies, the field offices reported that the audits had not identified such problems.

Under PHAS, HUD is using additional quality assurance activities to analyze the housing agencies' self-certified data before it either issues PHAS scores or, for most agencies, will have received their independent audits. HUD's Real Estate Assessment Center, which receives and processes all housing agencies' certifications, performs an initial review to identify if any submission is incomplete or contains any obvious errors. The field offices then perform a second quality assurance review to ensure housing agencies' certifications are consistent with their knowledge of the agencies. Field offices can ask that a housing agency's certification be put on hold if they have questions about it. If the field office has documentation that a housing agency's certification is incorrect, the Real Estate Assessment Center can reject the agency's PHAS score. Neither of these quality assurance reviews involves first-hand verification of the housing agencies' management operations data. Furthermore, HUD's field offices may not be in a position to provide the level of quality assurance HUD is expecting. Specifically, slightly over 80 percent of the field offices responding to our survey said that, under PHAS, HUD probably or definitely does not have the tools and resources necessary to ensure that the management operations data that housing agencies certify are accurate and complete.



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Under PHAS, if HUD does not identify instances of inaccurate self-certified data, such as those the field offices reported to us, it could potentially be costly to other housing agencies. A housing agency's PHAS management operations score, which HUD determines on the basis of the data the agency self-certifies, can be as much as 30 of the 90 points that it takes to be designated a PHAS high performer. Later this year, HUD plans to begin awarding the Capital Fund performance bonuses to PHAS high performers, with the funds for these bonuses coming out of the funds HUD otherwise allocates to standard-performing and troubled housing agencies.<sup>8</sup> Additionally, HUD has said that PHAS high performers may, in the future, get bonus points when HUD considers their applications for funding that is awarded on a competitive basis.

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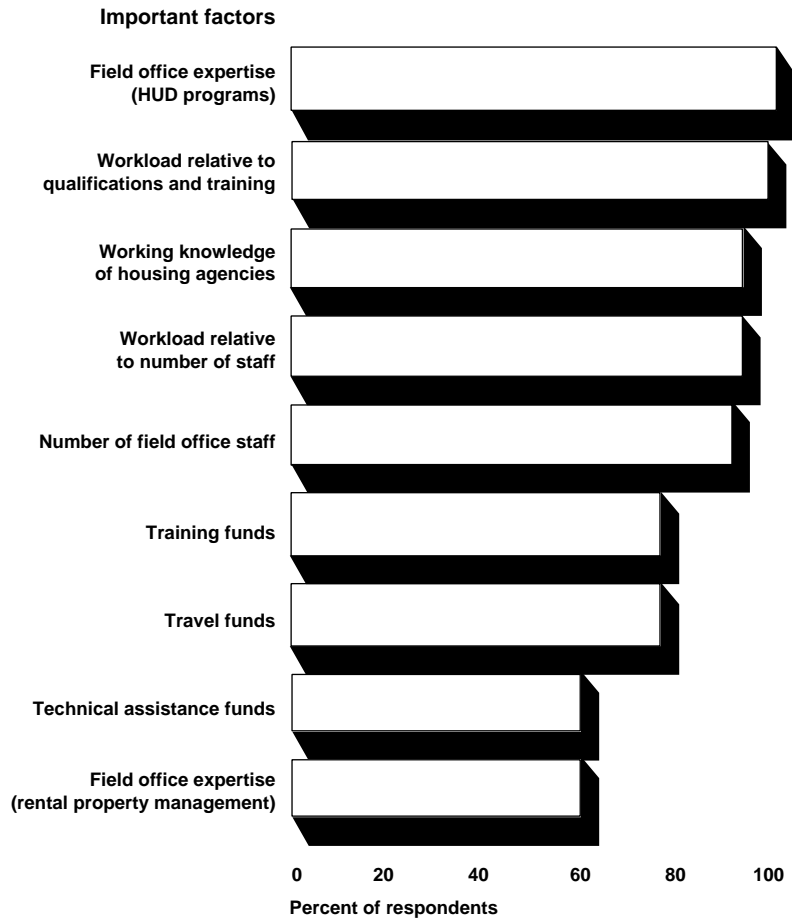
## Field Offices Report They Are Adequately Prepared for Certain Important Assistance to Housing Agencies, but Other Key Factors May Be Inadequate

Field office officials identified a number of factors—primarily related to their staffing and resources—that they judge as most important to providing effective assistance to housing agencies that need to improve their performance (see fig. 4). They also further described the areas (factors) in which they believe they currently are adequately or inadequately prepared to assist housing agencies.

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<sup>8</sup>The 1998 public housing reform legislation requires that HUD include in the Capital Fund a mechanism to reward high performance (42 U.S.C. 1437g (d) (2)). While HUD is authorized to use PHAS scores as the mechanism, the legislation does not mandate that it use these scores.

**Figure 4: Factors Field Offices Judge Most Important to Providing Effective Assistance to Housing Agencies**



Source: GAO's survey of HUD's field office directors of public housing.

Of the nine factors they judge most important to providing effective assistance to housing agencies, field office officials reported that, currently, conditions are adequate or better for four of these factors.<sup>9</sup> Specifically:

<sup>9</sup>"Adequate or better" refers to the sum of those field offices answering "adequate," "more than adequate," or "much more than adequate."

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- Over 70 percent of the field offices had adequate or better expertise in HUD programs,
  - over 80 percent had an adequate or better working knowledge of housing agencies,
  - just over half of the field offices had an adequate or better amount of travel funds available to them to visit housing agencies, and
  - just over half had an adequate or better amount of expertise in rental property management.

With respect to five of the nine factors they judge most important to providing effective assistance to housing agencies, a majority of the field offices rated their current conditions as less or much less than adequate for providing effective assistance to housing agencies. Specifically:

- Nearly 60 percent said their workload relative to the qualifications and training of the field office staff was less or much less than adequate,
- 70 percent said their workload relative to the number of field office staff was less or much less than adequate,
- over 80 percent had a less or much less than adequate number of field office staff,
- over 85 percent said that the amount of field office training funds is less or much less than adequate, and
- over 75 percent said that the amount of technical assistance funds available to the field office is less or much less than adequate.

A number of reasons may explain why the field offices rated these five factors as currently inadequate for assisting housing agencies. According to the HUD headquarters official responsible for field office operations, there has been substantial turnover in recent years among HUD's field office directors of public housing, with at least half new to their positions within the last 2 years. This turnover, as well as the need for field office staff to be up to date with over 60 new or revised program requirements associated with the 1998 public housing reform legislation, has increased the need for and the importance of ongoing training for field office staff. However, this same official acknowledged that HUD has not had a great deal of funds available for field office training in recent years, which probably explains why 85 percent of the field offices reported that the amount of training funds available to them is less or much less than adequate.

In commenting on a draft of this report, HUD noted that in response to the relative inexperience of some of its field office directors of public housing, it has developed managerial and program monitoring training courses that

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focus on the full range of HUD programs and activities for which they are responsible. HUD also commented that it had recently convened a 2-week training session to provide field office staff with the knowledge and skills they need to (1) effectively monitor housing agencies' compliance with the new and/or revised requirements associated with the 1998 public housing legislation and (2) provide the housing agencies technical assistance in the implementation and maintenance of HUD programs.

The HUD headquarters official responsible for field office operations also noted that the number of staff in field offices has decreased in recent years because of attrition and departmental downsizing, adding that it has been and remains unlikely that HUD will be able to increase staffing in its field offices. As a result, HUD is currently considering alternative ways to address its field offices' workload. HUD has under way a study of its field offices' workload with a focus on reducing or eliminating responsibilities where it might make sense to do so. Also, instead of on-site visits to housing agencies, HUD has been emphasizing to field office staff the importance of remotely monitoring housing agencies as much as possible by means such as a new Internet-based system HUD is implementing to share information between housing agencies and HUD staff.

