

Skills: Intro to Risk Management

Overview of Risk Management

- Risk management is designed to reduce fraud, waste, and abuse
- PHA board members or commissioners are responsible for overseeing risk management strategies
- The commissioners and executive staff work together to manage risk

Duties of the OIG

The Inspector General (IG) Act of 1978 was established so IGs could:

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

Internal Control Standards

Control Environment

- Create an environment of integrity and ethical values.
- Set the tone, remove inducements, communicate, lead by example, conduct training value input from oversight groups

Commit to Competence

- Hire experienced, competent managers
- Require background checks
- Require managers, staff to stay current in knowledge

Risk Assessment

- Identify risks by monitoring and analyzing goals.
- Review findings from audits, analyze board meeting discussions, hold management conferences/retreats, develop management initiatives
- Identify risk categories, individual issues and assess information received
- Reduce the number of risk categories
- Determine overlapping risks and effects on individual issues
- Board members should practice situational awareness, problem recognition, good judgement in regards to conflicts of interest, nepotism, etc.

Controls

- Implement controls to reduce the likelihood of risks: policies, procedures, handbooks, and desk guides
- Continually assess if controls are in place, followed, effective, and updated

Information and Communication

- Commissioner Information Resources
- Monthly reports, briefs
- Observations
- Organizations, public hearings
- Workshops and conventions
- Logs and registers
- Crime reports
- Research
- Tips
- Audits
- Independent Public Accountant (IPA Reports)
 - Provides details on the financial condition of the PHA, reliability of financial records, internal control weaknesses, exposes potential fraud.

Tips and Complaints

Assess complaints about executive staff and follow formal process to evaluate. Refer to the OIG Integrity Bulletin for allegations of:

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

HUD Rating and Designations for PHAs

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

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

- **Substandard Performer:** Large PHA with overall PHAS score of 80, but < 90 (every two years) or < 80 (every year); small PHA with overall PHAS score of 60%; small PHA scores < 60% under one or more of the physical or management indicators; small PHA designated as substandard in that respective category
- **Troubled Performer:** Large PHA with overall PHAS score of < 60 or Capital Fund Troubled; small PHA with overall PHAS score < 60%
- **Capital Fund Troubled:** Small PHA with PHAS score of < 50% under the Capital Fund program indicator

Monitoring

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

Other Risk Management Resources

OIG Office

- [OIG Integrity Bulletin: A Primer for Commissioners](#)
- [HUD Office of Inspector General](#)
- [Audit Reports](#)
- [Semiannual Reports to Congress](#)

Standards for Internal Control

- [Green Book](#)

Rating PHA Scores and the Performance Dashboard

Executive staff may create dashboards using a color coded or numbered rating system indicating the level of risk associated with an individual performance indicator. These ratings can be used as a guide in working with Commissioners on identifying and resolving problem areas in your PHA.

For example, Cash Balance Trend is an indicator of risk, which would be considered Optimal if cash balances are up over the last three months. If cash balances are down 3% each of the last three months, it would be coded as OK, but can do better. If the balance is down 8% or more, it would be coded as Needs Immediate Attention.

Indicators	Rating Criteria		
	Optimal	OK but can do better	Needs Immediate Attention
Financial Indicators:			
Cash Balance Trend (Latest 3 months)	Going up	Ups and downs but no downs greater than 10% from previous month	3 month decline or a decline greater than 10%

Executive Staff Steps for Rating PHA Scores

1. Compare the rating criteria information with your PHA's rating.
2. Based on your analysis, color-code each indicator. Colors include:
 - Optimal (green)
 - OK, but can do better (yellow)
 - Needs immediate attention (red)
3. Repeat the color-coding process until all scores have been rated.