

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**  
**OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT**

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**Special Attention of:**

All Regional Environmental Officers  
All Field Environmental Officers  
All CPD Field Office Directors  
All CPD Office Directors

**NOTICE: CPD-14-03**

**ISSUED: March 1, 2014**

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**This Notice is effective until it is amended, superseded, or rescinded**

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**SUBJECT:** Implementing Environmental Risk Analysis for Monitoring HUD Part 58 Programs

## **I. PURPOSE**

The purpose of this Notice is to provide a consistent and logical methodology for risk analysis to establish priorities for monitoring Responsible Entities (REs) who assume Departmental environmental responsibilities under 24 CFR Part 58. In general, this Notice directs Regional Environmental Officers (REOs) and Field Environmental Officers (FEOs) in procedures for ranking REs to ensure that those who are at highest risk for environmental compliance receive priority for monitoring within the resources made available.

## **II. BACKGROUND**

The Office of Environment and Energy (OEE) has the Departmental lead to ensure compliance with environmental regulations for all HUD program offices, where Departmental environmental responsibilities are assumed by an RE under Part 58. Program offices are responsible for limited environmental monitoring and OEE has the responsibility for in-depth environmental monitoring. A wide array of HUD programs (24 CFR 58.1(b)) are subject to 24 CFR Part 58 which allows states, units of general local government, and Native American tribes to assume federal environmental review, decision-making that would otherwise apply to HUD under the National Environmental Policy Act (NEPA) and other provisions of law that further the purposes of NEPA as specified at 24 CFR 58.5 and 58.6.

Each Evaluator takes responsibility for performing the risk analysis using the methodology described in this Notice. This process leads the Evaluator to a conclusion that provides the foundation for an overall work plan. The work plan designates specific REs for environmental monitoring or technical assistance, and proposes a specific allocation of resources and schedule to accomplish this task.

REO and FEO staff are assigned primary responsibility for performing environmental risk analyses outlined in this Notice. However, other HUD guidance, including CPD Notice 14-03, requires program staff to assess environmental concerns as part of their overall risk analysis. It is the responsibility of the Evaluator to consult with all necessary program office staff in gathering relevant risk analysis information and to maintain all germane data on environmental compliance in the geographic region to support effective risk analysis procedures under 24 CFR Part 58.

### **III. Applicability**

REOs and FEOs act as the Evaluators. They will apply the risk analysis process to each Responsible Entity for the Part 58 programs within their jurisdiction. Listed below are all Part 58 programs:

#### **Community Planning and Development (CPD) Programs**

- Community Development Block Grant Program (CDBG)
- CDBG Disaster Recovery (CDBG-DR)
- Continuum of Care Program (CoC)
- Emergency Shelter Grants/Emergency Solutions Grant Programs (ESG)
- Housing Opportunities for Persons With AIDS (HOPWA)
- HOME Investment Partnerships Program (HOME)
- Neighborhood Stabilization Program-1 (NSP-1)
- Neighborhood Stabilization Program-2 (NSP-2)
- Neighborhood Stabilization Program-3 (NSP-3)
- Section 108 Loan Guarantees
- Self-help Homeownership Opportunity Program (SHOP)
- Economic Development Initiative (EDI) Grants
- Brownfield Economic Development Initiative (BEDI) Grants

#### **Public and Indian Housing (PIH) Programs**

- Section 8 Single Room Occupancy (SRO) Moderate Rehabilitation
- Capital Fund
- Operating Fund
- Choice Neighborhoods (PHA Grantees)
- Public Housing Energy Performance Contracting (EPC) Program
- HOPE VI
- Rental Assistance Demonstration (RAD)
- Demolition/Disposition
- Homeownership
- Mixed-Finance Public Housing
- Moderate Rehabilitation
- Project Based Vouchers (PBV)

#### Office of Native American Programs (ONAP)

- Indian Housing Block Grant (IHBG) Program
- Title VI Loan Guarantee Program
- Native Hawaiian Housing Block Grant (NHHBG) Program
- Indian Community Development Block Program (ICDBG)
- Section 184 Indian Home Loan Guarantee Program
- Section 184A Native Hawaiian Home Loan Guarantee Program

#### Office of Healthy Homes and Lead Hazard Control (OHHLHC)

- Lead Based Paint Hazard Control Grant Program
- Lead Hazard Reduction Demonstration Grant Program
- Healthy Homes Production Grant Program
- Lead Based Paint Technical Studies Grant Program
- Healthy Homes Technical Studies Grant Program
- Asthma Interventions in Public and Assisted Multifamily Housing Grants

#### Housing

- Housing Risk Share (542(c))

### **IV. Frequency of Risk Analysis**

This Notice reflects an annual assessment period and provides policy and guidance beginning in fiscal year 2015. This information will be incorporated into the Grants Management Process (GMP) System under the “Environmental Risk Analysis” module for the respective RE applicable Part 58 program(s).