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## **HUD Sanctions Housing Agencies Infrequently, but Statutory Reforms Have Improved How HUD Holds Troubled Agencies Accountable**

Regardless of whether or not HUD designates a housing agency as troubled, some housing agency performance problems can result in HUD's applying a sanction to the agency in order to compel it to address and correct the problem(s). For example, HUD can restrict a housing agency's use of the operating funds that it provides if the agency is not complying with rules for verifying tenants' incomes. However, we found that HUD's field offices infrequently sanction housing agencies for poor performance when they may have reason to do so. The 1998 public housing reform legislation improved HUD's effectiveness at holding accountable the agencies HUD has designated as troubled when they fail to improve their performance. It did so by mandating that HUD seek a specific sanction—a takeover either by HUD or a court-appointed receiver—for troubled housing agencies that fail to substantially improve their performance within 1- and/or 2-year deadlines. HUD uses PHAS to determine whether a housing agency has substantially improved its performance.

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## **Field Offices Infrequently Sanction Housing Agencies**

HUD field offices infrequently use the sanctions available to them to hold housing agencies accountable when they fail to substantially improve their performance in accordance with program rules or statutory requirements.

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According to our survey, three-fourths of the field offices indicated that some of the housing agencies in their jurisdiction have needed to improve their performance because they made poor use of federal funding for their operations, maintenance, and modernization and revitalization efforts. Also, three-fourths of the field offices indicated that some housing agencies in their jurisdiction have needed to improve because of poor performance by their executive directors, staff, or governing body. More than two-thirds of the field offices responding to our survey also reported that in the last 5 years, they either never or sometimes have threatened to use or initiated sanctions against housing agencies. Specifically, when we asked how often the HUD field offices threaten or initiate sanctions, they reported the following:

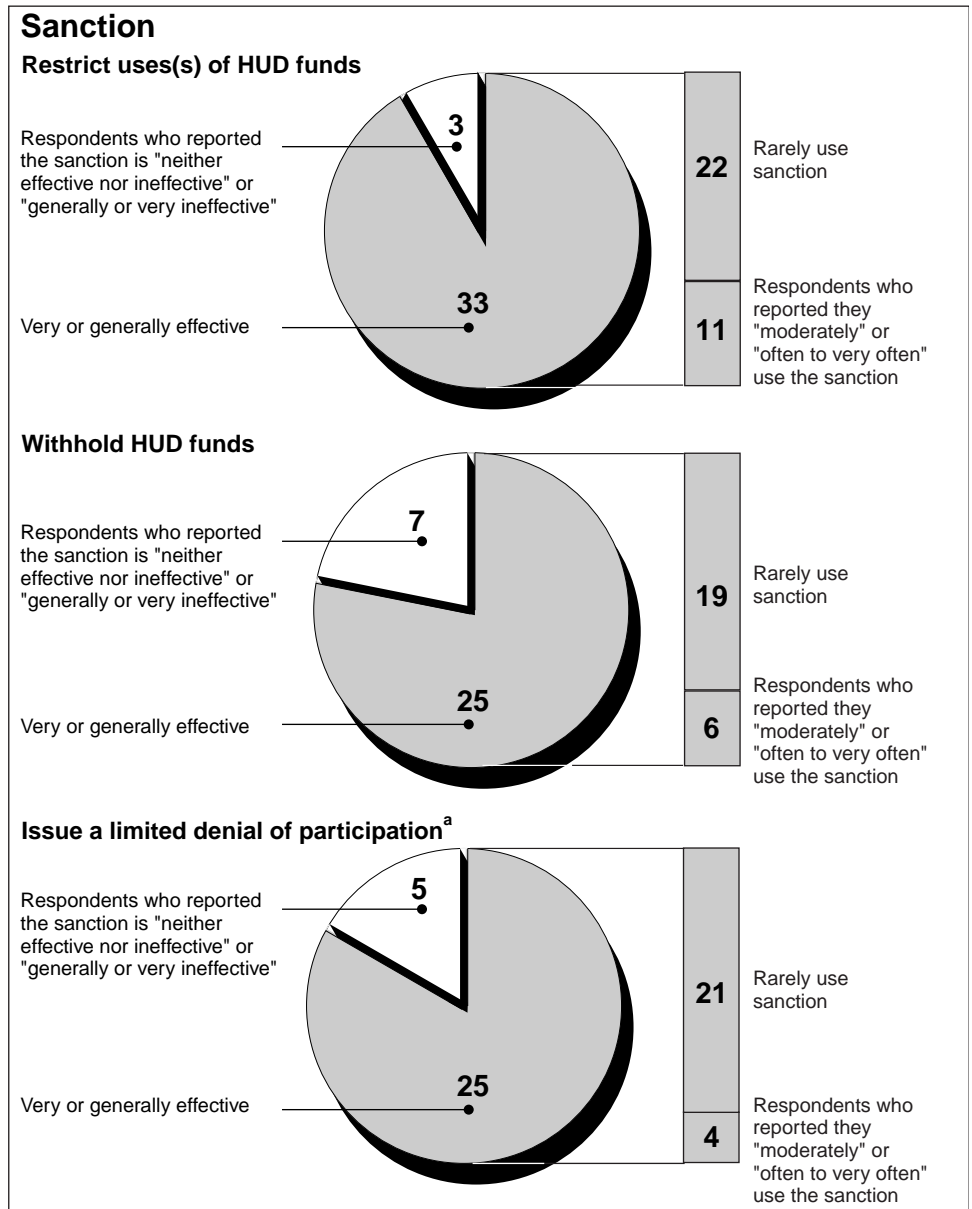
- 29 do so never or sometimes;
- 9 do so to a moderate extent; and,
- 3 very often or always threaten or initiate sanctions.

Additionally, 40 percent of HUD's field offices responding to our survey said that in the last 5 years they have never applied a sanction or other punitive action(s) to improve the performance, governance, regulatory compliance, or other behavior of a housing agency.

Field office staff told us that HUD does not necessarily have to go so far as to apply a sanction to effect a change for the better in a housing agency's performance. According to some HUD officials, the threat of a sanction—such as prohibiting a housing agency official from having anything to do with HUD programs for a period of time—can have just as positive an effect as actually applying the sanction because it creates a sense of urgency for the agency to do what it takes to make the sanction unnecessary.

Those field offices that had applied sanctions, or reported that they had some basis to judge, are—for the most part—rarely applying the sanctions they believe are most effective at improving housing agencies' performance. Figure 5 shows the three sanctions the field offices rated as most effective at improving housing agency performance and, for those same offices, how many indicated they rarely use it.

**Figure 5: Limited Field Office Use of Most Effective Sanctions**



<sup>a</sup>A limited denial of participation excludes for a specific period of time a specific individual or firm(s) from participating in a specific program or programs within the jurisdiction of the field office issuing the denial.

Source: GAO's survey of HUD field office directors of public housing.

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According to a HUD headquarters official, concern about the possible short-term effect on residents when HUD does use certain sanctions against a housing agency may account, in part, for why field offices so rarely make use of sanctions. For example, if a housing agency is not administering its Capital Fund allocation properly, withholding those funds until it improves its performance could be seen as penalizing the residents who ultimately benefit when the agency uses those funds to modernize or renovate residents' homes. Also, the HUD headquarters official responsible for field office operations stated that HUD does not have any official guidance for its field offices on initiating or using sanctions. As a result, this official stated, some field staff may feel vulnerable when they want to use sanctions against poor-performing housing agencies because they fear headquarters might overrule them. This official acknowledged that HUD's cooperative approach to working with poorly performing agencies is a barrier to its use of sanctions and stated that the Department needs to do a better job of using sanctions when it is appropriate. In commenting on a draft of this report, HUD noted that it has subsequently begun training field office staff on providing targeted technical assistance to noncompliant housing agencies and assisting these agencies in developing strategies to improve performance prior to the field offices' using discretionary sanctions.

