

April 2012

# MOVING TO WORK DEMONSTRATION

## Opportunities Exist to Improve Information and Monitoring



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## Why GAO Did This Study

HUD's MTW demonstration program gives participating PHAs the flexibility to create innovative housing strategies through their fiscal year 2018. MTW agencies must create activities linked to three statutory purposes—reducing costs, providing incentives for self-sufficiency, and increasing housing choices—and meet five statutory requirements. Congress is considering expanding MTW and has asked GAO to examine what is known about (1) the program's success in addressing the three purposes, (2) HUD's monitoring efforts, and (3) the potential benefits of and concerns about expansion. GAO analyzed the most current annual reports for 30 MTW agencies; compared HUD's monitoring efforts with internal control standards; and interviewed agency officials, researchers, and industry officials.

## What GAO Recommends

GAO makes eight recommendations to HUD: that HUD improve its guidance on reporting performance information, develop a plan for identifying and analyzing standard performance data, establish performance indicators, systematically identify lessons learned, clarify key terms, implement a process for assessing compliance with statutory requirements, do annual assessments of program risks, and verify the accuracy of self-reported data. HUD generally or in part agreed with seven of them. HUD disagreed with our recommendation that it create overall performance indicators. GAO believes, however, that they are critical to demonstrating program results and thus maintains its recommendation.

## MOVING TO WORK DEMONSTRATION

### Opportunities Exist to Improve Information and Monitoring

## What GAO Found

Public housing agencies (PHA) that participate in the Moving to Work (MTW) program report annually on the performance of their activities, which include efforts to reduce administrative costs and encourage residents to work. But this performance information varies, and the Department of Housing and Urban Development's (HUD) guidance does not specify that it be quantifiable and outcome oriented. Further, HUD has not identified the performance data that would be needed to assess the results of similar MTW activities or the program as a whole and has not established performance indicators for the program. The shortage of such analyses and indicators has hindered comprehensive evaluation efforts, although such evaluations are key to determining the success of any demonstration program. Further, while HUD has identified some lessons learned from the program, it has no systematic process to identify them and thus has relied primarily on ad hoc information. The absence of a systematic process for identifying lessons learned limits HUD's ability to promote useful practices that could be more broadly implemented to address the purposes of the program.

HUD generally follows its MTW monitoring policies and procedures, but they could be strengthened. HUD staff review and approve each MTW agency's annual plan to ensure that planned activities are linked to program purposes and visit each MTW agency annually to provide technical assistance. But HUD has not taken key monitoring steps set out in internal control standards, such as issuing guidance that defines program terms or assessing compliance with all of the requirements. Without clarifying key terms and establishing a process for assessing compliance with statutory requirements, HUD lacks assurance that agencies are actually complying with the statute. Additionally, HUD has not done an annual assessment of program risks despite its own requirement to do so and has not developed risk-based monitoring procedures. Without taking these steps, HUD lacks assurance that it has identified all risks to the program. Finally, HUD does not have policies or procedures in place to verify the accuracy of key information that agencies self-report. For example, HUD staff do not verify self-reported performance information during their reviews of annual reports or annual site visits. Without verifying at least some information, HUD cannot be sure that self-reported information is accurate.

Expanding the MTW program may offer benefits but also raises questions. According to HUD, affordable housing advocates, and MTW agencies, expanding MTW to additional PHAs would allow agencies to develop more activities tailored to local conditions and result in more lessons learned. However, data limitations and monitoring weaknesses raise questions about expansion. HUD recently reported that expansion should occur only if newly admitted PHAs structured their programs to permit high-quality evaluations and ensure that lessons learned could be generalized. Until more complete information on the program's effectiveness and the extent to which agencies are adhering to program requirements is available, it will be difficult for Congress to know whether an expanded MTW would benefit additional agencies and the residents they serve. Some researchers and MTW agencies suggested alternatives to expansion, including implementing a program that was more limited in scope.

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### **Abbreviations**

AHSSIA	Affordable Housing and Self-Sufficiency Improvement Act of 2012
HUD	Department of Housing and Urban Development
MTW	Moving to Work
MTW-PIC	Moving to Work section of the Public and Indian Housing Information Center
PHA	public housing agency

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**United States Government Accountability Office**  
Washington, DC 20548

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April 19, 2012

The Honorable Charles Grassley  
Ranking Member  
Committee on the Judiciary  
United States Senate

The Honorable Judy Biggert  
Chairman  
Subcommittee on Insurance, Housing  
and Community Opportunity  
Committee on Financial Services  
House of Representatives

The Honorable Shelley Moore Capito  
Chairman  
Subcommittee on Financial Institutions  
and Consumer Credit  
Committee on Financial Services  
House of Representatives

The Department of Housing and Urban Development (HUD) provides over \$25 billion each year to public housing agencies (PHA) to make rental housing affordable to about 3.2 million low-income households through a variety of programs.<sup>1</sup> As of January 2012, 35 of the approximately 3,300 PHAs operating in the United States were participating in the Moving to Work (MTW) demonstration program until the end of their fiscal year 2018. The MTW program has three statutory purposes: to reduce costs and achieve greater cost-effectiveness in federal housing expenditures, to give families with children incentives to obtain employment and become self-sufficient, and to increase housing choices for low-income families. It gives participating PHAs the flexibility to design and test innovative strategies for providing and administering housing assistance in their communities. The agencies (MTW agencies)

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<sup>1</sup>This amount includes funding for public housing capital and operating expenditures and tenant-based rental assistance. HUD provides separate funding for project-based rental assistance, which is not included in this dollar amount. A PHA is typically a local agency created under state law that manages housing for low-income residents at rents they can afford.

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must implement activities that are linked to one or more of the program's statutory purposes but that are also designed specifically for the communities the agencies serve. In fiscal year 2011, MTW agencies received combined funding of \$3.3 billion for housing activities.<sup>2</sup> This represented more than 13 percent of HUD's affordable housing expenditures. Legislation has recently been proposed to expand the number of MTW agencies. However, researchers and organizations that advocate on behalf of residents, including legal aid groups, have raised concerns about expanding it due to the lack of information on the effect of the program as well as concerns about residents.

In response to your request for information on the effectiveness of the MTW program, this report discusses (1) what is known about the extent to which the MTW demonstration program is addressing the program's statutory purposes, (2) HUD's monitoring of MTW agencies' efforts to address these purposes and meet statutory requirements, and (3) the potential benefits of and concerns about expanding the number of PHAs that can participate in the demonstration program.

To determine what is known about the extent to which the MTW program is addressing statutory purposes, we analyzed the most recent annual reports as of January 2012 for 30 agencies.<sup>3</sup> We assessed the reliability of selected information in the reports by reviewing supporting documentation for a sample of seven MTW agencies and interviewing officials responsible for preparing and reviewing this information. (We selected the sample of MTW agencies to provide diversity in factors such as geography, agency size, and length of time participating in the program.) We determined that the reports were sufficiently reliable for the purposes of our review. We analyzed these reports and corresponding annual plans to determine the number of ongoing activities and the statutory purpose(s) to which each activity was linked. We compared HUD's guidance for MTW agencies on the type of performance information they should report with the GPRA (Government Performance and Results Act) Modernization Act of 2010. We also reviewed

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<sup>2</sup>Two of the 35 MTW agencies did not begin participating in the MTW program until fiscal year 2012 and are therefore not included in this dollar amount.

<sup>3</sup>According to HUD data, as of January 2012 35 agencies were participating in the MTW program. Of these, 30 had submitted an annual report to HUD. The other five agencies had not been in the program long enough to report on their accomplishments.

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evaluations of the program and summarized the challenges that HUD and others have faced in conducting such evaluations. Finally, we assessed HUD's past efforts to identify lessons learned from the MTW program.

To assess HUD's monitoring of MTW agencies' efforts to address the program's statutory purposes and meet requirements, we reviewed relevant policies and procedures, including HUD's desk guide for the program, the Standard Agreement that HUD executed in 2008 to govern participation in the program, and documentation of the steps HUD had taken to help ensure compliance with its policies and procedures. We also examined the relevant internal control standards that apply to federal agencies and HUD's guidance on internal controls and compared HUD's monitoring policies and procedures with these standards. To discuss the potential benefits and concerns associated with expanding the number of PHAs that can participate in the program, we reviewed studies, reports, and testimonies by researchers, affordable housing advocates, and resident advocates. For all three objectives, we interviewed HUD officials, officials from our sample of seven MTW agencies, research organizations, affordable housing advocates, and organizations that advocate on behalf of residents of federally subsidized housing.

We conducted this performance audit from July 2011 to April 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Appendix I contains additional information on our scope and methodology.

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## Background

The MTW demonstration program was authorized by the Omnibus Consolidated Rescissions and Appropriations Act of 1996.<sup>4</sup> The program is intended to give participating agencies the flexibility to design and test innovative strategies for providing and administering housing assistance. To implement such strategies, participating agencies may request waivers of certain provisions in the United States Housing Act of 1937, as

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<sup>4</sup>Pub. L. No. 104-134, 110 Stat. 1321, 1321-281.

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amended.<sup>5</sup> For example, agencies may request to waive certain provisions in order to combine the funding they are awarded annually from different programs into a single, authoritywide funding source. Requirements outside of the 1937 Housing Act, such as fair housing rules, cannot be waived under MTW. In addition, certain sections of the act, including those that cover labor requirements and the demolition and disposition of public housing, cannot be waived. The 1996 act that created the program requires participating agencies to address three purposes and meet five requirements. Specifically, the three statutory purposes are to (1) reduce costs and achieve greater cost-effectiveness in federal housing expenditures, (2) give families with children incentives to obtain employment and become self-sufficient, and (3) increase housing choices for low-income families. For example, to reduce administrative costs MTW agencies can reduce the frequency of income verifications for households with fixed incomes. In making these changes, MTW agencies must

1. serve substantially the same total number of eligible low-income families that they would have served had funding amounts not been combined;
2. maintain a mix of families (by family size) comparable to those they would have served without the demonstration;
3. ensure that at least 75 percent of households served are very low income;<sup>6</sup>
4. establish a reasonable rent policy to encourage employment and self-sufficiency; and
5. assure that the housing they provide meets HUD's housing quality standards.

The program's ultimate goal is to identify successful approaches that can be applied to PHAs nationwide.

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<sup>5</sup>42 U.S.C. 1437 et seq.

<sup>6</sup>Section 3 of the 1937 Housing Act, as amended, defines very low-income families as families whose incomes do not exceed 50 percent of the median family income for the area.



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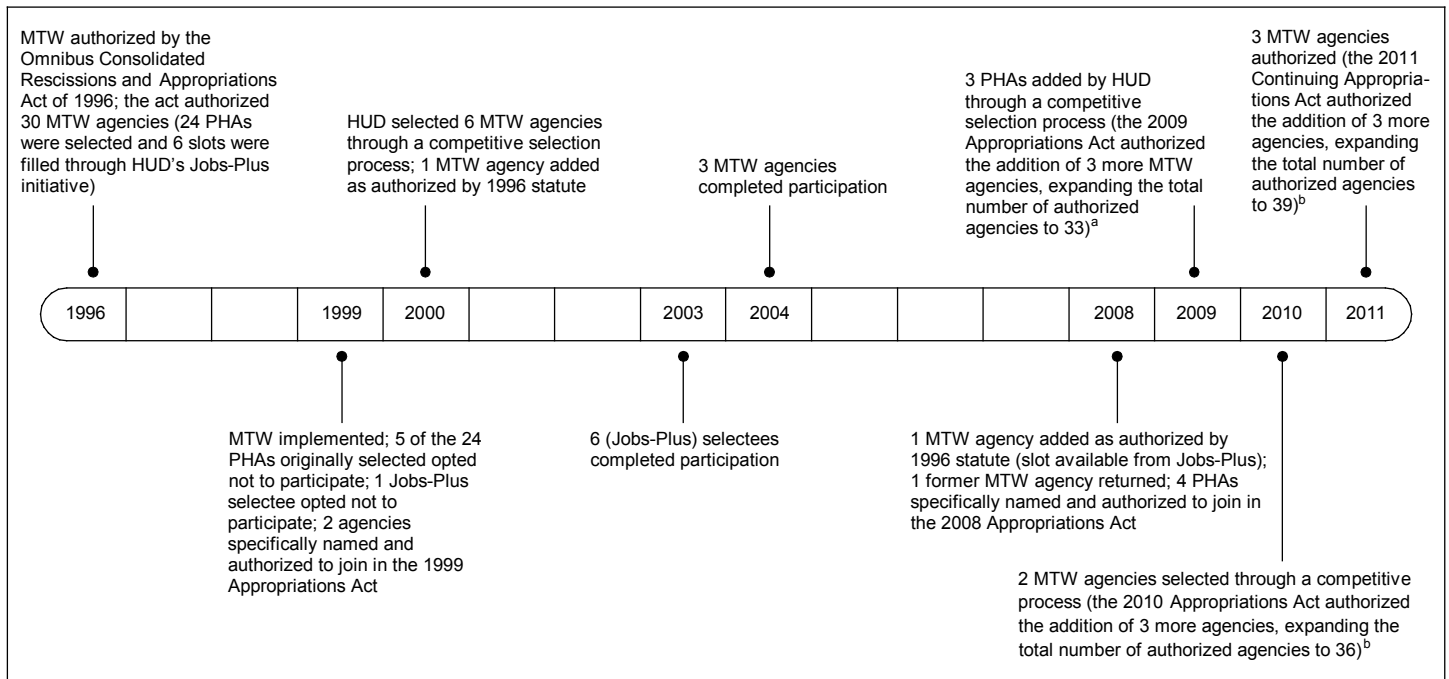
The 1996 act authorized MTW for 30 agencies. HUD invited PHAs to apply for the program and selected an initial cohort of 24 PHAs from among the respondents. Six more were added as a result of the Jobs-Plus initiative.<sup>7</sup> Since then, some agencies have opted not to participate, and additional agencies have been added to replace them. Other agencies have been added through specific appropriations language (see fig. 1). In addition, some agencies have completed their participation and exited the program.<sup>8</sup> As of January 2012, a total of 39 PHAs were authorized to participate, and 35 were participating.

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<sup>7</sup>The Jobs-Plus initiative was a welfare-to-work demonstration aimed at significantly increasing employment and income among the residents of selected PHAs. HUD considers Jobs-Plus a subset of the MTW demonstration.

<sup>8</sup>According to HUD, 3 of the original 24 MTW agencies completed their participation in 2004 and were terminated from the program based on the terms of their MTW agreements.

**Figure 1: Timeline of Public Housing Agencies Entering and Exiting the MTW Demonstration Program**



HUD = Department of Housing and Urban Development  
 MTW = Moving to Work  
 PHA = public housing agency  
 Source: HUD.