### **V. Risk Categories and Criteria**

In completing this worksheet, the Evaluators provide an assessment of the RE, using standard factors selected by OEE to determine the level of risk a RE may pose to HUD. These factors include:

- Recent Monitoring
- Program/Project Complexity
- Local Capacity
- Program Office Rating, and
- Audit Findings, Outstanding Monitoring Findings, or Citizen Complaints.

All environmental risk analyses are standardized for REs and use a quantifiable rating system. Based on a 100-point rating scale, REs are assigned one of three risk categories: High risk – a total score of 66 or more; Medium risk – a score between 25 - 65; and Low risk – a score of less than 25.

## **VI. Risk Analysis Process**

Risk Analysis consists of two steps:

1. Rating: Assessing and recording risk for each RE by the Evaluator; and
2. Ranking: Ranking REs by risk, from highest to lowest.

The results of this two-step process provides the basis for developing the work plan and individual RE monitoring strategies which includes: identifying which REs will be monitored; method of monitoring (on-site or remote); programs and areas to be monitored; areas of technical assistance and training needed; resources needed; and projected timeframes.

### **Step 1 – Rating REs**

**Timing of Risk Analysis Process:** The REO/FEO will perform the entire rating process for all REs during the first quarter of the federal fiscal year.

**Evaluator:** The Evaluator will review and rate each RE as a whole, including all programs it administers under Part 58. The risk analysis process begins with a review of each RE against the risk factors to determine its relative rank. In completing this analysis, all necessary program office staff must be consulted as well as sources of information obtained from the Integrated Disbursement and Information System (IDIS), Disaster Recovery Grant Reporting System (DRGR), HUD's Environmental Review Online System (HEROS) - RE Report, Consolidated Annual Performance and Evaluation Reports (CAPERS) and Performance and Evaluation Reports (PERs), prior monitoring visits, audits, and citizen complaints. In addition, special attention should be given during the risk analysis process to recent audits with findings designated as significant, material weaknesses, and departmental priorities.

After proper consultation and analysis, the Evaluator will assign each RE a numeric risk rating for each of the five factors. All factors include ranges of scores within three general categories of risk (high, medium, and low). The Evaluator's Rating reflects the relative degree of risk within the applicable range based upon Rating Considerations. The Evaluator's Comments are required for high, medium, and low risk scores. The Evaluator Adjustment may be used to add points for extenuating circumstances. This includes circumstances that might not be captured within the five factors, or when the Evaluator feels strongly that the score for a factor should be higher than the maximum score assigned. After completing the five factors and the Evaluator Adjustment for an RE, the Evaluator proceeds to the Overall Risk Assessment - Total Score section to finalize the risk analysis process.

**Regional Environmental Officer Review:** After the Evaluator has completed documentation of the risk analysis results for each RE in GMP, an REO completes the review and certification process. The REO provides quality control to ensure validity and consistency through the analysis of each Evaluator's ratings and comments. The REO reviews each risk analysis worksheet and completes the certification process with his/her electronic or manual signature.

## **Step 2 – RE Ranking and Selection**

After all worksheet information is entered into GMP, the automated system provides the results in a ranking from highest to lowest scores. The appropriate Fiscal Year Management Plan national goal will be applied to determine the total number of REs to be monitored by each REO/FEO for the fiscal year. REs will be selected for monitoring in rank order by each REO/FEO jurisdiction. Additionally the REOs/FEOs will select an RE out of ranking order to monitor, based on their discretion with written justification.