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### **1998 Public Housing Reform Legislation Has Made HUD More Effective at Holding Housing Agencies Accountable for Improving Their Performance**

Recent legislative reforms have improved HUD's ability to hold poorly performing housing agencies accountable for their management operations because they mandate deadlines for certain poorly performing agencies to improve. Specifically, troubled housing agencies must show substantial improvement in their performance and now have at most 2 years to do so. HUD defines substantial improvement in terms of PHAS scores and, pursuant to the reform legislation, requires the following:

- Within 1 year of being designated as troubled, the housing agency must improve by at least 50 percent of the difference between its PHAS score and 60 percent—the minimum threshold for being a standard performer.<sup>10</sup>

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<sup>10</sup>For example, a troubled housing agency with a PHAS score of 50 would have to improve to a score of 55 within 1 year because that would be 50 percent of the difference between its score and 60. A substandard management operations agency scoring 10 out of 30 points would have to improve to 14 within 1 year (halfway to 18, or 60 percent of the 30 available points).

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- Within 2 years, the housing agency must improve its PHAS score to at least 60.

Prior to PHAS, troubled housing agencies faced no such deadline or threshold for improving their performance so that they were no longer designated as troubled. Instead, each troubled agency was required to enter into a binding memorandum of agreement with HUD that spelled out performance improvement goals, deadlines for improvement, and the possibility of sanctions if the agency failed to meet any of the terms of the agreement. However, according to our survey, when troubled housing agencies failed to meet such deadlines, the field offices reported that their most frequent response was to extend the deadlines. Specifically, field offices reported that in 21 instances, troubled housing agencies failed to meet one or more performance improvement goals to which they had agreed in writing with HUD. HUD's field offices responded by extending the agencies' deadlines 19 times.

According to HUD officials, the 1998 public housing reform legislation has simplified for them the process of holding troubled agencies accountable when they fail to improve their performance in a timely manner. Because HUD implements the statutory provisions through PHAS, it now has quantifiable and transparent criteria—time frames and PHAS scores—for determining when and how it will hold these housing agencies accountable. Specifically, HUD officials stated that they now consider it automatic that, 1 or 2 years after designating a housing agency as troubled, HUD will, for any agency that fails to improve as the statute requires, take possession of that agency or seek from a court the appointment of a receiver to take over all or part of the agency's operations.<sup>11</sup> Later this year, HUD officials expect to seek the first receiverships in accordance with the reforms in the 1998 public housing legislation.

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## Conclusions

We agree with HUD that it makes sense to reward high performance by housing agencies. Doing so can encourage the best agencies to try to continue performing at a high level and provide strong motivation to other housing agencies to match the performance of the best—ultimately, it

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<sup>11</sup>The statute directs that for housing agencies with fewer than 1,250 units, HUD must either take over all or part of the agency's operations itself or seek from a court the appointment of a receiver to take over all or part of the troubled agency's operations; for housing agencies with 1,250 or more units, HUD must seek the judicial appointment of a receiver.



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stands to reason, benefiting residents of public housing. Because HUD is, in the end, accountable for the performance of the housing agencies, it would benefit as well. However, when HUD proposes to reward high performance at the expense of those it judges to be standard-performing or troubled agencies—as will be the case under its proposed Capital Fund performance bonuses—it is all the more important that HUD make certain it is accurately measuring performance in the first place. Only then, we believe, would it be appropriate for HUD to use PHAS scores as the basis for performance bonuses or bonus points when it awards competitive grants.

Reassessing the field offices' workload relative to their staffing, as HUD is doing, is a reasonable approach when it believes it is unlikely to receive the resources it would need to increase substantially the number of staff in its field offices. If, at the same time, HUD still wants to use PHAS scores as the basis for funding decisions, such as Capital Fund performance bonuses, then it would be wise to consider the workload that would be required to itself verify the PHAS management operations data that housing agencies self-certify. Such a consideration on HUD's part need not assume that there must be an annual, on-site review of each and every agency's certification but could reflect the risk associated with each housing agency. Those housing agencies demonstrating they are low risk—for example, those not among the agencies the field offices said often certified inaccurately—could reasonably be subject to such a review less often than others.

The threat of a sanction can itself be an effective way to improve a housing agency's performance—as some HUD officials told us they have learned from experience. How often the Department should threaten or actually sanction a housing agency—in circumstances where the 1998 legislation does not mandate it—is a determination we believe that HUD is in the best position to make. We would suggest that the results from our survey might be a start for HUD to make such a determination. With so many of HUD's field offices indicating they almost never threaten or initiate sanctions against housing agencies, and even fewer having experience applying sanctions, few are likely to have learned first-hand the potential benefits from holding housing agencies more strictly accountable.

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## Recommendations for Executive Action

To better ensure that HUD is accurately measuring the performance of all housing agencies so that it can reward high performers and hold accountable troubled and substandard agencies, the Secretary of Housing and Urban Development should

- 
- develop and implement a cost-effective approach for HUD's field offices to verify housing agencies' management operations certifications for accuracy and completeness, and
  - ensure that HUD uses adequately verified housing agency performance information as the basis for (1) the Capital Fund performance bonuses and (2) bonus points on applications for competitive grants.

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## Agency Comments and Our Evaluation

We provided HUD with a draft of this report for its review and comment. While HUD did not directly address the report's recommendations, it did provide us with additional information for our consideration. This information primarily dealt with (1) the importance of the other PHAS indicators for ensuring that HUD accurately assesses housing agencies' management performance; (2) additional quality assurance steps HUD is taking to ensure housing agencies' management operations data are accurate; and (3) training HUD has provided its field offices to improve their oversight of and assistance to housing agencies.

First, HUD emphasized that the PHAS management operations indicator is not intended to be a stand-alone measure of housing agencies' management performance. According to HUD, all four PHAS indicators together—management operations, physical condition, financial condition, and resident satisfaction—are used to evaluate management performance. HUD characterized the four PHAS indicators as providing a system of checks and balances to ensure HUD accurately assesses housing agencies' management performance. For example, according to HUD, the PHAS resident satisfaction indicator will provide information regarding housing agencies' completion of work orders and security operations, both of which HUD measures through the management operations indicator. HUD also noted that the physical condition indicator will provide an independent assessment of housing agencies' performance on the annual inspections of units and systems component of the management operations indicator.

We agree with HUD that poor performance by a housing agency on the components measured through the PHAS management operations indicator will at some point be likely to affect the agency's performance on the physical condition, financial condition, or resident satisfaction PHAS indicators. However, rather than wait for poor performance in management operations to manifest itself in the other PHAS indicators, we believe it is important for HUD to have an accurate measure of each housing agency's performance each year. HUD must do so because (1) housing agencies that

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are substandard in any one of the PHAS management operations, physical condition, or financial condition indicators face the same consequences as those that are troubled, as determined by an aggregate score for all four PHAS indicators; and (2) annual performance bonuses for high performers—as HUD is proposing for the Capital Fund—require an accurate measure of performance in all of the PHAS indicators each year. Consequently, we have left intact our recommendation that HUD ensure it uses adequately verified housing agency performance information for purposes such as the Capital Fund performance bonuses.

Second, HUD stated that in addition to relying on housing agencies' independent audits to identify when housing agencies submit inaccurate management operations data, it is using other quality assurance activities to analyze each agency's data prior to issuing PHAS scores. We have added information to our report explaining the activities of its Real Estate Assessment Center (which receives and processes all housing agencies' certifications), as well as the field offices, prior to HUD's issuing final PHAS scores. HUD also noted that its field offices are being provided training to review and correlate the information for and between all PHAS indicators to better enable them to identify possible instances of inaccurate housing agency certifications.