<sup>a</sup>The act specified that the additional agencies must be considered “high performers” (as designated by HUD’s Public Housing Assessment System) with current HOPE VI grants and no more than 5,000 units. HUD’s Public Housing Assessment System assigns a performance designation to each PHA that is based on the physical condition of the properties, the agency’s financial condition and management operations, and a survey of residents’ satisfaction with services provided. HOPE VI grants fund the revitalization of severely distressed public housing.

<sup>b</sup>The 2010 and 2011 Appropriations Acts specified that the additional agencies must be considered “high performers” with no more than 5,000 units.

MTW agencies do not receive special funding allocations. Rather, they receive funds from the three traditional primary funding sources (public housing capital funds, public housing operating funds, and Housing Choice Vouchers).<sup>9</sup> Traditionally, PHAs have been required to use the

<sup>9</sup>For additional information on these funding sources, see Congressional Research Service, *Introduction to Public Housing*, R41654 (Washington, D.C.: Feb. 24, 2011) and Congressional Research Service, *Section 8 Housing Choice Voucher Program: Issues and Reform Proposals*, RL34002 (Washington, D.C.: Jan. 6, 2011).

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funds from each separate source only for specific purposes, but MTW agencies may combine the money from the three sources and use them for a variety of HUD-approved activities. This fungibility is intended to give MTW agencies greater flexibility. For example, public housing operating funds are traditionally used to make up the difference between the rents charged for units and the actual cost of operating them. Capital funds are used for modernization efforts and management improvements, while voucher funds provide rental assistance in the private market. However, by combining funds an MTW agency may use public housing capital funds to issue additional vouchers or use voucher funds to develop more public housing to better fit the needs of its community. MTW agencies also have the authority to use their funds to implement innovative activities that differ from traditional housing assistance. For instance, an MTW agency can use funds to replace public housing with mixed-income communities or reach special-needs populations, such as the homeless, using vouchers paired with supportive services.

A Standard Agreement, executed in 2008 to replace individual contracts between HUD and participating PHAs, governs the conditions of participation in the program.<sup>10</sup> HUD enters into this agreement with each MTW agency. HUD created the agreement to standardize the language in its contracts and its reporting requirements and to help create a more operationally sound program. The Standard Agreement includes a termination date (the end of each agency's 2018 fiscal year) and an attachment that sets out reporting requirements (Attachment B). While much of the Standard Agreement is the same for all MTW agencies, two sections are tailored to individual agencies: a description of the formulas for determining the amounts of funding each agency will receive and an optional section that may include some agency-specific authorizations.

The agreement requires all MTW agencies to submit an annual MTW plan to HUD for approval and an annual MTW report for acceptance.<sup>11</sup> While the format may vary, HUD has established a standard table of

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<sup>10</sup>Earlier agreements varied across participants and had terms that ran from 5 to 7 years. Amendments to extend the terms or add additional exceptions and flexibilities were common, and over time the changes made the agreements difficult for HUD to monitor.

<sup>11</sup>MTW agencies with less than 10 percent of their housing stock in the MTW program continue to submit the 5-Year and annual plans required by Section 5A of the 1937 Housing Act. Only information not included in these documents would need to be included in a supplemental annual MTW plan.

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contents that lists the information that agencies must include in their annual plans and reports. For example, the plan must include, among other things, a description of how each planned activity relates to at least one of the three purposes of the program; baselines, proposed benchmarks, and proposed metrics for assessing the outcomes of each activity; citations of the authorizations that give the agency the flexibility to conduct the activity; and descriptions of required rent reform activities.<sup>12</sup> In addition, the plan must include a certification that the agency published a notice of plans to hold a public hearing on the plan, made the agency's annual plan available for public inspection, and conducted a public hearing to discuss the annual plan prior to its approval. Similarly, the Standard Agreement outlines the information that MTW agencies are required to include in annual MTW reports. These reports must include, for example, detailed information on the impact of each activity, including comparisons of actual outcomes to the benchmarks proposed in the annual plan. If the agencies do not achieve the benchmarks or the activities are determined to be ineffective, the MTW agency is required to describe the challenges, and, if possible, identify alternative activities that may be more effective. MTW agencies also are required to self-certify that they are in compliance with three statutory requirements: assisting substantially the same total number of eligible low-income families that they would have served had funding amounts not been combined; maintaining a mix of families (by family size) comparable to those they would have served had funding amounts not been combined under the demonstration; and ensuring that at least 75 percent of households served are very low income.

As well as meeting the requirements in the Standard Agreement, MTW agencies must submit tenant-related data into the Moving to Work section of the Public and Indian Housing Information Center (MTW-PIC). According to HUD officials, the MTW-PIC module was created because the standard PIC system that non-MTW agencies use to report tenant data could not accommodate some of the activities allowed under MTW, such as less frequent tenant income recertifications and rent calculations that vary from HUD's standard calculations. The MTW-PIC module was created in 2007, and most MTW agencies had transitioned to it by 2008.

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<sup>12</sup>In training materials for the MTW program, HUD defines "baseline" as the performance level that was being achieved prior to the implementation of the MTW activity, "benchmark" as the anticipated outcome of a MTW activity, and "metric" as the specific measure that quantifies the changes from an activity.

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The Office of Public Housing Investments within the Office of Public and Indian Housing at HUD headquarters is the designated program office for the MTW demonstration program. Within the Office of Public Housing Investments is an MTW Office that includes a program director and four coordinators who are each assigned to a specific group of MTW agencies. The MTW Office is responsible for, among other things, processing, reviewing, and approving all annual plans submitted by MTW agencies; establishing guidelines for MTW agencies; monitoring approved activities and accomplishments; and accepting annual reports. Individual MTW coordinators facilitate the reviews of planned and implemented activities and are responsible for coordinating with other HUD offices, including local HUD field offices, to obtain additional input on MTW agencies' planned activities and accomplishments. In January 2011, the Office of Public Housing Investments signed a Memorandum of Understanding with HUD's Office of Field Operations to increase collaboration and formally describe the roles and responsibilities of the MTW Office and HUD field office staff. Per this memorandum, field office staff assist the MTW Office by reviewing and providing input on annual plans and reports, ensuring that agencies are reporting tenant information, and participating in annual site visits.

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## HUD Has Not Identified Standard Performance Data and Indicators Needed to Evaluate the Program

MTW agencies provide descriptions of their activities and performance information in their annual reports to HUD. They show how the activities link to the program's statutory purposes in their annual plans, as required, and sometimes also in their annual reports. However, the type of performance information they provide varies, and HUD has provided limited guidance. While varied information on individual activities is available, a comprehensive evaluation of the MTW program is lacking, in part because HUD does not have a plan for identifying and analyzing standard performance data and has not established performance indicators for the MTW program as a whole.<sup>13</sup> Further, HUD does not have a systematic process for identifying lessons learned by individual MTW agencies that can be replicated at other PHAs.

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<sup>13</sup>For purposes of this report, we are defining "performance indicators" as programwide measures of impact.

Although Information on Activities Is Generally Available at the Agency Level, It Varies Due to HUD's Limited Guidance

MTW agencies report information on specific activities, including descriptions, in their annual reports. Agencies are required in their annual plans to link each of their proposed activities to one of the program's three statutory purposes, and some agencies also show links between ongoing activities and statutory purposes in their annual reports. The three statutory purposes are to reduce costs and achieve greater cost-effectiveness in federal housing expenditures, give families with children incentives to obtain employment and become self-sufficient, and increase housing choices for low-income families. According to the most recently available annual reports, 30 agencies have over 360 ongoing activities, including rent reform initiatives and work requirements (see table 1).<sup>14</sup>

**Table 1: Examples of MTW Activities, by Statutory Purpose**

Activity	Description (example)
<b>Purpose 1: Reduce costs</b>	
Biennial recertifications	Allow elderly and disabled residents, who have minimal income and experience few changes in family composition, to be recertified every other year instead of annually.
New inspections protocol	Replace annual inspections of all properties in the tenant- and project-based voucher programs with inspections of a certain percentage of participating properties.
Standard deductions for medical expenses (rent reform)	Replace itemized medical and child care deductions with a standard deduction in determining rent payments.
<b>Purpose 2: Encourage self-sufficiency</b>	
Minimum rents (rent reform)	Require residents to pay at least a minimum rent (MTW agencies can exceed the statutory limit of \$50).
Work requirement	Require residents to work or engage in a learning or training activity, meet a minimum income level to receive housing assistance, or enter and adhere to a local welfare-to-work program. In some cases, residents may not be unemployed for more than 90 days.
Enhanced supportive services	Offer residents supportive services, such as on-site employment counseling and skill building, classes in household budgeting and parenting, and child-care and transportation services.
<b>Purpose 3: Increase housing choices</b>	
Fund affordable housing development activities	Leverage funds to preserve affordable housing resources and create new affordable housing opportunities.

<sup>14</sup>Of the 35 participating agencies, 30 had issued an annual report for 2011 as of January 2012. The other five agencies had not been in the program long enough to report on their accomplishments.

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<b>Activity</b>	<b>Description (example)</b>
Sponsor-based voucher program	Provide vouchers to service providers who work with hard-to-house households to provide intensive supportive services.
Site-based waiting list	Allow residents to apply for the waiting list for specific sites or communities where they want to live.

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Source: Most recent MTW annual reports as of January 2012.

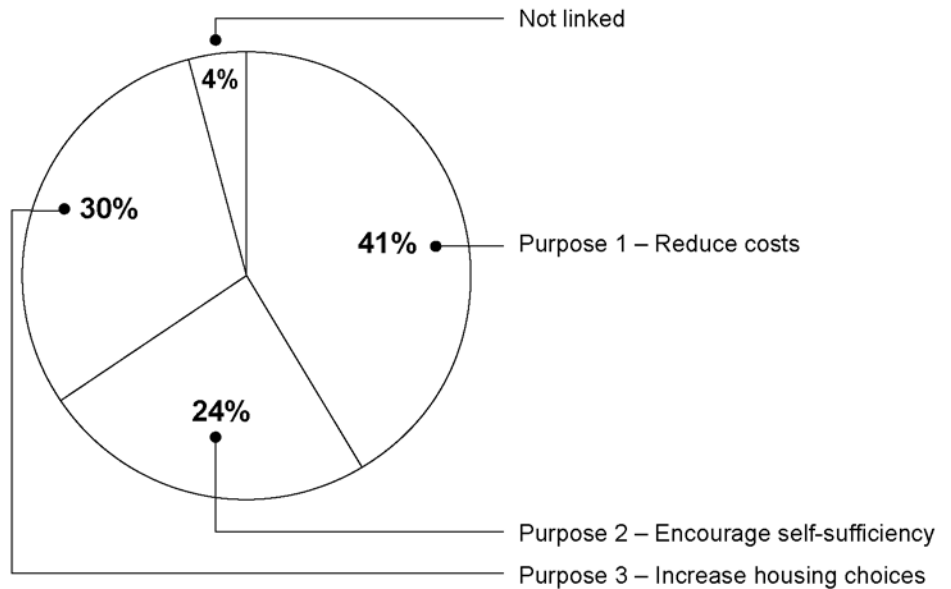
Note: The links between the activities and statutory purposes were determined by MTW agencies.

According to the most recent annual reports (and corresponding plans) for 30 MTW agencies, agencies associated the largest percentage of ongoing activities (41 percent) with the statutory purpose of reducing costs and improving cost-effectiveness (see fig. 2). For example, agencies associated changes in certification schedules, inspection protocols, and medical deductions with reduced costs. The agencies linked 30 percent of their ongoing activities to the statutory purpose of increasing housing choices and 24 percent to encouraging self-sufficiency. The agencies did not link 4 percent of their ongoing activities to any purpose in either their most recent annual plan or report.<sup>15</sup>

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<sup>15</sup>According to HUD officials, once an activity is approved, agencies may not continue to report its linkages to statutory purposes in subsequent plans or reports.

**Figure 2: Number of Reported MTW Activities Linked to Each of the Statutory Purposes**



Source: GAO analysis of the most recent MTW annual reports as of January 2012 and corresponding annual plans.

Note: Numbers do not add to 100 percent because of rounding.

In its Standard Agreement, HUD requires agencies to include in their annual reports performance information on the impact of each implemented activity, including describing the metrics used to assess outcomes and comparing actual performance with proposed benchmarks.<sup>16</sup> While HUD did not define these terms in the agreement, it defined them in 2009 training materials. In these materials, HUD defined a metric as the “unit of measure that quantifies the changes that might occur as a result of the MTW activity” and a benchmark as the “projected outcome of the MTW activity.” Further, in these 2009 training materials HUD defined an outcome as the “actual, measured result of the implemented activity.” As examples, the training materials stated that a metric could be the hours of staff time saved, a benchmark could be the number of anticipated staff hours saved, and the outcome could be staff hours actually saved. HUD directs agencies to develop their own metrics

<sup>16</sup>For purposes of this report, we are defining “performance information” as information that MTW agencies include in their annual reports on the impact of a specific MTW activity.



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and benchmarks for each activity based on local and community standards.<sup>17</sup> Our analysis of the most recent annual reports for 30 MTW agencies showed that the agencies reported performance information for 91 percent of the ongoing activities included in the reports and used over 1,000 metrics to assess these activities.<sup>18</sup> MTW agencies collectively met the benchmarks associated with 40 percent of these metrics and fell short of meeting 17 percent of them.<sup>19</sup> For 30 percent of the metrics, it was too soon to determine if the benchmarks had been met because the activities were not yet completed. For the remaining 13 percent, information (either the benchmark or performance data) was lacking to determine whether the benchmark was met.

While MTW agencies are generally devising their own metrics for activities and reporting performance information, the usefulness of this information is limited because, in some cases, it is not outcome-oriented. Our analysis of the most recent annual reports for 30 MTW agencies showed that the type of information that agencies reported on the impact of their activities varied. For example, for similar activities designed to promote family self-sufficiency, one MTW agency reported only the number of participants, which is generally considered an output, and another did not provide any performance information.<sup>20</sup> In contrast, a third agency reported on, among other things, the average income of program graduates, which we consider an outcome.

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<sup>17</sup>HUD has made some exceptions to its requirement for the reporting of impact information. For example, some MTW agencies identified the use of funding flexibility as an activity and noted that they were not required by HUD to report information on the impact. According to the Director of the MTW Office, this exception applies in some instances.

<sup>18</sup>Agencies often had more than one metric for a single activity.

<sup>19</sup>HUD does not penalize agencies for not meeting their self-determined benchmarks. However, if the benchmarks were not achieved or if the activity was determined ineffective, HUD requires agencies to describe the challenges and, if possible, identify new strategies that might be more effective in their annual report. For our analysis, we compared the actual, reported performance information with the proposed benchmark to determine if the agency met its goal.