## **VII. Individual RE Monitoring Strategy**

Section 2-5 A. of the *CPD Monitoring Handbook 6509.2* provides guidance on the development of Individual Monitoring Strategies. The Individual RE Monitoring Strategy defines the scope of monitoring for each RE selected to be monitored and focuses the monitoring effort to maximize the effectiveness of the review. To be effective, the contents of the individual RE monitoring strategy must identify the following:

1. the programs/areas/functions to be reviewed, including a brief discussion of the high-risk factor(s) identified through the risk analysis process;
2. data or information to be submitted by the RE prior to monitoring (if any);
3. the names of any RE staff members who will need to be consulted during the monitoring;
4. anticipated staff who will conduct the monitoring (e.g., REO, FEO);
5. clearly defined areas of responsibilities for each reviewer (to avoid duplication), if more than one staff person will be conducting the monitoring;
6. a schedule for carrying out the monitoring tasks and the anticipated time frames; and
7. required resources (e.g., travel funds if on-site; time needed if remotely monitoring);
8. the planned *CPD Monitoring Handbook 6509.2* Exhibits that are selected based upon the areas of risk identified by the RE and program.

REOs and FEOs are reminded to comply with protocols established in the *CPD Monitoring Handbook 6509.2 REV-6* (see Section 21-7.B) for sharing monitoring schedules with the Program Office Directors and the Field Office Directors.

## **VIII. Recordkeeping**

All results of the risk analysis process must be documented in GMP, with records maintained in accordance with Departmental policy. Each Evaluator must document and justify this or her rankings. The documented results to be recorded in GMP consist of: Risk Analysis Worksheets that provide rating factors for evaluation of RE risk according to program area, evaluation comments, and rating factor and rating subfactor scoring.

## **IX. Contact Information**

Questions regarding the contents of this Notice can be directed to Lauren McNamara, Environmental Specialist, 202-402-4466 or [Lauren.B.McNamara@hud.gov](mailto:Lauren.B.McNamara@hud.gov).

## **RISK ANALYSIS WORKSHEET FOR ENVIRONMENTAL COMPLIANCE (24 CFR PART 58)**

**Responsible Entity (RE):** \_\_\_\_\_ **Fiscal Year Review:** \_\_\_\_\_  
**Name of REO/FEO:** \_\_\_\_\_ **Date:** \_\_\_\_\_

The Office of Environment and Energy (OEE) ensures HUD's compliance with environmental regulations for all HUD program offices where environmental responsibilities are assumed by states, units of general local government, or Native American tribe known as the Responsible Entities (REs) under 24 CFR Part 58. In completing all worksheets, the Regional or Field Environmental Officer (REO or FEO) will provide an assessment of the RE, utilizing standard factors selected by OEE to determine the level of risk a RE may pose to HUD. These factors include: Recent Monitoring, Program/Project Complexity, Local Capacity, Program Office Rating, and Audit Findings, Outstanding Monitoring Findings and Citizen Complaints.

The Evaluator will choose the appropriate risk level based on the definition provided and assign a numeric value indicated in the factor score range. One score should be assigned for each factor that best represents your assessment of the factual information available on this RE. This score should be indicated in the Evaluator's Rating Box. The Evaluator's Comment Box must be completed for each factor, no matter the risk level. Assessment indicators used in evaluating criteria should be available through current reporting systems or readily available information.

### **Analysis**

The risk analysis process will begin with a review of each RE against the five factors to determine its relative rank. This review of each RE's Part 58 programs will provide the basic knowledge needed to compare and rank each RE. In completing this review, all necessary program office staff must be consulted as well as sources of information obtained from the Integrated Disbursement and Information System (IDIS), Disaster Recovery Grant Reporting System (DRGR), HUD's Environmental Review Online System (HEROS) - RE Report, Consolidated Annual Performance and Evaluation Reports (CAPERS) and Performance and Evaluation Reports (PERs), prior monitoring visits, audits, and citizen complaints. In addition, special attention should be given during the risk analysis process to recent audits with findings designated as significant, material weaknesses, and departmental priorities.

The Evaluator, after proper consultation and analysis, should assign a numeric risk rating for each factor for each RE. The numbers provided within the scoring box for each factor are ranges of scores within three general categories of risk (high, medium, and low).

The Evaluator's Rating should reflect the relative degree of risk within the applicable range based upon Rating Considerations. The Evaluator's Comments are required for high and medium risk scores, and low risk scores. The Evaluator Adjustment may be used to add points for extenuating circumstances. This includes circumstances that might not be captured within the five factors, or when the Evaluator feels strongly that the score for a factor should be higher than the maximum score assigned. After completing the five factors and the Evaluator Adjustment for an RE, the Evaluator proceeds to the Overall Risk Assessment - Total Score section to finalize the risk analysis process.

