

The role of the PHA Board members or commissioners and executive staff is to identify, control and reduce fraud, waste, and abuse by implementing a comprehensive risk management policy and process. In order for PHAs to carry out their risk management responsibilities, they must implement effective internal management controls.

There are five components that the GAO defines in the “Standards for Internal Controls” (also referred to as the “[Green Book](#)”). Understanding these components and principles will help you evaluate your PHA to find controls that will strengthen its soundness.

## Control Environment

**A culture should be prevalent throughout the organization that sets a positive attitude toward conscientious management.**

Management determines the control environment through its overall attitude, awareness, and actions that set expectations for integrity, competence, and internal controls.

In addition, building a commitment towards a culture of competence includes staffing management. PHAs can avoid issues by:

- Hiring experienced, competent managers, requiring background checks, and ensuring staff stay current in knowledge.
- Creating an environment that supports staff and ensures underperformance and dishonesty will be handled through approved investigative protocols.
- Ensuring the PHA has appropriate policies and procedures within its human capital division.

### Resources

Standards for Internal Control

- [Green Book](#)

### OIG Office

- [A Primer for PHA Commissioners](#)
  - » [HUD Office of Inspector General](#)
  - » [Audit Reports](#)
  - » [Semiannual Reports to Congress](#)

### OIG Integrity Bulletin

- [Procurement and contracting](#)
- [Embezzlement fraud and/or theft](#)

## Risk Assessment

**Program managers should assess and rate all risks that could affect the organization’s ability to achieve its goals.**

The PHA staff should understand the agency’s goals and objectives, and be able to identify the risks that could impede the efficient and effective achievement of those goals. The most common risks are mission or program goal risks, management or operational risks, and financial, external, and physical risks.

Management determines how significant the risk may be, how likely is it to reoccur and how to reduce the risk to an acceptable level by:

- Monitoring and analyzing goals.
- Reviewing findings from audits, analyze board meeting discussions, holding management conferences/retreats, developing management initiatives
- Identifying risk categories, individual issues and assessing information received
- Reducing the number of risk categories
- Determining overlapping risks and effects on individual issues
- Board members should practice situational awareness, problem recognition, good judgement in regards to conflicts of interest, nepotism, etc.

## Controls

**Management issues controls, such as policies and procedures, or establishes processes to eliminate or mitigate risks.**

- Policies, procedures, handbooks, and desk guides are all great resources to ensure that staff understand controls that will reduce risk.
- The Board and Executive Staff will need to assess the controls in place regularly, to ensure they are effective and up to date.

## Information and Communication

**Information and expectations should flow freely both up and down the organization. Board members and Commissioners need regular input and communication with the organization.**

Examples of these include receiving regular reports and briefings, attending resident meetings and a presence at projects, reviewing audits, logs and registers, and ensuring that complaints and tips against staff are investigated.

The Independent Public Accountant (IPA Reports) also provides details on the financial condition of the PHA, reliability of financial records, internal control weaknesses, and exposes potential fraud.

## Monitoring

**Management provides external oversight of internal controls through activities such as quality control reviews. Monitoring may occur by applying customized procedures such as checklists for staff performing the activities.**

- Executive staff provides monthly reports to keep the board informed of facts and figures
- Size of the PHA determines what processes are used to inform the board
- Dashboards present multiple indicators of performance/risk (e.g., financial, physical, management, housing choice voucher, etc.)
- Number of indicators used is decided by the board and Executive Director based on the ability to produce monthly data

## HUD Rating and Designations for PHAs

**HUD rates small and large PHA risk management based on financial, physical, management, and Capital Fund performance. HUD then places the PHA within the five designations below:**

**High Performer:** Small or large PHA with overall PHAS score > 90%; small PHA scores at least 60% for physical, financial, management operations indicators; small PHA scores at least 50% under Capital Fund performance indicator

**Standard Performer:** Large PHA with overall PHAS score of 80, but < 90 (every two years) or less than 80 (every year); small PHA with overall PHAS score of 60–89%; small PHA scores at least 60% under the physical, financial, management operations indicators; small PHA scores at least 50% under Capital Fund performance indicator

**Substandard Performer:** Large PHA with overall PHAS score of 80, but < 90 (every two years) or < 80 (every year); small PHA with overall PHAS score of 60%; small PHA scores < 60% under one or more of the physical or management indicators; small PHA designated as substandard in that respective category

**Troubled Performer:** Large PHA with overall PHAS score of < 60 or Capital Fund Troubled; small PHA with overall PHAS score < 60%

**Capital Fund Troubled:** Small PHA with PHAS score of < 50% under the Capital Fund program indicator

## Office of the Inspector General

As well as the internal controls, PHA Board Members have the opportunity to partner with, and work with HUD's Office of the Inspector General (OIG). It's mission is:

***“To provide independent, objective and impactful oversight of the Department to help ensure efficient and effective programs and operations.”***

Working with the Office of Public and Indian Housing, the IG Act of 1978 was established so they could:

- Conduct audits, investigate fraud, initiate civil, criminal investigations of agency programs and operations
- Access all records and information of the agency and program participants
- Issue subpoenas for records and documents
- Refer people or entities to the U.S. Attorney's Office for prosecution
- Employ Federal special agents with arrest powers to conduct investigations
- Recommend policies designed to promote economy, efficiency, effectiveness and prevent and detect fraud and abuse
- Provide a means for keeping the Secretary and Congress informed