<sup>20</sup>For example, see GAO, *Neighborhood Stabilization Program: HUD and Grantees Are Taking Actions to Ensure Program Compliance but Data on Program Outputs Could be Improved*, [GAO-11-48](#) (Washington, D.C.: Dec. 17, 2010).

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Internal control standards state that good guidance (information and communication) is a key component of a strong internal control framework and that there is a need for clear documentation.<sup>21</sup> To be consistent with the GPRA Modernization Act of 2010, HUD's guidance on reporting performance information should indicate the importance of outcome-oriented information.<sup>22</sup> Specifically, the act states that an agency should establish efficiency, output, and outcome indicators for each program activity. Furthermore, Office of Management and Budget guidance on implementation of the act states that quantitative and outcome-focused measures are preferred.<sup>23</sup>

At the time of our review, HUD's guidance did not specify that agencies should report quantifiable and outcome-oriented performance information. According to the Director of the MTW Office, Attachment B of the Standard Agreement is the most current guidance on the information that agencies should report in their annual reports. It simply states that agencies are to provide detailed information on the impact of the activity and compare it against the proposed benchmarks to assess outcomes, including whether an activity is on schedule. The attachment does not define terms or set expectations for the type of information to be reported. After the Standard Agreement was executed in 2008, HUD conducted training for participating agencies. As previously discussed, the 2009 training materials defined key terms such as a metric and outcome and outlined steps agencies could take to evaluate their activities. HUD also encouraged the MTW agencies to use metrics and benchmarks that did not focus on the number of individuals participating in an activity but rather on the objectives of the activity and to report quantifiable information. While HUD has posted the 2009 training materials on its website, these materials have not been incorporated into Attachment B of the Standard Agreement.

According to the Director of the MTW Office, HUD has not made its guidance more specific because agencies are implementing a wide

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<sup>21</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

<sup>22</sup>Pub. L. No. 111-352, 124 Stat. 3866 (2011). The GPRA Modernization Act of 2010 amends GPRA, Pub. L. No. 103-62, 107 Stat. 285 (1993).

<sup>23</sup>OMB Circular A-11, Part 6 ("Preparation and Submission of Strategic Plans, Annual Performance Plans, and Annual Program Performance Reports"), Section 220.7.IV.

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variety of activities and thus require some reporting flexibility. We acknowledge the need for flexibility, but it is important that HUD require agencies to report at least some outcome-oriented performance information. Without more specific guidance on the reporting of performance information, HUD cannot be assured of collecting information that reflects the outcomes of individual activities. Such information would help HUD assess the demonstration program and whether the activities are furthering program purposes.

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**Design and Data Weaknesses Have Prevented a Comprehensive Evaluation of MTW**

As we have previously reported, obtaining performance information from demonstration programs that are intended to test whether an approach (or any of several approaches) can obtain positive results is critical.<sup>24</sup> This information is needed to help determine whether the program has led to improvements consistent with its purposes. HUD has sponsored three broad reviews of the MTW program, but these studies are not comprehensive evaluations because of data limitations, among other things.<sup>25</sup> A 2004 Urban Institute evaluation of the MTW program found that most MTW agencies reported modest benefits from activities related to administrative streamlining and that these results were often not as dramatic as the agencies had anticipated.<sup>26</sup> The study also noted the difficulty in determining whether MTW activities related to employment

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<sup>24</sup>See GAO, *Program Evaluation: Improving the Flow of Information to the Congress*, GAO/PEMD-95-1 (Washington, D.C.: Jan. 30, 1995).

<sup>25</sup>We also identified five studies that looked at a specific MTW agency or activity. See Thomas Boston and Linje Boston, *Monitoring and Evaluating the Atlanta Housing Authority's MTW Program: Comprehensive Final Report Covering 2004, 2007 and 2010* (Atlanta, GA: Euquant, 2010); Quadel Consulting Corporation, *Performance Benchmarking of the Rent Simplification Initiative in the Cambridge Housing Authority's Moving to Work Program – Final Report* (Cambridge, MA: Cambridge Housing Authority, 2008); Building Changes, *The South King County Housing First Pilot Innovations and Lessons Learned* (Seattle, WA: Building Changes, May 2010); Sarah Delaney Rosendahl, *Housing Readiness Program Year One Evaluation for the Housing Authority of the County of San Mateo* (Oakland, CA: Mills College, May 2010); and Thomas D. Boston, *Impact of the Mixed-Income Revitalization of Grady Homes: Atlanta Housing Authority, 2011* (Atlanta, GA: Housing Authority of the City of Atlanta, July 2011).

<sup>26</sup>Martin D. Abravanel, Robin E. Smith, Margery A. Turner, Elizabeth C. Cove, Laura E. Harris, and Carlos A. Manjarrez, *Housing Agency Responses to Federal Deregulation: An Assessment of HUD's "Moving to Work" Demonstration* (Washington, D.C.: The Urban Institute, 2004).

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and income had any independent effect and that MTW activities resulted in both greater and more limited housing choice.<sup>27</sup>

A second study, conducted in 2007 by Applied Real Estate Analysis, Inc. and the Urban Institute, reviewed eight MTW agencies that had placed limits on the length of time that residents could receive housing assistance.<sup>28</sup> The study found that each of the approaches varied and concluded that only limited information was available with which to evaluate outcomes or establish cause-and-effect relationships between agencies' policies and recipients' experiences. It noted that there were significant limitations to what could be learned from these experiences because no evaluative framework had been built into the program. Finally, a 2010 HUD Report to Congress found that the effects of many MTW activities, especially as they related to residents, could not be conclusively identified because of the variety of and differences in the activities and metrics that MTW agencies were implementing. However, the report did identify some results concerning agencies' ability to more efficiently allocate resources and engage in strategic long-term planning.<sup>29</sup> For instance, the study noted that some agencies had seen positive effects from combining their traditional sources of funding and streamlining their operations—for example, by simplifying their housing quality inspections.

These three studies of the MTW program and our work have identified several challenges that have hindered evaluation efforts. These challenges include the way the program was initially designed and the resulting lack of standard performance data as well as the lack of performance indicators for the program as a whole.

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<sup>27</sup> Because of the program's design and lack of controls, the study's authors had difficulty isolating the effects of the MTW program from other factors that may affect outcomes.

<sup>28</sup> Robert Miller, Martin D. Abravanel, Helene Berlin, Elizabeth Cove, Maria-Alicia Newsome, Carlos A. Manjarrez, Lipi Saikia, Robin E. Smith, and Maxine V. Mitchell, *The Experiences of Public Housing Agencies That Established Time Limits Policies Under the MTW Demonstration* (Applied Real Estate Analysis, Inc. and The Urban Institute, May 2007).

<sup>29</sup> HUD, Office of Public and Indian Housing and Office of Policy Research and Development, *Moving to Work: Interim Policy Applications and the Future of the Demonstration*, a report to Congress (Washington, D.C.: 2010).

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Lack of Program Evaluation  
Design and Standard  
Performance Data

HUD has taken steps to address the problems noted with MTW's initial design and the lack of standard data; however, it has not analyzed the data it currently collects or determined whether these data are sufficient to evaluate similar activities and the program as a whole. As we have previously reported, comparable data are essential to a full analysis of programs that incorporate a variety of activities.<sup>30</sup> We also noted that obtaining performance information from demonstration programs that are intended to test whether an approach (or any of several approaches) can obtain positive results is critical. Finally, we have reported that agencies need to identify any data that will be needed to assess the effectiveness of program regulations.<sup>31</sup>

Researchers and others have noted the limitations that the program's initial design posed to evaluation. In the early years of MTW, rigorous evaluation strategies were not required, and the program lacked a research design that would have helped in determining baseline information.<sup>32</sup> The 2004 Urban Institute review of MTW concluded that there were limits to what could be learned from its review for a variety of reasons, such as the inability to separate individual components of agencies' MTW activities for analysis.<sup>33</sup> As a result, the report is mainly descriptive and qualitative.<sup>34</sup> HUD's 2010 Report to Congress noted that because rent reform activities varied greatly and were not implemented using a controlled experimental methodology, the authors were unable to recommend specific reforms as best practices.<sup>35</sup>

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<sup>30</sup>[GAO/PEMD-95-1](#).

<sup>31</sup>GAO, *Reexamining Regulations: Opportunities Exist to Improve Effectiveness and Transparency of Retrospective Reviews*, [GAO-07-791](#) (Washington, D.C.: July 16, 2007).

<sup>32</sup>In its 2009 training materials, HUD defined a baseline as the performance level that was being achieved prior to the implementation of the MTW activity.

<sup>33</sup>Abraham and others, *An Assessment of HUD's Moving to Work Demonstration* (2004).

<sup>34</sup>Researchers from the Urban Institute told us that if very specific reporting requirements were established and reliable data were available, the program could be rigorously assessed.

<sup>35</sup>HUD, *Moving to Work* (2010). A controlled experimental methodology is a research design that randomly assigns participants to treatment and control groups in order to rigorously analyze the effects of the studied activity.

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To help evaluate aspects of the MTW program moving forward, MTW officials have added requirements for new agencies. According to HUD's 2010 Report to Congress, the three agencies admitted to the MTW program in 2009 had strong evaluation components.<sup>36</sup> Two of these agencies have commitments from local universities to evaluate their programs. Additionally, HUD has required the two newest agencies to participate in a controlled rent reform study. However, these improvements will not help evaluate the program as a whole or the activities implemented by the 30 other MTW agencies.

Likely due to the absence of an evaluation framework for the MTW program, researchers have noted the lack of standard performance data needed to evaluate similar activities and the program as a whole. The 2004 Urban Institute study noted that the lack of consistent data on resident characteristics, incomes, and rent payments prevented the authors from being able to determine whether individual agencies were able to achieve the goal of increasing self-sufficiency.<sup>37</sup> Similarly, the HUD Inspector General reported in 2005 that HUD lacked the empirical data needed to assess the program as a whole.<sup>38</sup>

Since these reports, HUD has started collecting some additional data from MTW agencies, but it has not yet analyzed the data. HUD created the MTW-PIC module to collect tenant characteristics such as household size, income, and educational attainment. However, according to MTW officials, HUD has not used these data to analyze the program's effects, such as changes in resident income. In addition, HUD's Standard Agreement has required agencies since 2009 to provide information in their annual reports on the impact of activities, including benchmarks and metrics. While these reports are informative, they do not lend themselves to quantitative analysis because the reporting requirements do not call for standardized data, such as the number of residents that found employment.

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<sup>36</sup>HUD, *Moving to Work* (2010).

<sup>37</sup>Abravanel and others, *An Assessment of HUD's Moving to Work Demonstration* (2004).

<sup>38</sup>HUD, Office of Inspector General, *Design and Implementation of the Public Housing/Section 8 Moving to Work Demonstration Program*, 2005-SE-001 (Seattle, WA: Apr. 12, 2005).

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In addition, whether these data are sufficient to assess similar activities and the program as a whole is not clear, and HUD has not identified the data it would need for such an assessment. For example, neither MTW-PIC nor annual reports capture standard data on implemented activities. Further, according to the Director of the MTW Office, MTW-PIC does not include information on individuals who receive nontraditional services from an MTW agency, such as homeless assistance or case management. Representatives from MTW agencies have suggested that HUD should collect some standard data for similar activities. For example, they noted that if HUD required all agencies that implemented rent reform activities to report standard data, the results of these efforts could be analyzed even if the specific activities varied. The Director of the MTW Office also noted that MTW-PIC was a potential tool for collecting and analyzing standard demographic data.

The MTW Office has recently developed a statement of work for an evaluation of the program, but HUD has not allocated funding for the study, according to the Director of the MTW Office. Among other things, the proposed evaluation is intended to assess the current state of the MTW demonstration and determine the extent to which the three statutory purposes have been addressed. The study is also expected to include an analysis of outcomes associated with specific activities and the demonstration as a whole to identify which MTW activities are appropriate for expansion to all PHAs. However, the approach envisioned may be limited because it would primarily rely on existing data sources. Until HUD develops and implements a plan (that includes the identification of standard data) to quantitatively assess similar activities and the MTW program as a whole, HUD cannot determine their effectiveness. While such analyses may be challenging, they would enhance HUD's ability to rigorously assess the demonstration.

#### Lack of Performance Indicators

HUD has not established performance indicators for the MTW program as a whole. The GPRA Modernization Act of 2010 requires that federal agencies establish efficiency, output, and outcome indicators for each program activity as appropriate.<sup>39</sup> Internal control standards also require the establishment of performance indicators.<sup>40</sup> In addition, we have previously reported that successful performance indicators demonstrate

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<sup>39</sup>Pub. L. No. 111-352, 124 Stat. 3866 (2011).

<sup>40</sup>[GAO/AIMD-00-21.3.1](#).

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results and provide useful information for decision making in order to track how programs and activities can contribute to attaining an organization's goals and mission, among other things.<sup>41</sup>

As previously discussed, MTW agencies set their own performance metrics for activities, but HUD has not established performance indicators for the program as a whole. HUD's *Fiscal Year 2011 Annual Performance Plan* established agencywide performance indicators but did not explicitly connect the MTW program to any of them.<sup>42</sup> Although there are no specific targets for the program, the Director of the MTW Office noted that the program's activities support some of the agencywide indicators. Specific performance indicators for the MTW program could be based on the statutory purposes. For example, agencies could report on the savings achieved (reducing costs) and the number of additional households served (increasing housing choices). Without performance indicators for the MTW program, however, HUD cannot demonstrate the results of the program as a whole.

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## HUD Lacks a Systematic Process for Identifying Lessons Learned

While HUD has identified some lessons learned on an ad hoc basis, it does not have a systematic process in place for identifying such lessons. We have previously reported that obtaining impact information from demonstration programs that are intended to test whether an approach (or any of several approaches) can obtain positive results is critical.<sup>43</sup> This information should be gathered to help determine whether programs have led to improvements consistent with their purposes.

Since 2000, HUD has identified some activities that could potentially be replicated by other PHAs. A HUD-sponsored contractor developed five case studies from 2000 to 2002 that were intended to describe some of the issues, successes, and challenges involved in implementing the MTW demonstration. Four of the case studies were developed around specific MTW sites, while the fifth provided an overview of the block grant approach. Further, from June 2008 to April 2009 HUD identified practices that, with statutory or regulatory changes, could be replicated at other

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<sup>41</sup>GAO, *Tax Administration: IRS Needs to Further Refine Its Tax Filing Season Performance Measures*, [GAO-03-143](#) (Washington, D.C.: Nov. 22, 2002).

<sup>42</sup>HUD, *Fiscal Year 2011 Annual Performance Plan* (Washington, D.C.: 2011).

<sup>43</sup>[GAO/PEMD-95-1](#).