We agree with HUD that it makes sense to turn to its field offices to better assure itself whether it should issue PHAS scores on the basis of housing agencies' self-certified management operations data. The field offices have the most direct, day-to-day experience in overseeing and providing assistance to the housing agencies. However, we question HUD's reliance on the quality assurance activities it mentioned. These activities do not involve verification of management operations data, and as our survey results indicated, the field offices do not believe that, under PHAS, HUD currently has the tools and resources necessary to ensure that housing agencies' management operations data are accurate and complete. Consequently, we have left intact our recommendation that HUD develop in its field offices a cost-effective approach to verify housing agencies' management operations certifications.

Finally, HUD noted that the Department has provided, and plans to continue providing, training to its field office staff in several areas, including their new and/or revised responsibilities under the 1998 reform legislation and the PHAS indicators. HUD also indicated that through in-depth training, its field office staff will learn how to provide targeted technical assistance for housing agencies that are not complying with

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program rules and to assist the agencies in developing strategies to improve their performance prior to HUD's using discretionary sanctions. We have added information to our report explaining in greater detail HUD's plans for additional field office training.

HUD also provided technical clarifications to our report, which we have incorporated as appropriate.

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## Scope and Methodology

To assess HUD's oversight of the management performance of housing agencies, we conducted a mail survey of all of the directors of public housing in HUD's Hubs and Program Centers, which are the 43 field offices responsible for overseeing these agencies. We surveyed these officials because they have direct experience in providing both oversight and assistance to public housing agencies in the 50 states and the District of Columbia. This experience, we believe, makes them qualified to speak to the issues associated with the effectiveness of HUD's oversight. Because we believed that the HUD field staff might view some of our questions as sensitive, we pledged to hold in confidence their individual responses and not identify any of these HUD officials with his or her responses. We did so in order to ensure candor in their responses to questions they might consider sensitive while still allowing us to follow up on the information they provided. We pretested our questionnaire with three HUD field offices and modified it on the basis of the feedback and comments we received during the pretests. We received responses from 41 of the 43 HUD field office officials, which is a 95-percent response rate. Our survey results reflect the information provided by, and the opinions of, the HUD field office officials. We did not independently verify the field offices' responses to our questions.

Throughout our review, we also met with HUD headquarters and field office officials involved in oversight of housing agencies. We also visited HUD's two troubled agency recovery centers in Cleveland, Ohio, and Memphis, Tennessee. In addition, we reviewed relevant documents from each of these offices, past GAO and HUD Office of Inspector General reports on issues associated with oversight of housing agencies, and statutory and regulatory materials applicable to HUD's oversight.

We conducted our review from October 1999 through October 2000 in accordance with generally accepted government auditing standards.

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As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 10 days after the date of this letter. At that time, we will send copies to the appropriate congressional committees and the Honorable Andrew M. Cuomo, Secretary of Housing and Urban Development. We will also make copies available to others upon request.

Please call me at (202) 512-2834 if you or your staff have any questions about the information in this report. Key contributors to this report are listed in appendix II.

Sincerely yours,

A handwritten signature in black ink that reads "Stanley J. Czerwinski". The signature is written in a cursive style with a large, stylized 'S' at the beginning.

Stanley J. Czerwinski  
Director, Physical Infrastructure Issues

# Housing Agencies' Management Performance Survey

**GAO**

**Survey of HUD Hub and Program Center Officials  
Regarding HUD's Oversight of the Public Housing Program**

**INTRODUCTION**

The U.S. General Accounting Office has been asked by the Congress to review HUD's oversight of public housing agencies via its performance measurement systems--PHMAP and PHAS--as well as through your day-to-day responsibilities in working with housing agencies.

Specifically, the Congress is interested in how HUD assesses the performance of housing agencies, uses management assessment tools, identifies troubled housing agencies, provides assistance to housing agencies, and holds accountable agencies that are troubled or are not in compliance with statutory requirements and/or HUD's program regulations.

As part of this review, we are asking your help by completing this questionnaire on your field office's oversight of housing agencies. We are asking all HUD Hub and Program Center Directors of Public Housing to participate in this survey. In addition to this survey, we may conduct case studies at several Hubs and PCs to gather detailed information about specific circumstances.

Your responses will be kept confidential and will not be used in any way to identify your office. They will be combined with those of other respondents and summarized in our report to the Congress.

**INSTRUCTIONS**

When answering the questions in this questionnaire, please coordinate with the appropriate members of your staff who have housing agency responsibilities. In addition, when answering these questions, please consider only PHMAP and the management operations component of the PHAS process.

ID: \_\_\_\_\_

**Note:** If your office is a:

- Hub, please answer *only* for the housing agencies that report directly to your office or to a Community Service Center; do not include those that may report via a Program Center.
- Program Center, please answer *only* for the housing agencies reporting to your program center.

Please return your completed questionnaire in the enclosed self-addressed, stamped envelope within 10 business days of receipt. If you should lose or misplace the stamped envelope, please send the completed questionnaire to:

Anne Cang  
U.S. General Accounting Office  
441 G St., NW - Room 2T23  
Washington, DC 20548

Or, you may fax a copy of your completed questionnaire marked:

"Attention: Anne Cang"  
202-512-7477.

If you have any questions, please call Anne Cang  
202-512-7767  
(e-mail [cangia.rced@gao.gov](mailto:cangia.rced@gao.gov)) or

Bill MacBlane  
202-512-6764  
(e-mail [macblanew.rced@gao.gov](mailto:macblanew.rced@gao.gov)).

***Thank you for your help!***

**Note:** Questionnaire responses were received from 41 HUD field offices; however, not all responded to each question. The number of responses are noted in ( ).

**Appendix I  
Housing Agencies' Management Performance  
Survey**

**Assessing Housing Agencies' Performance**

1. In your opinion, how important are the PHAS *management operations* indicators in gauging the quality of a housing agency's management? (*Check one for each indicator*)

Management Operations Indicators	Not or slightly important	Somewhat important	Moderately important	Very important	Extremely important
1. Capital fund (N=39)	0* 0	7.7 3	23.1 9	41.0 16	28.0 11
2. Work orders (N=39)	0 0	7.7 3	23.1 9	38.5 15	30.8 12
3. Annual inspections of units and systems (N=39)	0 0	7.7 3	15.4 6	46.2 18	30.8 12
4. Security (N=38)	0 0	18.4 7	34.2 13	23.7 9	23.7 9
5. Economic self sufficiency (N=37)	8.1 3	29.7 11	35.1 13	21.6 8	5.4 2
6. Other important indicators (1) (Please specify)  Q1.6 to Q1.8 -- a total of 4 items were identified					
7. Other important indicators (2) (Please specify)					
8. Other important indicators (3) (Please specify)					

\* The top number represents the percentage and the lower number represents the number who checked the category.