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PHAs nationwide. These practices, which are posted on HUD's website, included implementing savings accounts for public housing and voucher recipients to promote resident savings. Most recently, HUD's 2010 Report to Congress described promising policies, practices, and concerns.<sup>44</sup> In addition, officials from some of the MTW agencies we interviewed noted that HUD officials had shared information on activities that had shown positive effects during site visits, quarterly phone calls, newsletters, and annual conferences. Finally, HUD's statement of work for its proposed evaluation of the MTW program includes the creation of five case studies that would review MTW flexibilities.

However, these efforts have shortcomings. In most cases, the practices chosen were based on the opinions of HUD or contracted staff and largely involved anecdotal (or qualitative) data rather than quantitative data. The lack of standard performance data has affected HUD's ability to systematically identify lessons learned. In its 2005 report on the MTW program, the HUD Inspector General noted that the lack of data on the program made it difficult to identify activities that could be considered models for addressing the three statutory purposes or that could be used to show the importance of individual policy changes.<sup>45</sup> Further, HUD has not established criteria, such as demonstrated performance, for identifying lessons learned. Finally, HUD has not made regular efforts to review and identify lessons learned. Because HUD does not currently have a systematic process for identifying lessons learned, it is limited in its ability to promote useful practices that could be implemented more broadly.

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<sup>44</sup>HUD, *Moving to Work* (2010).

<sup>45</sup>HUD, Office of Inspector General, 2005-SE-001.

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## HUD Generally Follows Its Monitoring Policies and Procedures, but Could Strengthen Them

HUD has policies and procedures in place to monitor MTW agencies. First, HUD requires program staff to review and comment on agencies' annual plans and reports. Second, staff review tenant data submitted by MTW agencies. Third, program staff conduct annual site visits at each participating agency to provide technical assistance and program updates. HUD generally follows these policies and procedures, which focus on technical assistance rather than compliance. Due in part to this focus, HUD's policies and procedures have several key weaknesses. Specifically, HUD has not clarified program terminology, ensured that each MTW agency is meeting statutory requirements, performed an annual risk assessment, or developed policies and procedures to verify the accuracy of key information that MTW agencies self-report.

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## HUD Reviews Agency Information and Conducts Annual Site Visits

HUD's monitoring policies and procedures for the MTW program are contained in a desk guide, which describes the roles and responsibilities of HUD staff in reviewing annual plans and reports and data submissions, making site visits, and performing other monitoring activities. In January 2011, HUD's Office of Public Housing Investments and Office of Field Operations signed a Memorandum of Understanding documenting the framework for headquarters and field staff to follow in overseeing MTW agencies. According to the memorandum, the MTW Office (within the Office of Public Housing Investments) is responsible for oversight of the MTW program. In many cases, the MTW Office works with field offices to jointly develop responses to MTW agency issues. Further, a MTW Working Group—consisting of representatives from Public and Indian Housing programs, the Real Estate Assessment Center, and the Office of Policy Development and Research—was established to assist with the annual plan and report review process.<sup>46</sup> As part of the memorandum, the Offices of Public Housing Investments and Field Operations agreed to the protocols set forth in the desk guide.

HUD staff from the MTW Office and field offices and the MTW Working Group share responsibility for reviewing and commenting on participating agencies' annual plans and reports. The Standard Agreement

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<sup>46</sup>HUD's Real Estate Assessment Center administers physical inspections of HUD's public and multifamily housing properties. The Office of Policy Development and Research is responsible for maintaining current information on housing needs, market conditions, and existing programs, as well as for conducting research on priority housing and community development issues.

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(Attachment B) outlines the requirements for annual plans and reports that agencies must submit. MTW coordinators, who are each responsible for a specific number of MTW agencies, have the lead role in reviewing annual plans and reports to determine if they meet the requirements of Attachment B and obtaining input from other HUD staff, including field offices and the MTW Working Group. Field offices are required to review the annual plans and reports submitted by the MTW agencies in their jurisdictions and provide their assessment to the MTW coordinator. Similarly, the MTW Working Group reviews and provides comments to the MTW coordinator. Coordinators summarize the comments from the field offices and MTW Working Group and send them to the agencies. The coordinators and field office staff work with MTW agencies to resolve any outstanding issues. Once such issues have been resolved, the MTW Office approves annual plans and accepts annual reports.<sup>47</sup>

In 2009, the MTW Office developed review procedures and checklists for the coordinators and field office staff to use when reviewing annual plans and reports. The checklists provide a framework for MTW coordinators to determine whether the annual plans and reports are complete and consistent with the requirements of Attachment B. More specifically, coordinators are to review plans to ensure that they include how proposed activities relate to at least one of the statutory purposes and show the anticipated impact on the related purpose; corresponding baselines, benchmarks, and metrics; and information on rent reform initiatives, among other items. In addition, they are to ensure that the plans include a certification that the agency published a notice of plans to hold a public hearing to discuss its annual plan, made the agency's annual plan available for public inspection, and conducted a public hearing to discuss the annual plan prior to its approval, among other things.<sup>48</sup> Further, coordinators are to review reports to ensure that they describe the impact of each implemented activity, explain any benchmarks that were not achieved and any revised benchmarks or metrics, and include the agency's certification that it has met three of the

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<sup>47</sup> According to HUD officials, HUD staff "accept" rather than approve annual reports because, unlike the annual plans, the reports do not include a request to conduct certain activities.

<sup>48</sup> Soliciting public comments on the plan is important because, unlike other PHAs, MTW agencies are not subject to the Public Housing Assessment System, which includes a customer satisfaction survey that promotes resident participation.

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five statutory requirements.<sup>49</sup> However, these procedures do not require MTW coordinators to verify each agency's certification that it has met the three statutory requirements.

Interviews with MTW coordinators and field staff and documentation for our sample of seven MTW agencies indicated that HUD generally followed these procedures. Documentation we reviewed for the agencies in our sample showed that the coordinators generally completed checklists while reviewing annual plans and reports. For example, coordinators verified that all ongoing activities were reported, ensured the agency included its certification that it had met three of the five statutory requirements, and made certain the agency certified that it had held a public hearing on its annual plan, among other requirements. Coordinators also provided comments to agency staff on annual plans and reports.<sup>50</sup> Once it had determined that the agency had addressed all of the comments, the MTW Office notified the agency in writing that its plan had been approved and report accepted.

HUD field staff also monitor MTW agencies' compliance with data submission requirements, including the requirement to report information on resident characteristics in MTW-PIC. HUD requires MTW agencies to report timely, accurate, and complete data on at least 95 percent of the families receiving housing assistance.<sup>51</sup> To monitor compliance, field staff review monthly reports from MTW-PIC that summarize each participating agency's tenant data reporting rates. The reports we reviewed indicated that agencies were complying with the reporting requirements. For

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<sup>49</sup>MTW agencies certify that they are assisting substantially the same total number of eligible low-income families that they would have served in the absence of MTW; maintaining a mix of families (by family size) comparable to those they would have served without the demonstration; and ensuring that at least 75 percent of households served are very low income. MTW agencies are not required to certify that they meet the other two requirements—that MTW agencies establish a reasonable rent policy and assure that housing provided meets HUD's quality standards.

<sup>50</sup>Field office staff that we interviewed said that they reviewed annual plans and reports and sent their comments and concerns to MTW coordinators.

<sup>51</sup>MTW agencies are subject to a variety of other reporting requirements. For example, MTW agencies are required to report voucher utilization in the Voucher Management System. They also must procure a public accountant to perform an Office of Management and Budget Circular A-133 compliance audit and submit unaudited financial statements. In addition, they are subject to HUD physical and management inspections of public housing and on-site monitoring reviews related to voucher reporting.

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example, in January 2012, MTW agencies overall achieved a 100-percent tenant data submission rate.

In addition, HUD conducts annual site visits to provide technical assistance to each MTW agency. The MTW Office and the local field office conduct these visits jointly.<sup>52</sup> The MTW Office (in particular the coordinator assigned to the agency) takes the lead role in conducting the visit, including preparing the agenda, coordinating with the local HUD field office, and working with the MTW agency to select properties to visit. According to HUD officials, the primary objective of the site visit is to provide technical assistance and build a working relationship with the participating agencies, not to assess compliance with statutory requirements. However, HUD officials stated that if compliance issues with statutory purposes are found, HUD staff address these issues during the site visit, and coordinators often develop timelines for the agency to come into compliance.

Our analysis of documentation of site visits to participating agencies indicated that MTW Office and field staff generally followed HUD's annual site visit procedures. Specifically, analysis of site visit reports indicated that HUD officials generally discussed the effectiveness of activities and helped resolve any outstanding issues. For example, as a result of site visits, HUD staff recommended that an agency include cost-saving measures in its annual plan, requested clarification of output measures, and encouraged one agency to submit articles to the MTW newsletter to share its experiences on how rent reform encouraged self-sufficiency.

Interviews with our sample of MTW agencies and corresponding field office officials also indicated that HUD was following its policies and procedures for annual site visits. MTW agency officials we spoke with indicated that the site visits were generally beneficial because they provided an opportunity for in-person discussions that helped facilitate communication with HUD. HUD's field office staff noted their active involvement over the years, which had become more defined with the issuance of the desk guide in 2011. According to the Director of the MTW Office, the office is considering conducting future site visits using a risk-

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<sup>52</sup>According to HUD officials, the nature of MTW site visits has changed since the implementation of the Standard Agreement in 2008. Prior to implementation of the Standard Agreement, HUD hired contractors to conduct site visits and provided monitoring guidance.

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based approach. Using this approach, HUD would conduct site visits less frequently but would focus on larger agencies that had implemented a wide range of complex activities and newly admitted agencies that were implementing new activities.

To foster information sharing across agencies and provide technical assistance, HUD employs a number of additional strategies. For example, HUD hosts annual conferences to share information with MTW agencies and facilitate information sharing among agencies. The conferences cover a variety of topics, and all participating MTW agencies are invited to attend. For example, the 2011 conference focused on effectively managing funds in a challenging budgetary environment. HUD also has engaged participating agencies in quarterly conference calls and other training related to program changes such as the conversion from PIC to MTW-PIC and the transition to the Standard Agreement. Further, HUD issues notices on various topics, such as MTW reporting requirements, and publishes quarterly newsletters that highlight activities relating to each statutory purpose, among other topics. HUD also publishes each agency's annual report and researchers' evaluations of MTW activities on its website.

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### HUD's Monitoring Policies and Procedures Have Several Key Weaknesses

Although HUD follows the policies and procedures that it has in place, it could do more to ensure that MTW agencies are demonstrating compliance with statutory requirements and to identify possible risks relating to activities implemented by each agency, among other things. First, HUD has not issued guidance to participating agencies clarifying key program terms, including definitions of the purposes and statutory requirements of the MTW program. Internal control standards require the establishment of clear, consistent goals and objectives.<sup>53</sup> As previously noted, MTW authorizing legislation established three purposes for the program, and agencies must link each of their activities to one of these purposes. However, HUD has not clearly defined what the language in some of these purposes means, such as "increasing housing choices for low-income families." MTW agencies have linked activities to this purpose that range from using block grant funding to support homeownership programs to requiring applicants to complete a renter education program to establishing a prisoner re-entry housing program. HUD noted the lack

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<sup>53</sup> [GAO/AIMD-00-21.3.1](#).

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of a clear definition in its 2010 Report to Congress but continued to require that MTW agencies link activities to this purpose.<sup>54</sup> According to MTW officials, they have not defined what is meant by “increasing housing choices” so that agencies have the ability to define this term in a manner that fits their local needs. In addition, HUD has not clarified what is meant by “serving a comparable mix of families” but also requires agencies to comply with this requirement. MTW agencies we spoke with described varying interpretations of this requirement. For example, officials from one agency told us that they observed how family sizes changed in their community and compared those changes to changes in families within the MTW program, using community survey data and data from the agency’s internal system. Officials from another agency we spoke with said that over time it had become increasingly difficult to determine compliance with this statutory requirement.

HUD has recently taken steps to clarify some terminology, explaining how agencies can certify that at least 75 percent of the families they serve have very low incomes and that they are serving substantially the same number of households under MTW as they did before the program. In addition, HUD is revising its reporting requirements for MTW agencies. As part of this process, HUD officials told us that they plan to update their guidance to more completely collect information related to the program’s statutory purposes and requirements. They acknowledged that the guidance could be strengthened to require MTW agencies to provide their agency-specific definition for the three statutory purposes. As a first step, they noted that they planned to require agencies to define “self-sufficiency” by either choosing one of the definitions provided by HUD or creating their own. Similarly, the officials stated that they would consider requiring MTW agencies to choose between using HUD’s definition of increasing housing choices or creating their own definition. Although a step in the right direction, allowing MTW agencies to create their own definitions of key terms would make it difficult to assess the effectiveness of efforts to address statutory purposes. HUD officials also said that the revised guidance would provide standardized tables for agencies to report data related to the requirement to serve a comparable mix of families. Until HUD clearly defines what is meant by all of the statutory purposes and requirements of the MTW program, HUD cannot effectively determine

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<sup>54</sup>This requirement is contained in Attachment B of the Standard Agreement. As previously noted, an agency can associate an activity with more than one purpose.

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whether agencies are addressing these purposes and meeting requirements.

Second, HUD has only recently assessed agencies' compliance with two self-certified requirements and has not assessed compliance with the third. Internal control standards require control activities to be in place to address program risks.<sup>55</sup> In addressing these risks, internal control guidance states that management should formulate an approach for assessing compliance with program requirements.<sup>56</sup> While HUD has recently made efforts to assess agencies' compliance with two of the three self-certified requirements, it does not have a process in place to systematically review compliance with all three requirements. In 2011, HUD for the first time assessed participating agencies' compliance with the requirement to assist "substantially the same" number of eligible families that would have been served in the absence of MTW. HUD collected data from MTW-PIC, the Voucher Management System, and each participating agency's most recent annual report on the number of public housing units occupied, vouchers utilized, and other families housed and used a formula to compare these data with similar data reported before MTW.<sup>57</sup> HUD and MTW agency staff we interviewed told us that they worked together to discuss discrepancies in the calculations. According to the Director of the MTW Office, agencies were in compliance with this requirement if they were serving at least 95 percent of the number of families in their baseline figure. HUD's recent review of each agency's baseline calculation indicated that all but one of the agencies were in compliance. Also in 2011, HUD reviewed MTW-PIC data for the first time to determine agencies' compliance with the requirement that at least 75 percent of assisted residents be very low income. HUD's analysis of MTW-PIC data showed that, as of September 2011, 91 percent of the residents served by MTW agencies fell into this category.

While HUD has taken steps to assess compliance with these two statutory requirements, it has not yet developed a methodology for

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<sup>55</sup> [GAO/AIMD-00-21.3.1](#).

<sup>56</sup> GAO, *Internal Control Management and Evaluation Tool*, [GAO-01-1008G](#) (Washington, D.C.: August 2001).

<sup>57</sup> The baseline calculation also adjusts for any incremental vouchers that the agency may have been awarded over time.



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assessing agencies' compliance with the requirement to maintain a comparable mix of families. The Director of the MTW Office acknowledged that self-certifications were not the best means of ensuring compliance and told us that the planned revisions to the reporting requirements for MTW agencies would help assess compliance with the requirements to maintain a comparable mix of families and ensure that at least 75 percent of families assisted are very low income. Without a process for systematically assessing compliance with statutory requirements, HUD lacks assurance that agencies are complying with them.

Third, HUD has not performed an annual assessment of program risks. Internal control standards state that an agency should have a risk assessment plan that considers internal and external risk factors and establishes a control structure to address those risks.<sup>58</sup> The standards also state that managers should focus on control activities to address risks that may involve verifications, performance reviews, and documentation, among other things. HUD's own internal control standards also require its program offices to perform an annual risk assessment of their programs or administrative functions using a HUD risk-assessment worksheet.<sup>59</sup> These standards also stress the importance of performing a risk assessment when there are significant program changes. According to the Director of the MTW Office, the office has not performed an annual risk assessment for the MTW program because it was not aware of this requirement.

In addition, HUD's procedures for monitoring the MTW program are not risk-based, meaning that HUD has not tailored its monitoring efforts to reflect the perceived risk of each MTW agency.<sup>60</sup> MTW agencies, unlike other PHAs, are exempt from receiving performance scores that reflect

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<sup>58</sup> [GAO/AIMD-00-21.3.1](#).

<sup>59</sup> HUD, Office of the Chief Financial Officer, *Departmental Management Control Program*, Handbook 1840.1 Rev-3 (Washington, D.C.: 1999).

<sup>60</sup> MTW agencies are exempt from scoring in the Public Housing Assessment System and the Section 8 Management Assessment System. However, MTW agencies are subject to physical inspections conducted by the Real Estate Assessment Center under HUD guidelines and issued a score. This score is entered into the Public Housing Assessment System and can be viewed by MTW staff at any time. A score of 22 or below is flagged by the Real Estate Assessment Center (the maximum score is 30) and reported to the appropriate field office.

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their perceived level of risk. While monitoring procedures are not risk-based, the Director of the MTW Office stated that his office would become aware of risks from HUD's field office staff, which have routine responsibility for reviewing financial audits and Office of Management and Budget compliance audits. As previously discussed, HUD is considering moving toward conducting risk-based site visits.<sup>61</sup> In addition, according to HUD officials, the office is considering other methods to more rigorously analyze MTW agency risk factors. By not performing an annual risk assessment and implementing a risk-based approach to monitoring MTW agencies, HUD lacks assurance that it has properly identified and addressed risks that may prevent participating agencies from addressing program purposes and meeting statutory requirements. HUD also lacks assurance that it is efficiently using its limited monitoring resources.

Finally, HUD does not have policies or procedures in place to verify the accuracy of key information that MTW agencies self-report. Internal control standards and guidance emphasize the need for federal agencies to have control activities in place to help ensure that program participants report information accurately.<sup>62</sup> HUD requires agencies to report on benchmarks, metrics, and performance information in their annual reports but does not have policies or procedures in place to verify the accuracy of this self-reported data. Further, MTW coordinators do not verify this information during their annual site visits or during their annual report review process, preventing HUD from efficiently using its limited monitoring resources. As previously noted, HUD relies on the participating agency to submit accurate information. We requested documentation from our sample of MTW agencies that supported the outcomes they reported in their most recent annual report for a selected activity and received various types of support. While this information was sufficient for our own review, HUD has not taken similar steps to collect evidence to substantiate agencies' self-reported information. According to HUD officials, the MTW Office is considering ways to verify the accuracy of key information that MTW agencies self-report. Although verifying all of the self-reported information may be challenging, GAO guidance on data reliability recommends tracing a sample of data records to source documents to determine whether the data accurately and completely

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<sup>61</sup>Under this approach, the MTW Office would focus first on agencies that were implementing new activities or significant changes and visit these sites.

<sup>62</sup>[GAO/AIMD-00-21.3.1](#) and [GAO-01-1008G](#).

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reflect the source documents.<sup>63</sup> Because HUD does not verify the accuracy of any reported performance information, it lacks assurance that this information is accurate. To the extent that HUD relies on this information to assess program compliance with statutory purposes and requirements, its analyses are limited.

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## Expanding MTW May Offer Benefits but Also Raises Questions

Legislation has been proposed to expand the number of PHAs that can participate in the MTW program, and a recent HUD report recommended expanding the program up to twice its size. As of March 2012, a maximum of 39 PHAs could participate in the program, but a 2011 Senate bill would direct HUD to increase that number up to 250.<sup>64</sup> In addition, legislation has been drafted that would establish MTW as a permanent program and eliminate the current restrictions on the number of agencies that can participate.<sup>65</sup> HUD's 2010 Report to Congress recommends increasing the number of participating agencies to about 60.<sup>66</sup> HUD and some stakeholders believe that expansion could provide the needed information on the effect of the MTW program and allow more PHAs to test innovative ideas, but questions remain about the lack of performance information on current MTW activities. In addition, alternatives to expansion exist, including implementing a more narrowly focused program.

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<sup>63</sup>GAO, *Assessing the Reliability of Computer-Processed Data*, [GAO-09-680G](#) (Washington, D.C.: July 2009).

<sup>64</sup>Moving to Work Charter Program Act of 2011 (S. 117).

<sup>65</sup>Moving to Work Improvement, Expansion, and Permanency Act of 2011 (draft legislation); Affordable Housing and Self-Sufficiency Improvement Act of 2012 (AHSSIA) (draft legislation).

<sup>66</sup>HUD, *Moving to Work* (2010).

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## Current MTW Participants and Affordable Housing Advocates Indicated that Expanding MTW Could Help Demonstrate the Program's Effect and Increase Innovation

According to HUD, some affordable housing advocates, and MTW agencies we interviewed, expanding the MTW program could help demonstrate the program's effect and increase the number of lessons that can be learned from the program. HUD has reported that doubling the number of MTW agencies with the use of strategic criteria and program implementation could help demonstrate the effects of MTW on a broader scale and enable the housing industry to learn even more from the demonstration.<sup>67</sup> For example, expansion could provide more information on how MTW flexibilities would affect a broader group of PHAs. The Director of the MTW Office noted that some MTW activities, specifically those related to administrative streamlining, had influenced the draft Affordable Housing and Self-Sufficiency Improvement Act of 2012 (AHSSIA). Some affordable housing advocates that we met with emphasized the value of the changes, such as decreases in concentrated poverty, that have occurred in some of the communities affected by the MTW program and indicated that expansion could enable more PHAs to address local needs and therefore benefit additional communities. Similarly, officials from MTW agencies that we contacted stated that expansion of the program would provide a broader testing ground for new approaches and best practices.

In addition, information from a private research organization, affordable housing advocates, and MTW agencies that we met with suggests that allowing additional PHAs to participate in the program could result in additional opportunities for PHAs to test innovative ideas, in part by using the flexibilities provided to tailor their housing programs and activities to meet local conditions. In 2004, the Urban Institute reported that the local flexibility and independence permitted under MTW appeared to allow strong, creative PHAs to experiment with innovative solutions to local challenges.<sup>68</sup> It noted that these PHAs were able to be more responsive to local conditions and priorities because they were not as limited by program requirements as they might have been before MTW. For example, one agency used MTW to increase the proportion of project-based units relative to tenant-based assistance. Through MTW, this adjustment was done to an extent that would not have been permissible under standard rules. The Urban Institute concluded that further deregulation of PHAs could yield benefits in terms of design and

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<sup>67</sup> HUD, *Moving to Work* (2010).

<sup>68</sup> Abravanel and others, *An Assessment of HUD's Moving to Work Demonstration* (2004).

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implementation innovations. Officials from an organization that advocates on behalf of large PHAs and supports expansion noted that affordable housing needs varied by locality and that the MTW program enabled participating agencies to design effective approaches based on local needs. Similarly, another affordable housing advocacy organization told us that they supported expanding MTW not only because it enabled participating agencies to tailor activities to local needs but also because it involved local communities in the process.

Officials from several of the MTW agencies we interviewed also noted that the MTW program had empowered them to create and implement strategies that addressed local issues and said that expanding the program would give more PHAs the same flexibility. For example, in one northeastern state where the housing stock was relatively old, the MTW agency was able to focus on developing new affordable housing. Another MTW agency in a western state with mostly newer housing stock chose to reduce the frequency of inspections of its properties and focus its efforts on administrative streamlining and the disposition of its older units. Further, several MTW agencies that we interviewed described how they implemented the requirement to establish a rent policy that encouraged employment and self sufficiency. For example, officials from one MTW agency told us that they believed the traditional requirement that residents pay 30 percent of their adjusted income in rent was a disincentive to work, because as resident income increases so would the payment toward rent. To encourage residents to seek work, this agency implemented work requirements and a minimum rent. Additionally, some agencies have used their MTW status to establish programs that focus on specific populations, including working families with children, the elderly and disabled, and the homeless.

Some proponents of expansion that we interviewed also noted that expanding the MTW program could provide more PHAs with the ability to use funding from different sources more flexibly than possible without MTW status. Agencies without MTW status have to implement their activities while adhering to the regulations associated with three different funding streams, evidence of the fragmented nature of housing

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assistance.<sup>69</sup> As we have seen, MTW agencies may request waivers of certain provisions of the 1937 Housing Act in order to combine annual funding from separate sources into a single authoritywide funding source. HUD field office staff with responsibility for monitoring MTW agencies observed that the single-fund flexibility was beneficial because it enabled participating agencies to develop supportive service programs, such as job training or educational programs, which help move families toward self-sufficiency. One HUD field office official stated that this flexibility would be a significant benefit for other PHAs. An affordable housing advocate we met with also noted that this ability to use different kinds of funds interchangeably was beneficial because it enabled MTW agencies to shift funds based on local priorities. Further, officials from the MTW agencies we interviewed agreed that this flexibility was beneficial. For example, officials from one MTW agency stated it had been able to use the single fund to organize itself as a business organization, develop a strategic plan based on the housing needs of low-income families in the community, leverage public funds and public and private partnerships, and develop mixed-income communities. Two of the MTW agencies that we interviewed also stated that the single-fund flexibility had enabled them to fund programs that encouraged self-sufficiency among residents. For example, officials explained that they had used funding for coaching and counseling services, job training support, and education programs. Finally, officials from three of the MTW agencies we interviewed noted a related benefit of participation. They said that their MTW status had enabled them to respond more quickly to real estate opportunities because they do not have to wait for HUD approvals to purchase properties.

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### Lack of Performance Information and Other Issues Raise Questions about Expansion

A lack of performance information, limited HUD oversight, and concerns about the program's impact on residents raise questions about expanding the MTW program. As we noted previously, conclusive information about the effectiveness of the MTW program is limited in part because HUD does not have a plan for identifying and analyzing standard performance data, has not established performance indicators for the program as

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<sup>69</sup>We recently reported that there were 160 different programs, tax expenditures, and other tools that supported homeownership and rental housing in fiscal year 2010, including multiple programs that provided funding for PHAs. See GAO, *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue*, [GAO-12-342SP](#) (Washington, D.C.: Feb. 28, 2012).

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whole, and does not have a systematic process for identifying lessons learned.

HUD's 2010 Report to Congress noted that the conclusive impacts of many MTW activities, particularly as they relate to residents, could not yet be known.<sup>70</sup> For example, the report noted that the rent reforms implemented under MTW varied greatly and were not implemented using a controlled experimental methodology. As a result, which aspects of rent reforms should be recommended for all PHAs were not clear. The report also noted the limitations that exist when evaluating the outcomes of MTW—limitations that stem from the weak initial reporting requirements and lack of a research design. The report concluded that, given these limitations, expansion should occur only if newly admitted PHAs structure their programs for high-quality evaluations that permit lessons learned to be generalized beyond a single PHA experience.

Similarly, affordable housing advocates and legal aid organizations that we interviewed stated that because lessons had not been learned from MTW, there was no basis for expanding the program. For example, officials from a national affordable housing advocacy organization stated that some MTW agencies have used their flexibility to establish limits on the length of time someone can live in assisted housing, but there is little research on the effect of such efforts. The officials stated that there was no evidence that this policy had helped anyone become self-sufficient and move out of public housing. The officials added that data were not available on the extent to which MTW agencies have provided incentives for residents to become self-sufficient or have increased housing choices. Similarly, an official from a national housing law advocacy organization stated that data were not available to determine the effect of the MTW program, particularly at the national level.

In addition, our own work, some research organizations, and affordable housing advocates question HUD's ability to effectively manage an expanded MTW program. As previously noted, HUD's current monitoring procedures have several key weaknesses, including the lack of a systematic process for assessing agencies' compliance with statutory requirements and an assessment of program risks. Some research organizations also have questioned HUD's capacity to oversee additional

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<sup>70</sup>HUD, *Moving to Work* (2010).

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MTW agencies. For example, the Urban Institute reported that the approval process that HUD was using at the time of the institute's 2004 review would not be feasible for an expanded program because of the administrative burden involved.<sup>71</sup> At the time of the 2004 study as well as our review, HUD reviewed each individual request to waive specific provisions of the 1937 Housing Act before approving annual plans. Staff from another research organization questioned whether HUD has the capacity to oversee additional agencies. Similarly, one affordable housing advocate that we interviewed stated that HUD's capacity to oversee an expanded program is not clear, in part because current monitoring activities are not transparent. At the time of our review, HUD had four full-time MTW coordinators, who each managed from 6 to 10 MTW agencies.<sup>72</sup> According to the Director of the MTW Office, it takes more resources for HUD to oversee MTW agencies than non-MTW agencies. Thus, if additional agencies were added under the current program design, HUD would likely need additional resources.

Researchers and several of the affordable housing advocates and legal aid agencies that we met with also raised concerns that the current program, and therefore also an expanded program, could negatively affect residents of MTW agencies. For example, two research organizations have stated residents could be negatively affected by MTW agencies that implement voucher policies that reduce portability—that is, residents' ability to use their vouchers in an area outside of the area where they received it. One of these research organizations stated that the differences in the way voucher programs were implemented across MTW agencies could reduce residents' ability to use vouchers outside of the area where they received the assistance. Officials from the other organization noted that some MTW agencies had instituted policies that prohibited vouchers from being transported out of the originating jurisdictions, thereby limiting housing choices. According to HUD officials, MTW agencies with policies that limit portability can make exceptions. For example, these agencies have made exceptions for residents seeking employment opportunities.

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<sup>71</sup>Abravanel and others, *An Assessment of HUD's Moving to Work Demonstration* (2004).

<sup>72</sup>There are three additional coordinators who are each responsible for a single MTW agency as designated in the agency's MTW agreement. These coordinators have other responsibilities within HUD and are not assigned to the MTW Office.