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2. About what portion of the housing agencies in your jurisdiction has your office assisted, on- or off-site, in the following ways in preparing their annual PHMAP certification or PHAS management operations certification? (Check one for each row)

	None or almost none	Less than half	About half	More than half	All or almost all	No experience
<b>PHMAP Certifications</b>						
1. Helped develop the supporting documentation and data (N=40)	40 16	40 16	7.5 3	5.0 2	5.0 2	2.5 1
2. Helped develop systems to capture performance data (N=40)	22.5 9	50.0 20	17.5 7	7.5 3	0	2.5 1
3. Helped implement systems to capture performance data (N=40)	40.0 16	30.0 12	12.5 5	7.5 3	0	10 4
4. Helped collect data (N=40)	52.5 21	32.5 13	7.5 3	0	2.5 1	5.0 2
5. Helped calculate/recalculate data for certification (N=40)	22.5 9	47.5 19	10 4	12.5 5	7.5 3	0
6. Helped complete certification form (N=40)	32.5 13	22.5 9	25.0 10	12.5 5	5.0 2	2.5 1
7. Other (Please specify)						
5 identified						
<b>PHAS Certifications</b>						
1. Helped develop the supporting documentation and data (N=40)	60.0 24	25.0 10	2.5 1	2.5 1	0	10.0 4
2. Helped develop systems to capture performance data (N=40)	50.0 20	27.5 11	7.5 3	0	0	15.0 6
3. Helped implement systems to capture performance data (N=40)	57.5 23	20.0 8	5.0 2	2.5 1	0	15.0 6
4. Helped collect data (N=40)	65.0 26	15.0 6	2.5 1	2.5 1	0	15.0 6
5. Helped calculate/recalculate data for certification (N=40)	57.5 23	22.5 9	2.5 1	5.0 2	0	12.5 5
6. Helped complete certification form (N=40)	45.0 18	37.5 15	2.5 1	5.0 2	2.5 1	7.5 3
7. Other (Please specify)						
0 identified						

3. In your office's experience in the last 5 years, to what extent, if any, did housing agencies certify to either inaccurate or incomplete management operations data in their PHMAP and PHAS certifications? (Check one for each row)

	Little or no extent	Some extent	Moderate extent	Great extent	Very great extent	No experience
1. PHMAP Certifications (N=41)	14.6 6	43.9 18	22 9	12.2 5	7.3 3	0
2. PHAS Certifications (N=38)	13.2 5	13.2 5	5.3 2	2.6 1	0	65.8 25



**Appendix I  
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4. In general, what are the reasons that housing agencies in your jurisdiction have certified to either inaccurate or incomplete management data? (Check one for each reason)

Reasons	Major reason	Moderate reason	Minor reason	Not a reason	Not applicable
1. Lack of resources (N=40)	0	25 10	32.5 13	35.0 14	7.5 3
2. Lack of staff expertise to collect, analyze, and/or present data (N=40)	47.5 19	22.5 9	20.5 8	7.5 3	2.5 1
3. Insufficient time to collect adequate data (N=40)	0	17.5 7	57.5 23	20.0 8	5.0 2
4. Housing agency did not collect all data elements necessary to complete the certification (N=40)	27.5 11	30.0 12	22.5 9	7.5 3	12.5 5
5. To avoid being designated troubled	9.8 4	7.3 3	29.3 12	43.9 18	9.8 4
6. To reach or maintain high-performer designation (N=41)	14.6 6	14.6 6	31.7 13	31.7 13	7.3 3
7. Housing agency misinterpreted program requirements, definitions, or rules (N=40)	37.5 15	27.5 11	30.0 12	2.5 1	2.5 1
8. Housing agency intentionally misrepresented data (N=41)	2.4 1	9.8 4	31.7 13	43.9 18	12.2 5
9. Other (Please specify)  -- 4 identified					
10. Other (Please specify)					

**Reliability of Assessments - PHMAP**

5. Consider the initial PHMAP certifications housing agencies submitted to your office throughout federal fiscal years 1998 and 1999. For about what portion of these certifications, if any, were the results consistent with your opinion of the housing agencies' management? (Check one) (N=41)
1. [34.1/14] All or almost all
  2. [51.2/21] More than half
  3. [12.2/ 5] About half
  4. [ 2.4/ 1] Less than half
  5. [ 0 ] None or almost none

**Appendix I  
Housing Agencies' Management Performance  
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6. Thinking about your response to the previous question (Q5), to what extent, if any, are the following factors the basis for your opinion about the housing agencies' management? (*Check one for each row*)

Factors	Little or no extent	Some extent	Moderate extent	Great extent	Very great extent
1. PHMAP criteria for standard and high performer designations appropriately reflects opinion of performance (N=41)	4.9 2	22 9	41.5 17	29.3 12	2.4 1
2. PHMAP criteria for standard and high performer designations does not appropriately reflect opinion of performance (N=40)	42.5 17	25 10	27.5 11	5 2	0
3. Your working knowledge of housing agency operations (N=41)	2.4 1	7.3 3	12.2 5	51.2 21	26.8 11
4. Previous PHMAP confirmatory review (N=41)	2.4 1	14.6 6	19.5 8	46.3 19	17.1 7
5. Previous independent management assessment (N=40)	35 14	12.5 5	27.5 11	20 8	5 2
6. Most recent independent public accountant (IPA) audits (N=41)	34.1 14	36.6 15	14.6 6	14.6 6	0
7. Feedback from residents (N=41)	24.4 10	41.5 17	26.8 11	7.3 3	0
8. Last on-site visit/review by Hub/PC staff (N=41)	0	14.6 6	26.8 11	39 16	19.5 8
9. Media reports (N=41)	63.4 26	31.7 13	4.9 2	0	0
10. PHMAP is a good performance measurement tool (N=40)	10 4	17.5 7	52.5 21	20 8	0
11. PHMAP is a poor performance measurement tool (N=40)	47.5 19	22.5 9	17.5 7	12.5 5	0
12. Other 1 ( <i>Please specify</i> )  -- 4 identified					
13. Other 2 ( <i>Please specify</i> )					

**Appendix I  
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7. About what percentage of the housing agencies' PHMAP initial certifications throughout federal fiscal years 1998 and 1999 were better or poorer than your opinion of the quality of the housing agencies' management?  
(Check one for each row)

	0-20%	21-40%	41-60%	61-80%	81-100%
1. Certified to <u>better</u> performance than expected (N=40)	50 20	20 8	17.5 7	7.5 3	5 2
2. Certified to <u>poorer</u> performance than expected (N=39)	92.3 36	5.1 2	2.6 1	0	0

**Reliability of Assessments - PHAS**

8. Consider the PHAS management operation scores that the housing agencies in your jurisdiction have received from the REAC. For about what portion of these PHAS scores, if any, were the results consistent with your opinion of the housing agencies' management? (Check one) (N=40)
1. [22.5 / 9] All or almost all
  2. [47.5 / 19] More than half
  3. [ 12.5 / 5] About half
  4. [ 10.0 / 4] Less than half
  5. [ 0 ] None or almost none
  6. [ 7.5 / 3] No opinion--have not seen any PHAS management operations scores  
(Go to Question 11, page 9)

**Appendix I  
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9. Consider the housing agencies' initial PHAS management operation scores and your office's assessment of the housing agencies' management operations. To what extent, if any, are the following factors the basis for your opinion about the housing agencies' management? (*Check one for each row*)

	Little or no extent	Some extent	Moderate extent	Great extent	Very great extent
1. PHAS criteria for standard and high performer designations appropriately reflects opinion of performance (N=36)	5.6 2	19.4 7	50 18	19.4 7	5.6 2
2. PHAS criteria for standard and high performer designations does not appropriately reflect opinion of performance (N=36)	44.4 16	22.2 8	25 9	8.3 3	0
3. Your working knowledge of housing agency operations (N=36)	0	5.6 2	25 9	50 18	19.4 7
4. Previous PHMAP confirmatory review (N=36)	2.8 1	22.2 8	16.7 6	50 18	8.3 3
5. Previous independent assessment (N=36)	33.3 12	25 9	19.4 7	16.7 6	5.6 2
6. Feedback from residents (N=36)	27.8 10	36.1 13	33.3 12	2.8 1	0
7. Last on-site visit/review by Hub/PC staff (N=36)	2.8 1	25 9	16.7 6	44.4 16	11.1 4
8. Media reports (N=36)	63.9 23	30.6 11	5.6 2	0	0
9. PHAS is a good performance measurement tool (N=36)	13.9 5	16.7 6	44.4 16	19.4 7	5.6 2
10. PHAS is a poor performance measurement tool (N=36)	47.2 17	22.2 8	25 9	2.8 1	2.8 1
11. Other 1 ( <i>Please specify</i> )  -- 4 identified					
12. Other 2 ( <i>Please specify</i> )					