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Legal aid organizations that have worked with residents of MTW agencies as well as affordable housing advocates told us some of the requirements that MTW agencies have implemented, such as work requirements, were potentially harmful to residents.<sup>73</sup> For example, legal aid representatives from one community told us that the work requirement was not consistently enforced across various mixed-income properties that included public housing as well as market-rate units. According to these officials, they have had clients who have been evicted for not working, even though the client was in school or disabled—both exceptions to the work requirement. These officials also stated that property managers in the city's various mixed-income developments did not implement MTW policies consistently. For example, the officials stated that residents have been told by property managers that they would be in compliance with the work requirement if they were in school or another training program, only to have the MTW agency determine that they were not in compliance. According to HUD officials, inconsistent enforcement of policies is not unique to MTW agencies, and residents would have recourse. Legal aid representatives that worked with residents of another MTW agency also told us that the work requirement was a punitive policy that negatively affected the poorest residents. The officials stated that there were better methods for encouraging work and self-sufficiency, such as job training. Officials from a national affordable housing advocacy organization agreed that work requirements are punitive and stated that they disagreed with a policy of making housing assistance contingent on other factors, such as having a job. In their view, housing assistance should be a stable form of assistance for low-income households.

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### Alternatives Exist to Expanding the MTW Program

Alternatives to expansion include implementing a program that is targeted more to specific activities and waiving some regulations for all PHAs as described in proposed legislation. According to the Urban Institute, an alternative to expanding MTW could be to systematically test a limited number of programmatic alternatives—such as flat rents, time limits, or debt financing of capital improvements.<sup>74</sup> This approach would not allow individual agencies as much discretion to design combinations of reforms around local conditions and priorities. However, this approach could yield more systematic evidence about the costs and benefits of particular

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<sup>73</sup>Work requirements can be met by attending job training programs as well as working.

<sup>74</sup>Abravanel and others, *An Assessment of HUD's Moving to Work Demonstration* (2004).

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program reforms if it included a rigorous evaluation design and mandatory data collection on key outcomes, such as the number and characteristics of participating households. Collection of such information in a standardized format would need to be a minimum requirement for participation if the point was to learn from the experiences of those testing activities. In addition, an official from an affordable housing advocacy organization that we met with stated that testing the effectiveness of discrete activities on a smaller scale would be useful. HUD also noted that altering the scope of the demonstration for new participants could improve what was learned from specific activities. For example, its 2010 Report to Congress stated that data on MTW could be strengthened if the scope of the demonstration were altered for new participants by selecting agencies committed to testing a particular activity, such as rent reform, and requiring rigorous evaluation.<sup>75</sup> In December 2011, HUD issued a request for proposals for a demonstration that would test alternatives to the current rent structure in the voucher program. According to the proposal, the demonstration would most likely be undertaken at select MTW agencies. In addition, HUD's 2012 appropriations act authorized a Rental Assistance Demonstration that would enable HUD to authorize and evaluate new approaches to preserving affordable rental housing, including converting public housing to project-based rental assistance. AHSSIA includes authorization for a revised version of the Rental Assistance Demonstration.

In addition, according to researchers, PHAs could be allowed some level of deregulation, so that they could implement the same sort of administrative streamlining activities that MTW agencies implement. The Urban Institute has reported that further deregulation of PHAs may yield benefits in terms of program design and implementation innovations but that such deregulation could entail risks and should be evaluated.<sup>76</sup> Some of the MTW agencies that we met with were supportive of the administrative streamlining authorities allowed by MTW and described in proposed legislation such as AHSSIA. As proposed, AHSSIA would allow PHAs to reduce the frequency of income certifications for the elderly and disabled to save on administrative costs, among other things. According to the Director of the MTW Office, the experiences of MTW agencies informed this policy proposal. In addition, HUD's 2010 Report to

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<sup>75</sup>HUD, *Moving to Work* (2010).

<sup>76</sup>Abrevanel and others, *An Assessment of HUD's Moving to Work Demonstration* (2004).

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Congress supported allowing more PHAs to participate in the program. Finally, we recently reported on cost savings that could be realized from allowing additional housing authorities to implement some of the reforms MTW agencies have tested.<sup>77</sup>

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## Conclusions

The MTW demonstration is designed to provide participating agencies with the flexibility to develop and test activities that achieve cost-efficiency, encourage residents with children to obtain employment and become self-sufficient, and increase housing choices for low-income families. While this flexibility has allowed participating agencies to implement hundreds of activities, HUD has not done all that it can to evaluate the program's effectiveness, identify successful approaches that could be applied to public housing agencies more broadly, or ensure that MTW agencies comply with program requirements. Because Congress is considering expanding the program to many more PHAs, the absence of information needed to conduct a comprehensive program evaluation and compliance reviews is significant. HUD has recognized the importance of rigorous evaluation by requiring newly admitted agencies to have strong evaluation components. However, these improvements will not help evaluate the program as a whole. Without more complete knowledge of the program's effectiveness and the extent to which agencies are adhering to program requirements, it is difficult for Congress to know whether an expanded MTW will benefit additional agencies and the residents they serve.

Recognizing that it needed to do more to improve what was known about the program's effectiveness, HUD started requiring MTW agencies to describe the impact of each implemented activity in their annual reports beginning in 2009. However, the information that MTW agencies reported did not always reflect outcomes, and HUD's guidance does not require that information on activities be quantifiable and outcome-oriented to the extent possible. Without more specific guidance on reporting performance information, HUD cannot be assured of collecting data that reflects the outcomes of activities.

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<sup>77</sup>GAO, *Housing Choice Vouchers: Options Exist to Increase Program Efficiencies*, GAO-12-300 (Washington, D.C.: Mar. 19, 2012).

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Further, challenges such as the lack of analysis of standard data and the absence of performance indicators have prevented comprehensive evaluations of similar activities and the overall MTW program. HUD has recently started collecting additional information through MTW-PIC and annual reports, but has not yet analyzed the data. Further, whether the data collected are sufficient to assess similar activities and the program as a whole is not clear, and HUD has not identified the performance data it needs to undertake such analysis. Until HUD has a plan (that includes the identification of standard data) to quantitatively assess similar activities and the MTW program as a whole, HUD cannot determine their effectiveness. Additionally, HUD has not established performance indicators specific to MTW. Indicators linked to the statutory purposes of reducing costs, encouraging self-sufficiency, and increasing housing choices would help HUD demonstrate that the program has produced desired results.

Similarly, HUD does not have a systematic process in place to identify lessons learned from the MTW demonstration. Identifying activities that could be replicated more broadly is a goal of the MTW program and could be aided by the analysis of some standard performance data. The absence of a criteria-based, regular process for identifying lessons learned complicates efforts to determine which MTW activities are most effective and should be replicated more broadly.

At the same time, HUD's monitoring efforts are not as strong as they could be. First, because HUD has not clarified key terms related to the three statutory purposes and five requirements, it cannot effectively determine whether MTW agencies are actually addressing these purposes and meeting requirements. Second, HUD does not have a process in place to systematically review compliance with all requirements. Such a review is especially important to a program like MTW that allows participants to self-certify their compliance with some program requirements. HUD has begun assessing compliance with two of the MTW requirements that call for self-certification, but not the third, and thus lacks assurance that agencies are complying with all three.

Moreover, HUD's procedures for monitoring MTW agencies are not risk-based. It does not conduct an annual assessment of risks and provides the same level of monitoring for all agencies, even though some may pose greater risks than others. A risk-based approach to monitoring would provide greater assurance that HUD has addressed all risks, particularly those that may prevent participating agencies from addressing program purposes and meeting statutory requirements. Further, unless it

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implements a risk-based approach (such as that currently being considered for annual site visits) to monitoring MTW agencies, HUD cannot be assured that it is using its limited monitoring resources most efficiently. Finally, just as HUD does not assess compliance with all three self-certified requirements, it does not verify the accuracy of key information that agencies self-report, including information on the impact of MTW activities. Annual site visits have been used primarily to provide technical assistance rather than to assess self-reported information. By not verifying the accuracy of any performance information, HUD lacks assurance that this information is accurate.

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## Recommendations for Executive Action

To improve what is known about the effectiveness of the MTW program, we recommend that the Secretary of the Department of Housing and Urban Development

- improve HUD's guidance to MTW agencies on providing performance information in their annual reports by requiring that such information be quantifiable and outcome-oriented to the extent possible;
- develop and implement a plan for quantitatively assessing the effectiveness of similar activities and the program as a whole including the identification of standard performance data needed; and
- establish performance indicators for the MTW program as a whole.

To enhance the ability to identify MTW practices that could be applied more broadly, we recommend that the Secretary of the Department of Housing and Urban Development create a process to systematically identify lessons learned.

To improve HUD's oversight of the MTW program, we recommend that the Secretary of the Department of Housing and Urban Development

- issue guidance that clarifies key program terms, such as the three statutory purposes of the program and the five statutory requirements that MTW agencies must meet;
- develop and implement a systematic process for assessing compliance with statutory requirements;

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- conduct an annual risk assessment for the MTW program and implement risk-based monitoring policies and procedures such as those currently being considered for site visits; and
  - implement control activities designed to verify the accuracy of a sample of the performance information that MTW agencies self-report.

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## Agency Comments and Our Evaluation

We provided a draft of this report to HUD. The Assistant Secretary for Public and Indian Housing provided written comments, which are reprinted in appendix II. HUD disagreed with our recommendation that the agency develop performance indicators for the MTW program as a whole, was in partial agreement with four recommendations, and generally agreed with three. The agency said that developing programwide performance measures could be difficult and might be contrary to the nature of the demonstration. In addition, HUD emphasized the improvements that it had made to its reporting requirements in order to collect more consistent, outcome-oriented data. We acknowledged these improvements in the draft report, but as our recommendations indicated, we saw opportunities for additional improvements. HUD also noted that some of our recommendations might be a good fit for the existing program but that others might be more appropriate for a future expanded demonstration.

In disagreeing with our recommendation that it establish performance indicators for the MTW program as a whole, HUD emphasized the difficulty of measuring all activities against the same standard. The agency noted that because each MTW agency had implemented a unique combination of activities, developing programwide performance measures would make determining the impacts of specific activities unclear and prevent the identification of individual policies that could be applied more broadly. However, the purpose of programwide indicators would not be to isolate the impact of individual activities but to demonstrate programwide results—including showing the extent to which the program was addressing its statutory purposes of achieving greater cost-effectiveness in federal housing expenditures, giving families with children incentives to obtain employment and become self-sufficient, and increasing housing choices for low-income families. HUD also stated that applying programwide performance measures would be complicated by the fact that activities that advance one statutory purpose might conflict with other purposes. We agree that it is important to evaluate similar activities and have a separate recommendation addressing this need. But, the purpose of programwide assessment is to demonstrate whether the provision of

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flexibility in itself results in the intended benefits of the MTW program, such as cost savings or increased family self-sufficiency. Demonstrating that the increased flexibility the program offers has produced the intended results is critical, particularly as Congress considers whether to expand the program. We continue to believe in the importance of demonstrating program results and therefore continue to recommend that HUD develop performance indicators for the MTW program as a whole.

HUD was in partial agreement with four recommendations.

- First, HUD said that proposed revisions to the reporting requirements for MTW agencies had addressed our recommendation that the agency improve its guidance to MTW agencies on providing performance information in annual reports. HUD's draft guidance is in line with our recommendation that HUD require agencies to report quantifiable and outcome-oriented information. However, because these proposed revisions have yet to be finalized, we did not revise our recommendation.
- Second, HUD agreed that quantitatively assessing the effectiveness of similar activities was an important step but noted the difficulties associated with assessing the effectiveness of the program as a whole. However, as noted above, we continue to believe in the importance of demonstrating program results. Consequently, we did not revise our recommendation.
- Third, HUD stated that providing a menu of standard metrics may be the best way to clarify the program's statutory purposes and that it had made progress in recent years in addressing our recommendation that it issue guidance that clarifies the statutory requirements. HUD also noted that the proposed revisions to the reporting requirements would provide additional clarification on the statutory requirements. These efforts, which were acknowledged in the draft report, are a step in the right direction, and we encourage HUD to continue finalizing this guidance. As noted above, because these proposed revisions have yet to be finalized, we did not revise our recommendation.
- Fourth, HUD described recent efforts to assess compliance with two statutory requirements and analysis that it could conduct once proposed revisions to reporting requirements for MTW agencies were finalized. Because the process used to assess compliance with one of the requirements has not been formalized in policy and the proposed revisions have not been finalized, we did not revise our

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recommendation that HUD develop and implement a systematic process for assessing compliance with statutory requirements.

HUD generally agreed with the three remaining recommendations. For example, HUD agreed that it should proactively identify lessons learned and described some of its recent efforts to do so. We acknowledged these efforts in our draft report but noted the absence of a criteria-based, regular process for identifying lessons learned. HUD also described plans to develop a formal risk-based strategy for monitoring and, when we asked for further clarification, stated that it agreed with our recommendation to conduct an annual risk assessment for the MTW program. Finally, HUD discussed potential strategies for verifying the information that MTW agencies report using existing or planned HUD systems.

HUD also requested that we consolidate four separate recommendations into two, but we continue to believe that maintaining distinctions between the separate recommendations is important. First, HUD requested that we combine two recommendations: that it create a plan to quantitatively assess the effectiveness of similar activities and the program as a whole (including identifying the standard performance data needed), and that it establish performance indicators for the program as a whole. Although related, the two recommendations are distinct because the first focuses on the need for program evaluation and the second on performance measurement. Program evaluations typically examine a broad range of information on program performance, while performance measurement generates outcomes that show whether a program has achieved specific objectives.<sup>78</sup> As a result, we did not combine the recommendations.

Second, HUD requested that we combine the recommendation that it issue guidance clarifying key program terms (such as the three statutory purposes and five statutory requirements) with the recommendation that it implement a systematic process for assessing compliance with statutory requirements. However, defining program requirements and assessing them are separate and distinct activities. Therefore, we did not combine the recommendations.

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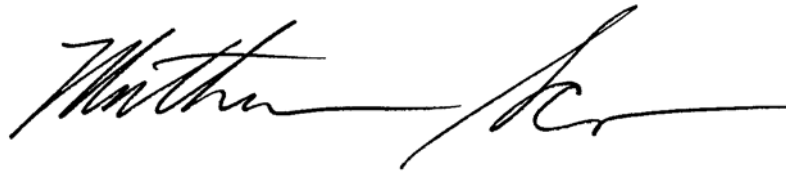
<sup>78</sup>GAO, *Performance Measurement and Evaluation: Definitions and Relationships*, [GAO-11-646SP](#) (Washington, D.C.: May 2011).



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As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the Secretary of Housing and Urban Development and other interested committees. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions concerning this report, please contact me at (202) 512-8678 or [sciremj@gao.gov](mailto:sciremj@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix III.