**Appendix I**  
**Housing Agencies' Management Performance**  
**Survey**

10. About what percentage of the housing agencies' PHAS management operations scores to date were better or poorer than your opinion of the quality of the housing agencies' management? *(Check one for each row)*

	0-20%	21-40%	41-60%	61-80%	81-100%
1. Certified to <u>better</u> performance than expected (N=36)	75 27	11.1 4	11.1 4	0	2.8 1
2. Certified to <u>poorer</u> performance than expected (N=36)	77.8 28	8.3 3	11.1 4	2.8 1	0

**Appendix I  
Housing Agencies' Management Performance  
Survey**

**Identifying Performance Problems Regardless of Performance Status**

11. Consider all of the housing agencies in your jurisdiction. In your experience, about how many of these agencies have needed to improve their performance because of any of the following management, governance, or funding issues? (*Check one for each row*)

Issues	None or almost none	Less than half	About half	More than half	All or almost all
1. Poor performance by the executive director (N=40)	30 12	57.5 23	7.5 3	2.5 1	2.5 1
2. Poor performance by the housing agency staff (N=39)	28.2 11	56.4 22	7.7 3	5.1 2	2.6 1
3. Poor performance by the governing body (N=40)	32.5 13	57.5 23	7.5 3	0	2.5 1
4. High turnover at the executive director and/or senior management levels (N=40)	52.5 21	40 16	5 2	0	2.5 1
5. Lack of involvement of the governing body in housing agency operations	40 16	47.5 19	10 4	2.5 1	0
6. Excessive involvement by the governing body in housing agency operations (N=40)	47.5 19	42.5 17	7.5 3	0	2.5 1
7. Lack of local government involvement (N=40)	65 26	20 8	15 6	0	0
8. Excessive involvement of local government (N=40)	60 24	35 14	0	2.5 1	2.5 1
9. Limited housing agency capacity to address management challenges of older, deteriorated, and/or severely distressed housing stock (N=40)	30 12	37.5 15	22.5 9	7.5 3	2.5 1
10. Inadequate federal funding for operations, maintenance, modernization, and revitalization (N=40)	17.5 7	35 14	32.5 13	12.5 5	2.5 1
11. Poorly used federal funding for operations, maintenance, modernization, and revitalization (N=40)	40 16	40 16	15 6	2.5 1	2.5 1
12. Insufficient or ineffective use of grant programs to address residents' non-housing needs (e.g., drug elimination) (N=40)	35 14	52.5 21	7.5 3	2.5 1	2.5 1
13. Insufficient services to tenants relative to their need for assistance in elevating their economic status (N=40)	35.9 14	48.7 19	12.8 5	2.6 1	0
14. Other (Please specify) -- 2 identified					

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12. In your office's experience, which of the (up to three) items listed above in question 11 are the greatest impediments to improving:

a. The performance of small housing agencies (i.e., < 250 units)? (Enter item number(s) from above; enter up to three items) (N=39)

Item # 10 [59.0/23]  
# 1 [53.8/21]  
# 9 [33.3/13]

b. The performance of all other housing agencies (i.e., 250 or more units)? (Enter item number(s) from above; enter up to three items) (N=39)

Item # 2 [51.3/20]  
# 9 [48.7/19]  
#10 # 1 [41.0/16]

**HUD's Tools for Obtaining Accurate Performance Data**

13. Regardless of any funding or other resource constraints in your office, in your opinion, how useful are each of the following tools in helping you ensure that housing agencies submit accurate management operations data? (Check one for each row) (N=41)

	Slightly or not useful	Somewhat useful	Moderately useful	Very Useful	Extremely useful
1. Confirmatory reviews of standard and high-performing agencies	2.4 1	2.4 1	14.6 6	43.9 18	36.6 15
2. Confirmatory reviews of troubled agencies	2.4 1	0	12.2 5	34.1 14	51.2 21
3. PIH compliance supplement (chapter 5)—testing of source PHMAP data in Independent Public Accountant (IPA) audits	31.7 13	19.5 8	22 9	17.1 7	9.8 4
4. Remote monitoring	7.3 3	31.7 13	26.8 11	19.5 8	14.6 6
5. On-site oversight visits by HUD staff	2.41	0	0	43.9 18	53.7 22
6. Office of Inspector General (OIG) audits of housing agencies	4.9 2	9.8 4	46.3 19	19.5 8	19.5 8
7. Other (Please specify)					
-- 2 identified					

---

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14. Consider your answer to question 13. In your opinion, under PHAS, does HUD currently have the tools and resources (e.g., number of staff; staff expertise; and training, travel, and contract funds) necessary to ensure that the management operations data housing agencies certify are accurate and complete? (*Check one*) (N=41)

- 1. [ 0 ] Definitely yes
- 2. [ 4.9/ 2] Probably yes
- 3. [12.2 / 5] Uncertain
- 4. [39.0/16] Probably not
- 5. [41.5/17] Definitely not
- 6. [ 2.4/ 1] No basis to judge

15. When HUD fully implements all aspects of PHAS, what do you expect will happen to your office's workload? (*Check one*) (N=41)

- 1. [36.6 /15] Greatly increase
- 2. [22.0 / 9] Moderately increase
- 3. [19.5 / 8] Somewhat increase
- 4. [19.5 / 8] Stay about the same
- 5. [ 2.5 / 1] Somewhat decrease
- 6. [ 0 ] Moderately decrease
- 7. [ 0 ] Greatly decrease



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**Usefulness of the PIH Audit Compliance Supplement--IPA Verification  
of Housing Agency PHMAP and PHAS Certifications**

16. Changes to the Single Audit Act that HUD recently incorporated revised the deadline for submission of IPA audit reports from 13 months after the end of the auditee's fiscal year to 9 months. In the last 3 years, for the housing agencies in your jurisdiction, on average, what percentage of completed IPA audit reports did you receive: *(Enter percentage; if none, please enter '0'.)* (N=36)

	<u>Range</u>
1. 3 months or less from the end of their fiscal year(s)	0- 90 %
2. Between 3 and 6 months from the end of their fiscal year(s)	0- 41 %
3. Between 6 and 9 months from the end of their fiscal year(s)	0- 99 %
4. More than 9 but less than 12 months or more from the end of their fiscal year(s)	0-100%
5. 12 months or more from the end of their fiscal year(s)	0- 90 %
	<b>100%</b>

17. Consider the housing agencies that your office has designated as 'troubled' under PHMAP. Did any of those agency(ies) initially certify to performance data that would have resulted in a standard- or high-performer designation? *(Check one)* (N=37)

- 1. [ 64.9 / 24 ] Yes → *(Continue)*
- 2. [ 35.1/13 ] No → *(Go to Question 20)*

18. Did the PHMAP section of these housing agencies' IPA audit reports (referring to chapter 5 of the PIH compliance supplement) for the same fiscal year contain findings? (N=21)

- 1. [ 28.6 / 6 ] Yes
- 2. [ 71.4 /15 ] No

19. Consider the findings and any other information in the PHMAP section of these housing agencies' IPA audit reports. How useful, or not, for your office was this information in either raising questions to you about their performance certification or providing you information that ultimately led to you designating them as troubled? *(Check one)* (N=22)

- 1. [ 4.5 / 1 ] Extremely useful
- 2. [ 4.5 / 1 ] Very useful
- 3. [ 9.1 / 2 ] Moderately useful
- 4. [ 27.3 / 6 ] Somewhat useful
- 5. [ 54.5 / 12 ] Slightly or not useful

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20. How confident is your office that the testing of housing agency-certified data that HUD requires during the IPA audit process is sufficient by itself to determine whether, for their PHAS management operations certifications, housing agencies have: (Check one for each row) (N=41)

	Slightly or not confident	Somewhat confident	Moderately confident	Very Confident	Extremely Confident
1. Completed their certification correctly?	43.9 18	19.5 8	26.8 11	9.8 4	0 0
2. Used accurate data?	34.1 14	26.8 11	34.1 14	2.4 1	2.4 1
3. Maintained records of the data in their certification?	32.5 13	30.0 12	30.0 12	5.0 2	2.5 1
4. Used only data for items that occurred during the fiscal year for which they certified?	29.3 12	22 9	36.6 15	12.2 5	0
5. Used all of the data items HUD requires?	42.5 17	17.5 7	35 14	2.5 1	2.5 1
6. Other (Please specify)					
--1 identified					

21. Is there additional information that HUD currently *does not* require in the PHMAP section of housing agencies' IPA audit reports that, *under PHAS*, would improve your office's confidence that the IPA audit process by itself adequately determines whether housing agencies have certified to data that are incorrect or incomplete? (N=38)

1. [ 31.6 /12] Yes → Please specify:

2. [ 68.4 /26] No

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**Identification of Troubled Housing Agencies**

22. Under PHMAP, did your office ever withhold, even temporarily, a troubled designation from a housing agency that met HUD's criteria for this designation? (*Check one*) (N=40)

1. [ 15.0/ 6] Yes--> Please describe the following →( *Continue*)

-- the instances (i.e., the housing agencies) where this occurred,

-- the circumstances, and

-- the actions you took in lieu of applying the troubled designation.

2. [ 85.0/34] No→ (*Go to Question 24*)

23. Under PHMAP, to what extent, if at all, did the following conditions hinder you from designating a housing agency as "troubled"? (*Check one for each row*)

	Little or no extent	Some extent	Moderate extent	Great extent	Very great extent
1. Pressure from locally-elected or appointed officials to withhold the designation (N=6)	66.7 4			16.7 1	16.7 1
2. Preference for maintaining positive working relationship with the housing agency (N=7)	85.7 6				14.3 1
3. Pressure from HUD headquarters to withhold the designation (N=6)	66.7 4		16.7 1		16.7 1
4. Stigma for HUD associated with having a "troubled" housing agency in the field office's jurisdiction (N=7)	71.4 5	14.3 1	14.3 1		
5. Failure of housing agency reflects poorly on the field office (N=7)	71.4 5		14.3 1		14.3 1
6. Other (Please specify)  -- 2 identified					

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**Assistance to Troubled, Standard, and High-Performing Housing Agencies**

24. In your opinion, how important, if at all, are the following factors to providing effective assistance to housing agencies? (Check one for each row.)

	Slightly or not Important	Somewhat Important	Moderately Important	Very Important	Extremely Important
1. Number of field office staff (N=41)	0	0	9.8 4	46.3 19	43.9 18
2. Field office staff expertise in HUD program rules and regulations (N=41)	0	0	0	19.5 8	80.5 33
3. Field office staff expertise in rental property management (N=41)	2.4 1	9.8 4	29.3 12	31.7 13	26.8 11
4. Amount of training funds for field office staff (N=41)	0	7.3 3	17.1 7	41.5 17	34.1 14
5. Field office's workload relative to number of staff (N=40)	0	2.5 1	5 2	25 10	67.5 27
6. Field office's workload relative to qualifications, training of staff (N=41)	0	2.4 1	0	43.9 18	53.7 22
7. Amount of field office travel funds (N=41)	0	2.4 1	22 9	39 16	36.6 15
8. Field office's working knowledge of individual housing agencies (N=41)	0	0	7.3 3	34.1 14	58.5 24
9. Use of risk assessments to guide annual operating plans (N=41)	2.4 1	2.4 1	24.4 10	43.9 18	26.8 11
10. Prior TARC involvement with housing agencies (N=40)	55 22	25 10	10 4	7.5 3	2.5 1
11. Amount of technical assistance funding available to the field office (N=41)	12.2 5	9.8 4	19.5 8	43.9 18	14.6 5
12. Dual role of overseeing and assisting housing agencies (N=40)	20 8	2.5 1	10 4	27.5 11	40 16
13. Number of housing agency staff (N=40)	7.5 3	15 6	32.5 13	32.5 13	12.5 5
14. Qualifications and training of housing agency staff (N=41)	0	0	4.9 2	53.7 22	41.5 17
15. Housing agency receptivity to assistance (N=41)	0	0	2.4 1	46.3 19	51.2 21
16. Other (Please specify)					
-- 2 identified					

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25. Currently, how adequate or not are the following conditions in your office to effectively assist housing agencies? (Check one for each row)

	Much more than adequate	More than adequate	Adequate	Less than adequate	Much less than adequate
1. Number of field office staff (N=41)	0	2.4 1	14.6 6	36.6 15	46.3 19
2. Field office staff expertise in HUD program rules and regulations (N=41)	2.4 1	14.6 6	53.7 22	26.8 11	2.4 1
3. Field office staff expertise in rental property management	2.4 1	2.4 1	48.8 20	41.5 17	4.9 5
4. Amount of training funds for field office staff (N=41)	0	2.4 1	12.2 5	46.3 19	39 16
5. Field office's workload relative to number of staff (N=40)	5 2	5 2	20 8	30 12	40 16
6. Field office's workload relative to qualifications, training of staff (N=40)	0	7.5 3	35 14	45 18	12.5 5
7. Amount of field office travel funds (N=41)	0	2.4 1	53.7 22	29.3 12	14.6 6
8. Field office's working knowledge of individual housing agencies (N=40)	5 2	32.5 13	45 18	17.5 7	
9. Use of risk assessments to guide annual operating plans (N=41)	9.8 4	41.5 17	46.3 19		2.4 1
10. Prior TARC involvement with housing agencies (N=33)	3 1	3 1	54.5 18	18.2 6	21.2 7
11. Amount of technical assistance funding available to the field office (N=39)	0	0	23.1 9	51.3 20	24.6 10
12. Handling the dual role of overseeing and assisting housing agencies (N=40)	12.5 5	25 10	40 16	20 8	2.5 1
13. Number of housing agency staff	0	10 4	72.5 29	15 6	2.5 1
14. Qualifications and training of housing agency staff (N=41)	0	9.8 4	46.3 19	34.1 14	9.8 4
15. Housing agency receptivity to assistance (N=41)	12.2 5	31.7 13	48.8 20	4.9 2	2.4 1
16. Other (Please specify)					
None identified					

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26. In your opinion, about what portion of your office's workload is devoted to:

*(Check 'N/A' if you have no agencies matching these descriptions)*

1. High performing housing agencies	(N=38)	2-85 %	[ 1 ] N/A
2. Standard performing housing agencies	(N=39)	15-90%	[ 1 ]N/A
3. Near-troubled housing agencies	(N=38)	0-75%	[ ]N/A
4. Troubled agencies remanded by the TARC for field office servicing(N=21)		0-10-%	[14]N/A
5. Formerly troubled housing agencies returned from the TARC	(N=20)	0- 25 %	[13] N/A
		<b>100%</b>	

**Holding Accountable Troubled Housing Agencies**

27. While operating under PHMAP, did your office enter into a binding memorandum of agreement with any troubled housing agencies regarding their need to improve performance? *(Check one)* (N=41)

1. [ 58.5 /24 ] Yes → About how many? *(Enter number)*

range = 1-13 troubled housing agencies → *(Continue)*  
median=2

2. [41.5 /17 ] No → *(Go to Question 31)*

28. Did all of these troubled housing agencies satisfy the terms of their memorandums of agreement within agreed-upon deadlines? (N=24)

1. [62.5 /15] Yes → *(Go to Question 31)*

2. [37.5 / 9] No → *(Continue)*

29. About how many of these troubled housing agencies failed to satisfy all of the terms of their memorandums of agreement within agreed-upon deadlines? *(Check one)*

**9 respondents entered data, for a total of 21 PHAs** troubled housing agencies  
*(If '0', Go to Question 31; otherwise continue)*