A handwritten signature in black ink, appearing to read "Mathew J. Scire". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Mathew J. Scire  
Director, Financial Markets  
and Community Investment

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# Appendix I: Scope and Methodology

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Our objectives were to examine (1) what is known about the extent to which the Moving to Work (MTW) demonstration program is addressing the program's statutory purposes, (2) the Department of Housing and Urban Development's (HUD) monitoring of MTW agencies' efforts to address these purposes and meet statutory requirements, and (3) potential benefits of and concerns about expanding the number of public housing agencies (PHA) that can participate in the demonstration program.

To evaluate what is known about the extent to which the MTW program is addressing the program's statutory purposes, we reviewed the most recent annual reports as of January 2012 for 30 MTW agencies.<sup>1</sup> We reviewed these annual reports and the corresponding annual plans to identify the ongoing activities that the agencies were implementing, determine the extent to which these activities were linked with one or more of the program's statutory purposes, and assess the performance information provided for each activity.<sup>2</sup> To assess the performance information provided by MTW agencies, we examined HUD's reporting guidance and compared it with internal control standards for federal agencies.<sup>3</sup> We assessed the reliability of selected information in the reports by reviewing supporting documentation from a sample of seven MTW agencies and interviewing the officials responsible for preparing and reviewing this information. These seven agencies were

- Cambridge Housing Authority (Cambridge, Massachusetts),
- Chicago Housing Authority (Chicago, Illinois),
- Housing Authority of the City of Atlanta (Atlanta, Georgia),
- Housing Authority of the City of Pittsburgh (Pittsburgh, Pennsylvania),

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<sup>1</sup>Of the 35 participating agencies, 30 had issued an annual report for 2011 as of January 2012. The other five agencies had not been in the program long enough to report on their accomplishments.

<sup>2</sup>We reviewed the annual reports to identify ongoing activities. For these activities, we reviewed the reports to determine whether the activity was linked to a statutory purpose and the corresponding annual plan if that information was not available in the report. The results from the two analyses were combined.

<sup>3</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

- Housing Authority of the County of Santa Clara/Housing Authority of the City of San Jose (Santa Clara County and San Jose, California),
- Lawrence-Douglas County Housing Authority (Lawrence, Kansas), and
- Vancouver Housing Authority (Vancouver, Washington).<sup>4</sup>

We selected these agencies to provide diversity in geography, agency size, and length of time participating in the program. We determined that the reports were sufficiently reliable for the purposes of our review.

Through interviews and a literature search, we identified three studies of the MTW program as a whole. We reviewed these studies to identify information on the program's effectiveness and any challenges associated with assessing it. We determined that these studies were methodologically sound and reliable for our purposes. We examined HUD's recent efforts to collect data from MTW agencies, including documentation on the reporting requirements for MTW agencies. In addition, we reviewed HUD's fiscal year 2010-15 strategic plan and *Fiscal Year 2011 Annual Performance Plan* for any performance indicators for the MTW program. We also reviewed the GPRA (Government Performance and Results Act) Modernization Act of 2010, Office of Management and Budget guidance, internal control standards, and a GAO report on attributes of successful performance measures.<sup>5</sup> Further, we identified five studies of specific MTW agencies or activities identified by HUD and representatives of the sample of MTW agencies we interviewed. Finally, we reviewed published reports and HUD's website for information on HUD's efforts to identify lessons learned.

To assess HUD's monitoring of MTW agencies' efforts to address the program's statutory purposes and meet requirements, we obtained and reviewed documentation of monitoring policies and procedures, including the Standard Agreement that HUD executed with MTW agencies in 2008,

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<sup>4</sup>The Housing Authority of the County of Santa Clara and the Housing Authority of the City of San Jose are consolidated. We considered them as one MTW agency in our sample, as they report the information to HUD jointly.

<sup>5</sup>See [GAO/AIMD-00-21.3.1](#) and GAO, *Tax Administration: IRS Needs to Further Refine Its Tax Filing Season Performance Measures*, [GAO-03-143](#) (Washington, D.C.: Nov. 22, 2002).

the MTW Desk Guide, a 2011 Memorandum of Understanding between HUD's Office of Public Housing Investments and Office of Field Operations, and other HUD guidance. Based on these documents and interviews with HUD staff, we identified three key monitoring processes: the review of annual plans and reports, reviews of data entered into the Moving to Work section of the Public and Indian Housing Information Center (MTW-PIC), and annual site visits to each MTW agency.

To assess the extent to which HUD staff were following these monitoring policies and procedures, we reviewed documentation of monitoring activities for our sample of seven MTW agencies. For example, to verify the steps HUD had taken to review annual plans and reports, we reviewed the checklists that the MTW coordinators used to document their review of these plans and reports. We also reviewed HUD's comment letters for fiscal year 2011. To verify the steps HUD had taken to review data submitted into the MTW-PIC system, we reviewed monthly reports that showed the degree to which MTW agencies overall complied with reporting requirements from August 2011 through January 2012. Finally, to verify that both headquarters and field office staff made site visits and the extent to which they made annual visits, we reviewed the most recently available site visit reports completed by the MTW Office for all agencies as of October 2011. In addition, we interviewed the MTW agencies in our sample and the corresponding HUD field office officials to discuss the annual site visits.

We also compared HUD's monitoring policies and procedures to internal control standards for the federal government and HUD's own program management guidance.<sup>6</sup> As a part of this analysis, we compared HUD's guidance to MTW agencies with the internal control requirement for clear goals and objectives. We also reviewed information on HUD's efforts to clarify how agencies could certify compliance with the requirement to assist "substantially the same" number of eligible families that would have been served in the absence of MTW. In addition, we compared HUD's efforts to assess agencies' compliance with statutory requirements with the internal control standard related to assessing compliance with program requirements. Further, we reviewed internal control standards for

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<sup>6</sup>See [GAO/AIMD-00-21.3.1](#); GAO, *Internal Control Management and Evaluation Tool*, [GAO-01-1008G](#) (Washington, D.C.: August 2001); and HUD, Office of the Chief Financial Officer, *Departmental Management Control Program*, Handbook 1840.1 Rev-3 (Washington, D.C.: 1999).

the federal government and HUD's own internal control standards and identified the requirement that programs have an annual risk assessment. We interviewed HUD regarding any risk assessment performed for the MTW program. Finally, we interviewed HUD officials to determine whether any of the performance information that MTW agencies reported had been verified. We compared HUD's lack of verification with the internal control standards and guidance that emphasized the need for control activities to ensure that program participants report information accurately.

To discuss the potential benefits and concerns associated with expanding the number of PHAs that can participate in the program, we reviewed studies, reports, and testimonies by researchers, affordable housing advocates, resident advocates, and the HUD Office of Inspector General. For all three objectives, we interviewed officials from the seven MTW agencies in our sample and representatives from affordable housing advocacy organizations such as the Council of Large Public Housing Agencies, the National Association of Housing and Redevelopment Officials, the National Leased Housing Association, and the Public Housing Authorities Directors Association. We spoke with resident advocacy organizations such as the National Low-Income Housing Coalition, the National Housing Law Project, and legal aid agencies that represented residents serviced by five of our sample MTW agencies.<sup>7</sup> We also interviewed staff from the Center for Budget Policy and Priorities, a research organization that has studied and written about the MTW program; researchers who had evaluated the MTW program; and HUD officials from the MTW office and the field offices that corresponded to our sample of agencies. During our interviews, we discussed the potential benefits of expansion and the concerns of these organizations. Based on our review of available studies and reports and interviews with the above mentioned stakeholders, we identified key benefits and concerns. We also made observations based on our findings related to the availability of performance information for the program and HUD's monitoring efforts.

We conducted this performance audit from July 2011 to April 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our

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<sup>7</sup>Two legal aid agencies did not respond to our requests for interviews.

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findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# Appendix II: Comments from the Department of Housing and Urban Development



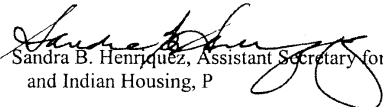
ASSISTANT SECRETARY FOR  
PUBLIC AND INDIAN HOUSING

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-5000

April 4, 2012

MEMORANDUM FOR: Matthew J. Scire, Director, Financial Markets and Community Investment, Government Accountability Office

FROM:

  
Sandra B. Henriquez, Assistant Secretary for Public and Indian Housing, P

SUBJECT:

Comments Regarding the GAO report entitled Moving to Work Demonstration: Opportunities Exist to Improve Information and Monitoring (GAO-12-490) (Engagement code 250626.)

Thank you for your recent review of the Moving to Work (MTW) program. We appreciate the thorough review GAO provided regarding this important program, and the thoughtful recommendations you have provided.

Attached please find our comments regarding the above referenced report. If you have any questions, please contact Ivan Pour at (202) 402-2488.

Attachment

1

### **HUD Response to the Government Accountability Office's Report to Congressional Committees Regarding the Moving to Work Demonstration**

In its analysis of the Moving to Work (MTW) demonstration, the Government Accountability Office (GAO) presents a set of recommendations designed to improve oversight and monitoring and better position the demonstration for a rigorous evaluation. The report also recognizes that MTW's initial program design was not conducive to the kinds of controls and protocols recommended. Before responding to the individual recommendations, it is important to place the responses in the context of some historical information as well as ongoing discussions about expanding MTW in a way that incorporates the lessons learned from the demonstration to date and strengthens it going forward.

In 2008, HUD made significant improvements to its reporting requirements in order to collect more consistent, outcome-oriented data. The individually tailored agreements of the existing MTW agencies (25 at that time) were transferred to a single Standard MTW Agreement with the same covenants and requirements for all MTW PHAs. As part of this changeover, MTW agencies were required to identify, for each MTW activity, the link to an MTW statutory objective and outcome metrics appropriately tied to the objective and the activities themselves. This was a major change from the way MTW agencies had been reporting. Larger MTW agencies that had been combining their funds had submitted their MTW Plans and Reports in a format that was largely descriptive in nature and not standardized. Smaller MTW agencies continued to submit the standard PHA plan with a short addendum describing their MTW activities. Neither group was previously required to consider or describe outcomes in a meaningful way.

The Standard MTW Agreement also required agencies to adhere to specific reporting and data submission requirements.<sup>1</sup> Moreover the reporting requirements are now tied to OMB-approved information submission requirements, making them dynamic and giving HUD the opportunity to modify them as circumstances require.<sup>2</sup> Indeed HUD is completing a revision of these requirements that, as described below, addresses many of the recommendations made by GAO in this report.

When HUD overhauled the reporting requirements in 2008, it required agencies to develop metrics, but did not prescribe specific metrics at that time for two reasons. First, HUD recognized the shift in reporting requirements, such as it was, was going to be a major undertaking for the MTW agencies. Larger agencies had complex programs that now needed to

<sup>1</sup> Section VII of the Standard MTW Agreement.

<sup>2</sup> See Sections VII.A.1.e. and VII.A.2.d. of the Standard MTW Agreement.



be broken down into identifiable activities with associated outcome measures. The smaller agencies had not completed Annual MTW Plans or Reports, and so they now needed to engage in a much more rigorous planning, data collection and reporting process than they had previously done. A second unknown was the ability of agencies to define outcome measures with the data systems they currently had. Before HUD was in a position to see how agencies would be defining their activities, and what capability the agencies had for reporting, HUD did not believe it was in a position to prescribe specific outcome measures. For these reasons, as well as a recognition of the locally-oriented nature of the demonstration, agencies were charged with developing their own outcome metrics.

Over the past few years, HUD has obtained more detailed information, providing outcome information regarding the potential success of activities at the agency level, and HUD has identified outcome measures that appear to be common elements for certain types of activities that do not appear to be problematic for agencies to use and report. This gives HUD the opportunity to move to standardized measures in the revised reporting requirements. The latest iteration of the HUD-50900 (Reporting Requirements for MTW Agencies), which incorporates the standardized metrics, is included with this response. The next step prior to its adoption is for it to go through another 30 day comment period before receiving final approval by the Office of Management and Budget (OMB).

In its 2010 Report to Congress regarding MTW, the Department recommended doubling the size of the MTW demonstration to create a group of PHAs that would implement activities similar to those already being implemented, but with a more rigorous data collection and evaluation methodology from the outset in order to properly assess MTW activities. Draft legislation has been proposed that would expand MTW on a much larger scale, with an emphasis on improved reporting and evaluation. The existing MTW agencies thus provide a laboratory to begin testing some of the administrative changes that would be required of incoming MTW PHAs should the program expand. In the meantime, each of GAO's recommendations should take into consideration the administrative burden of making these changes roughly fifteen years into a twenty-year demonstration. While some recommendations may be readily adopted in the existing program, some may be more appropriate to set as parameters in a future expanded demonstration.

**GAO Recommendation: Improve guidance to MTW agencies on providing performance information in their annual reports by requiring that such information be quantifiable and outcome oriented to the extent possible.**

**HUD Response:** HUD believes that with the adoption of the Standard MTW Agreement and revised reporting requirements, the recommendation that the information be quantifiable and outcome oriented has been implemented. Upon approval by OMB of the new reporting requirements in Form 50900, more specific instructions and guidance will be provided to the agencies. For these two reasons HUD requests that this recommendation be considered closed.

The current Standard MTW Agreement, through Attachment B/Form 50900, states that PHAs must “describe baselines, proposed benchmarks and metrics to assess outcomes” when proposing activities in MTW Plans, and PHAs must “provide detailed information on the impact of the activity and compare against the proposed benchmarks and metrics to assess outcomes” in MTW Reports. This contractual obligation on the part of the MTW agency is reinforced by guidance from HUD in the form of: group training opportunities (through the 2009 evaluation training GAO mentions in several places throughout its report, webcasts and MTW conferences), written guidance (training materials published after the 2009 training mentioned by GAO on page 6, 10 and 12 of this report) and technical assistance provided by the MTW Office. For instance, the GAO notes in footnote 12 on page 6 that “in training materials for the MTW program, HUD defines baseline as the performance level that was being achieved prior to the implementation of the MTW activity, benchmark as the anticipated outcome of a MTW activity, and metric as the specific measure that quantifies the changes from an activity.” The GAO also notes on page 12 that these training materials have not been incorporated into Attachment B, but working with PHAs to develop quantifiable and outcome oriented metrics is one of the primary functions of MTW coordinators is reviewing MTW Plans and Reports and providing ongoing technical assistance to PHAs, including at annual site visits.

HUD has further clarified the requirements related to data collection in the revised Attachment B/Form 50900, currently pending approval by OMB, which explicitly states that “metrics” must be “a numeric value.” HUD plans to provide further trainings and guidance to MTW agencies after the revised Form 50900 is effective.