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30. Consider the housing agencies that failed to satisfy the terms of their memorandums of agreement within agreed-upon deadlines. For about how many of these agencies did your office do the following? (*Enter number; if none, enter '0'.*) (

Number of Housing Agencies That Failed to Satisfy MOAs		
1. Extended the deadlines for improved performance (N=8)		Sum=19
2. Renegotiated the agreement (N=3)		Sum= 4
3. Threatened sanctions (N=7)		Sum=16
4. Initiated sanctions (N=3)		Sum= 4
5. Applied sanctions (N=3)		Sum= 4
6. Did nothing		0
7. Did something else ( <i>Please specify</i> ) _____ (N=2)		12

**Sanctions**

31. In your experience in the last 5 years, how often has your office *threatened to use* or *initiated* sanctions or any other punitive action(s) against housing agencies? (*Check one*) (N=41)

1. [19.5 / 8] Never
2. [51.2 / 21] Sometimes
3. [22.0 / 9] Moderately
4. [ 2.4 / 1] Very often
5. [ 4.9 / 2] Always

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32. Since PHMAP was implemented, how often, if ever, has your office threatened to use, initiated or applied any of the following sanctions? (*Check one for each row*)

Sanctions	Never or almost never	Sometimes	Moderately	Often	Very often	No basis to judge
1. Restrict use of funds (N=41)	34.4 14	36.6 15	17.1 7	7.3 3	4.9 2	0
2. Withhold funds (N=41)	50 20	30 12	15 6	5 2	0	0
3. Issue a limited denial of participation (LDP) for housing agency staff and/or board member(s) (N=41)	68.3 28	17.1 7	4.9 2	2.4 1	2.4 1	4.9 2
4. Alternative management entity (i.e., non-HUD) (N=41)	56.1 23	26.8 11	7.3 3	2.4 1	0	7.3 3
5. HUD Takeover (N=41)	80.5 33	12.2 5	2.4 1	0	0	4.9 2
6. Receivership (N=41)	87.5 35	5.0 2	2.5 1	0	0	5.0 2
7. Field office-developed sanctions ( <i>Please specify</i> ) (N=28)	50.0 14	25.0 7	3.6 1	7.1 2	3.6 1	10.7 3
8. Other ( <i>Please specify</i> )  --3 identified						

33. In the last 5 years, has your office ever *applied* sanctions or any other punitive action(s) as a tool to improve the performance, governance, regulatory compliance, or other behavior of a housing agency? (N=40)

1. [60/ 24 ]Yes → (*Continue*)
2. [40/ 16 ]No → (*Go to Question 35*)



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34. To what extent, if any, did the following problems at housing agencies lead to your office's use of sanctions or any other punitive action(s)? (Check one for each row)

Problems	Little or no extent	Some extent	Moderate extent	Great extent	Very great extent
1. Failure to address PHMAP and/or PHAS deficiencies (N=23)	30.4 7	34.8 8	13 3	13 3	8.7 2
2. Ineligible use(s) of program funds (N=24)	4.2 1	25 6	25 6	16.7 4	29.2 7
3. Noncompliance with program requirements (other than ineligible uses of funds) (N=24)	0	25 6	4.2 1	50 12	20.8 5
4. Fraud (N=23)	56.5 13	13 3	13 3	8.7 2	8.7 2
5. Theft (N=22)	54.5 12	18.2 4	4.5 1	9.1 2	13.6 5
6. Fair housing/equal housing opportunity violation(s) (N=24)	45.8 11	33.3 8	4.2 1	4.2 1	12.5 3
7. Nepotism (N=22)	68.2 15	13.6 3	9.1 2	9.1 2	0
8. Other violation of Annual Contributions Contract (ACC) terms (Please specify) (N=10)	40 4	10 1	10 1	30 3	10 1
9. Other (Please specify)  -- 2 identified					

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35. In your office's experience, what are the reasons for not applying sanctions or taking any other punitive action(s) more frequently? (*Check one for each row*)

Reasons	Moderate			
	Major reason	reason	Minor reason	Not a reason
1. Housing agencies are generally operating effectively (N=40)	75 30	12.5 5	5 2	7.5 3
2. Housing agencies could meet performance improvement goals with additional time (N=41)	46.3 19	36.6 15	12.2 5	4.9 4
3. No evidence of housing agency noncompliance with federal requirements (N=41)	48.8 20	29.3 12	9.8 4	12.2 5
4. Deadlines in the original agreement are unrealistic (N=30)	0	23.1 9	33.3 13	43.6 17
5. See little benefit to residents from pursuing sanctions (N=41)	14.6 6	17.1 7	29.3 12	39 16
6. Costs to HUD of pursuing sanctions outweigh benefits to housing agencies (N=41)	17.1 7	22 9	12.2 5	48.8 20
7. Failure of the housing agencies reflects poorly on the field office	0	2.4 1	2.4 2	92.7 38
8. Believe officials senior to me would not approve the use of sanctions (N=41)	2.4 1	0	4.9 1	95.1 39
9. Expect that negative reaction from local media and local officials outweighs benefits of sanctions (N=41)	0	0	12.2 5	87.8 36
10. Expect that negative reaction from national media and elected officials outweighs benefits of sanctions (N=41)	0	0	7.3 3	92.7 38
11. Other ( <i>Please specify</i> )				
-- 1 identified				

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36. In your experience, how effective are the following types of sanctions at improving housing agency performance? (Check one for each row) (N=40)

Sanctions	Very effective	Generally effective	Neither effective nor ineffective	Generally ineffective	Very ineffective	No experience
1. Restrict use funds	45.0 18	37.5 15	5.0 2	2.5 1	0	10.0 4
2. Withhold funds	47.5 19	17.5 7	7.5 3	7.5 3	2.5 1	17.5 7
3. Issue a limited denial of participation (LDP) for housing agency staff and/or board member(s)	32.5 13	30.0 12	5.0 2	5.0 2	0	25.0 10
4. Alternative management entity (i.e., non-HUD)	12.5 5	22.5 9	2.5 1	12.5 5	0	50.0 20
5. HUD Takeover	5.0 2	15.0 6	12.5 5	2.5 1	7.5 3	57.5 23
6. Receivership	12.5 5	12.5 5	7.5 3	0	0	67.5 27
7. Field office-developed sanctions (Please specify)	17.9 5	24.0 7	3.6 1	3.6 1	3.6 1	46.4 13
-- 1 identified						
8. Other (Please specify)						
--1 identified						

37. Has your office ever recommended that a sanction should be applied to a housing agency, but HUD headquarters denied permission? (N=36)

1. [ 8.3 / 3] Yes → Please describe the circumstances, the actions taken, and final resolution, etc.

2. [91.7 / 33] No

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**Office Background**

38. Currently, about how many housing agencies are under your office's jurisdiction? (Hubs should include *only* the number of agencies that report directly to them or a Community Service Center; do not include those that may report via a Program Center) (*Check one*) (N=41)

1. [31.7 /13] Less than 50
2. [26.8 /11] 50 to less than 100
3. [ 22.0/ 9] 100 to less than 150
4. [19.5 / 8] 150 or more

39. Currently, about how many troubled housing agencies are under your office's jurisdiction? (*Enter number; if none, enter '0'*)

Range=1 to 6  
Sum=45  
(N=17)

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**COMMENTS**

40. Please describe below any factors, not already captured in the questionnaire, that influence your ability to effectively do any of the following things:

- Assess housing agencies' management performance

15 comments provided

- Identify all housing agencies that should be designated as troubled

8 comments provided

- Identify poor performing housing agencies that might be at risk of becoming troubled without further attention or technical assistance

9 comments provided

- Assist troubled agencies and other poor-performers

11 comments provided

- Hold accountable agencies that are troubled or not in compliance with statutory requirements and/or HUD's program regulations

9 comments provided

*Thank you for your help!*

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# GAO Contacts and Staff Acknowledgments

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## GAO Contacts

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