Prior to the implementation of the Standard MTW Agreement, quantifiable, outcome-oriented data was lacking, and the GAO notes on page 14 “the limitations that the program’s initial design posed to evaluation.” However, all MTW PHAs have now been producing quantifiable, outcome-oriented data since 2008 or 2009.<sup>3</sup> The primary barrier to analyzing this data on an ongoing basis has been resource limitations.

<sup>3</sup> In footnote 11 on page 6, the GAO states that MTW agencies with less than 10 percent of their housing stock in the MTW program continue to submit the 5-year and annual plans required by Section 5A of the 1937 Act. However, there are no MTW agencies to which this applies; all MTW PHAs are submitting MTW Plans and Reports.

**GAO Recommendation: Develop and implement a plan for quantitatively assessing the effectiveness of similar activities and the program as a whole including the identification of standard performance data needed.**

**GAO Recommendation: Establish performance indicators for the MTW program as a whole.**

*HUD Response:* The recommendation to implement a plan for assessing the program as a whole and the recommendation to establish program indicators for the program as a whole are very similar, as any plan that “quantitatively assessed effectiveness” of the program as a whole would include the “establishment of performance indicators.” HUD requests these two recommendations be combined, and a consolidated response on these two GAO recommendations is provided below.

Although not yet standardized, the 2008 revisions to the reporting requirements moved MTW agencies from a purely descriptive data structure to an outcome oriented data structure for the first time since the program’s inception. Prior to the Standard MTW Agreement, MTW agencies were not required to report into either the IMS-PIC system, or provide financial information through the Financial Assessment Subsystem (FASS). Currently all MTW agencies report into these systems, providing standard demographic and financial information for both MTW and non-MTW agencies<sup>4</sup>. While not standardized, extensive quantitative data on many MTW activities already exists in the MTW Plans and Reports. Many MTW PHAs implementing similar activities use similar and comparable metrics, such as time and costs saved for cost-efficiency activities, employment status and earnings for self-sufficiency activities and additional units created or vouchers leased for housing choice activities. HUD systems such as IMS-PIC provide an additional layer of verification as well as additional information on the effectiveness of certain MTW activities. A comprehensive analysis of outcomes of similar activities is possible with the data available at this point.

In order to enhance the ability to conduct analysis on similar MTW activities across MTW agencies, HUD is currently building on the metrics created thus far and is developing standard metrics organized around the three statutory objectives of the demonstration as part of the revised reporting requirements. HUD agrees that the recommendation to quantitatively assess the effectiveness of similar activities is an important next step.

HUD agrees that compliance with the statutory requirements should be monitored for all PHAs and, as described below, and has already made considerable progress in these areas. However, developing more general performance indicators for MTW as a whole may be difficult or impossible to monitor and contrary to the nature of the demonstration.

<sup>4</sup> See the data reporting requirement provision in Section VII.B of the Standard MTW Agreement.

The issue of appropriate performance indicators is not limited to MTW agencies. The current Public Housing Assessment System (PHAS) assesses both risk and performance. What has been learned since its inception is that PHAS works well at assessing risk, but has not always been as accurate in assessing performance with MTW agencies. The Standard MTW Agreement recognizes this by allowing MTW agencies to opt out of being scored by PHAS<sup>5</sup>.

Risk in MTW agencies can be measured today, since each agency is required to get a physical inspection and must submit financial information. From this information, a physical assessment subscore (PASS) can be determined for each property, and a financial score (FASS) and management score (MASS) can be determined from the agency's financial submissions. In short, all the necessary information to determine a PHAS score is available and can be used to assess risk at an MTW agency.

However, these indicators do not present an accurate picture of performance. Because each MTW PHA implements a unique combination of activities, developing program-wide performance measures may conflate the impacts of many different activities, thus preventing HUD from identifying the individual policies that can be applied more broadly. While HUD supports analysis to determine the extent to which certain types of activities are successful in promoting the statutory purposes they were designed to address, determining whether the program as a whole is advancing these purposes is nearly impossible and would be unlikely to produce information that could inform future policy decisions. For instance, combining the self-sufficiency outcomes at a PHA that has raised rents for most residents with the outcomes at a PHA that has decreased rents for most residents would provide unconvincing data regarding whether MTW as a whole is promoting self-sufficiency.

The difficulty in applying program-wide performance measures is further complicated by the fact that activities that advance one of the statutory purposes may be in conflict with other purposes. For instance, a PHA may have been able to serve 100 families prior to MTW, but through streamlining is able to serve 110 (in support of cost-efficiency). However, rather than serve additional families, the PHA chooses to use the funds that could have served the additional ten families to provide supportive services to residents (in support of self-sufficiency) or provide incentives for residents to move to higher-opportunity neighborhoods (in support of housing choice). These goals clearly support the MTW statutory purposes, and the PHA would still fulfill the statutory requirement to serve substantially the same number of families, but by supporting one of the other two objectives it may appear that it is not more cost-efficient, as it is not serving more families per dollar.

HUD believes that evaluating the impact of the streamlining activities, the supportive services or the mobility program in isolation would provide stronger results, and recommends this approach for evaluating performance.

<sup>5</sup> Section II.G of the Standard MTW Agreement.

**GAO Recommendation:** To enhance the ability to identify MTW practices that could be applied more broadly, we recommend that the Secretary of the Department of Housing and Urban Development create a process to systematically identify lessons learned.

**HUD Response:** HUD agrees with the recommendation to proactively identify lessons learned and has undertaken numerous efforts to that effect. The GAO cites its opinion on page 18 that it is a shortcoming when best practices are chosen based on the opinions of HUD or contracted staff. HUD has undertaken several initiatives with the goal of identifying lessons learned based on the data available, all of which are noted in the GAO Report:

- From June 2008 to April 2009 HUD identified practices that, with statutory or regulatory changes, could be replicated at other PHAs nationwide. These practices, which are posted on HUD's website, included implementing savings accounts for public housing and voucher recipients to promote resident savings.
- Most recently, HUD's 2010 MTW Report to Congress described promising policies, practices, and concerns.
- In addition, interviewed officials from some of the MTW agencies noted that HUD officials had shared information on activities that had shown positive effects during site visits and annual conferences. The MTW Office also recently implemented quarterly conference calls and a quarterly newsletter to increase communication about lessons learned between MTW agencies and HUD.

It should be noted that many of the issues that have been raised by GAO are the result of the initial program design, which allowed for flexibility without protocols in place to ensure that the demonstration would eventually produce demonstrable and replicable results. HUD has made major improvements in program administration in recent years through the adoption of the Standard MTW Agreement, which allowed for clearer program parameters and more consistent information collection, and the issuance of guidance and other materials to ensure compliance with program requirements and improved data collection.

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**GAO Recommendation: Issue guidance that clarifies key program terms, such as the three statutory purposes of the program and the five statutory requirements that MTW agencies must meet.**

**GAO Recommendation: Develop and implement a systematic process for assessing compliance with statutory requirements.**

**HUD Response:** Since assessing compliance requires a clear definition of the requirements, HUD requests that these two recommendations be combined.

With regard to the statutory purposes, terms like “self-sufficiency” and “housing choice” can mean different things in different communities or even in different populations. Providing a menu of standard preferred metrics to PHAs may be the best option to ensure the data collected is useful in a cross-agency evaluation or assessment, but does not force PHAs into uniform goals that may not meet the needs of their communities. Key terms thus are defined by the metrics used to measure them.

While HUD agrees that greater clarification of the statutory requirements can be helpful, this need may be overstated given the considerable progress in recent years – particularly with regard to defining and monitoring compliance with the statutory requirements. For the first time since the demonstration’s inception, HUD is tracking compliance with the requirement to serve substantially the same number of families with a clear methodology and data verified through HUD systems and in consultation with local Field Offices. HUD is also taking the initial steps, through the pending revised Form 50900, to require PHAs to provide further information on the requirement that 75 percent of assisted families be very low-income and that the agencies are serving a comparable mix of families. These efforts will establish the metrics used to measure compliance and by extension how HUD defines them.

The following table summarizes the current tracking and monitoring mechanisms currently in place, along with anticipated improvements.

<b>Statutory Requirement</b>	<b>Current Tracking/Monitoring</b>
At least 75 percent of the families assisted by participating demonstration PHAs shall be very low-income families, as defined in section 3(b)(2) of the United States Housing Act of 1937.	The revised Attachment B/Form 50900 (pending OMB approval) requires that agencies report additional verifiable information to confirm compliance with this statutory requirement. The Public Housing Information Center (PIC) also captures information about the income of assisted families. An initial assessment conducted by HUD confirms that at the present time approximately 90% of the residents at MTW agencies are very-low income.
Establish a reasonable rent	Each rent policy to encourage self-sufficiency is locally

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of Housing and Urban Development**

<p>policy, which shall be designed to encourage employment and self-sufficiency.</p>	<p>defined. This information can be easily verified in consultation with MTW Plans and Reports. The few MTW agencies that do not yet have such a policy in place have plans to do so.</p>
<p>Continuing to assist substantially the same total number of eligible low-income families as would have been served had the amounts [of funding] not been combined.</p>	<p>HUD has recently conducted an extensive effort to provide defensible and quantifiable evidence that MTW agencies are meeting this requirement both individually and as a whole. HUD determined a baseline number of families that the MTW agency was serving upon entry to the demonstration and subsequently adjusted the baseline according to a defined set of variables. Now HUD maintains information on the actual number of families that an MTW agency is serving each year as compared it to the adjusted baseline. This results in a ratio that gives the MTW agency's compliance with this requirement on an annual basis.</p> <p>Not only does this effort ensure compliance with the "substantially the same" requirement, it quantifies the extent to which that requirement is being met. Because the methodology is consistent across agencies and gathered by HUD, aggregate results across the MTW program are also available. This systematic process is currently in a provisional year in order to test implementation. HUD plans to formalize the process further through the publication of a notice.</p>
<p>Maintaining a comparable mix of families (by family size) as would have been provided had the amounts [of funding] not been used under the demonstration.</p>	<p>HUD has developed a systematic process for assessing compliance with this statutory requirement in the revised Attachment B/Form 50900, currently under review by OMB. The revised Form 50900, which details the planning/reporting requirements of MTW agencies and once in effect is incorporated into the Standard MTW Agreement as Attachment B, requires MTW agencies to provide numerical information that verifies compliance with this statutory objective.</p>
<p>Assuring that housing assisted under the demonstration program meets housing quality standards established or approved by the Secretary.</p>	<p>This statutory requirement is assessed as it would be for any other non-MTW agency, as all agencies must meet this standard. A systematic process is managed by the Real Estate Assessment Center (REAC), which oversees on-site physical inspections. Scores for these physical inspections are recorded in HUD's Public Housing Assessment System</p>

	(PHAS) module under the Physical Assessment Subsystem (PASS) section. While an MTW agency may elect not to be scored in the overall PHAS module (due to other aspects of the calculation that do not match how MTW agencies report information) PASS sub-scores for physical inspections are still recorded and monitored by REAC.
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**GAO Recommendation: Conduct an annual risk assessment for the MTW program and implement risk-based monitoring policies and procedures such as those currently being considered for site visits.**

**HUD Response:** Due to constraints on resources, the MTW Office has developed a risk-based strategy to determine which MTW agencies will receive an in-person site visit and which will be conducted as conference calls. The MTW Office is utilizing this approach to develop a formal risk based strategy for implementing monitoring policies and procedures. Specifically, the MTW Office is developing an approach to analyzing MTW activity risks with a focus on the impact of the activity on residents.

Aside from site visits, HUD monitors risk in several other venues:

- Attachment B/Form 50900 requires more information of activities that are deemed “higher risk.” The current Attachment B/Form 50900 requires agencies to provide hardship case criteria and an impact analysis for all MTW activities that involve rent reform. This is based on the risk assessment that rent reforms can have significant impacts on residents. The impact analysis helps agencies identify the initial impacts and monitor the impacts over time. Section VIII of the HUD Form 50900 requires that agencies provide in the Report a description of progress on the correction or elimination of observed deficiencies cited in monitoring visits, physical inspections or other oversight and monitoring mechanisms. The MTW Office uses this information to assess whether MTW agencies are addressing the issues that have been identified through monitoring reviews as in need of correction.
- As mentioned above, while not provided an overall score, MTW agencies are subject to physical inspections, and a physical assessment sub-score (PASS) is developed for each PHA property.
- The MTW Office communicates regularly with HUD’s Office of Field Operations (OFO) about risks since OFO has the routine responsibility for reviewing financial audits and Office of Management and Budget compliance audits. The MTW Office is also working in consultation with OFO to use the project management tool which compiles information



from various HUD systems about housing authorities. The MTW Office and OFO plan to use this tool to conduct risk-based monitoring of policies and procedures.

- The MTW Office has begun conducting regular meetings with REAC to discuss the financial reporting of MTW agencies into the Financial Data Schedule (FDS). During FY12, REAC will be providing training for the MTW coordinators to increase the staff's ability to analyze financial submissions. Staff will then be able to identify factors in FDS reporting that signal potential or actual risks to the MTW agency.

**GAO Recommendation: Implement control activities designed to verify the accuracy of a sample of the performers' information that MTW agencies self-report.**

**HUD Response:** Information provided by MTW PHAs in Plans and Reports may already be corroborated through a variety of venues, including traditional HUD monitoring systems (such as IMS-PIC and FDS), as well as other traditional monitoring reviews to which non-MTW PHAs are also subjected, including physical inspections conducted by the Real Estate Assessment Center, Fair Housing reviews, financial audits pursuant to OMB Circular A-133 and others. The MTW Working Group<sup>6</sup> and Field Offices further review MTW Plans and Reports and corroborate applicable information. HUD is developing the business rules and requirements for a new data collection system, the Next Generation Management System (NGMS), and with the implementation of standard metrics for the MTW activities and requirements, this information can be integrated into the development of those rules, resulting in better monitoring and verification at both the field and headquarters level.

Verifying activity performance data poses greater difficulty, as performance measures and data collection protocols are defined locally. HUD staff may not be equipped to verify the validity of information collected in a manner unique to a specific PHA. Verifying the accuracy of activity performance data may be best suited to a third-party assessor with experience analyzing a variety of data sources.

<sup>6</sup> In 2008 a working group was established composed of HUD staff from the public housing and voucher program offices, the Real Estate Assessment Center, field offices with MTW agencies, field operations staff, and researchers from the Office of Policy Development and Research. The group meets formally on a quarterly basis to discuss the MTW program. The group members are also part of the Annual MTW Plan and Report review process.

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# Appendix III: GAO Contact and Staff Acknowledgments

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## GAO Contact

Mathew J. Scirè, (202) 512-8678 or [sciremj@gao.gov](mailto:sciremj@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, Paige Smith (Assistant Director), Anna Carbino, Emily Chalmers, John McGrail, Marc Molino, Lisa Moore, Daniel Newman, Lauren Nunnally, and Andrew Stavisky made key contributions to this report.

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