Risk Criteria considerations include:

- Risk to the Department
- The likelihood that a Responsible Entity has failed to comply with environmental requirements

Responsible Entity Risk is assessed to:

- Determine Responsible Entities that pose the highest risk of noncompliance;
- Identify Responsible Entities to be selected for monitoring;
- Determine most effective means to identify and carry out actions to increase Responsible Entity environmental compliance.

**Part 58 Program(s) Covered by this Risk Analysis (check all that apply):**

**Community Planning and Development (CPD) Programs**

- Community Development Block Grant Program (CDBG)
- CDBG Disaster Recovery (CDBG-DR)
- Continuum of Care (CoC)
- Emergency Shelter Grants/Emergency Solutions Grant Program (ESG)
- Housing Opportunities for Persons With AIDS (HOPWA)
- HOME Investment Partnerships Program (HOME)
- Neighborhood Stabilization Program-1 (NSP-1)
- Neighborhood Stabilization Program-2 (NSP-2)
- Neighborhood Stabilization Program-3 (NSP-3)
- Section 108 Loan Guarantee
- Self-help Homeownership Opportunity Program (SHOP)

- Economic Development Initiative (EDI) Grants
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### **Office of Native American Programs (ONAP)**

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- Native Hawaiian Housing Block Grant (NHHBG) Program
- Indian Community Development Block Program (ICDBG)
- Section 184 Indian Home Loan Guarantee Program
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### **Office of Healthy Homes and Lead Hazard Control (OHHLHC)**

- Lead Based Paint Hazard Control Grant Program
- Lead Hazard Reduction Demonstration Grant Program



- Healthy Homes Production Grant Program
- Lead Based Paint Technical Studies Grant Program
- Healthy Homes Technical Studies Grant Program
- Asthma Interventions in Public and Assisted Multifamily Housing Grants

**Office of Housing**

- Housing Risk Share (542(c))

**Environmental Compliance  
Risk Analysis Worksheet**

**To Be Completed By Regional or Field Environmental Officer**

**FACTOR 1 - RECENT MONITORING**

**Factor Definition:** 24 CFR 58.77(d) states that HUD’s intention is to “at least once every three years...conduct in-depth monitoring...over the environmental activities performed by responsible entities.”

**Rating Considerations:** HUD’s goal, cited above, must be weighed as a factor. This factor is strictly weighed on the last time the RE was monitored in-depth (remote or on-site) by an REO or FEO.

<b>1. Recent Monitoring (Total Points = 25)</b>	<b>Risk Category</b>	<b>Factor Score</b>	<b>Evaluator’s Rating</b>	<b>Evaluator’s Comments</b>	<b>Data Source (for GMP development)</b>
a. Responsible Entity has not been monitored in-depth for more than five (5) years.	High	25			- GMP Monitoring will score based on last date monitored. Score cannot be edited.
b. Responsible Entity has neither had limited nor in-depth environmental monitoring in the last three (3) years.	Medium	15			
c. Responsible Entity was monitored within the last three (3) years.	Low	5			

## **FACTOR 2 – PROGRAM/PROJECT COMPLEXITY**

**Factor Definition:** Program/Project complexity is the degree to which the RE uses HUD funds for purposes likely to involve environmental consideration. Since many HUD-funded activities are exempt from environmental review, it is possible that a smaller RE might engage in limited activities that require review, or conversely, a larger RE might engage in numerous highly complex activities where many environmental concerns are reviewed.

**Rating Considerations:** The Evaluator should consult with the following systems to evaluate the frequency of activities where Environmental Assessments are required: Integrated Disbursement and Information System (IDIS), Disaster Recovery Grant Reporting System (DRGR), HUD’s Environmental Review Online System (HEROS) - RE Report, Consolidated Annual Performance and Evaluation Reports (CAPERS) and Performance and Evaluation Reports (PERs). The Evaluator should also consider if the RE is undertaking environmental review responsibilities for a Public Housing Authority (PHA).

<b>2. Program/Project Complexity (Total Points = 20)</b>	<b>Risk Category</b>	<b>Factor Score Range</b>	<b>Evaluator’s Rating</b>	<b>Evaluator’s Comments</b>	<b>Data Source (for GMP development)</b>
a. Responsible Entity undertakes more than five (5) projects per year that require an Environmental Assessment.	High	20 - 16			Historic, carry over score and comments from previous year with the ability to edit.
b. Responsible Entity undertakes two to five (2-5) projects per year that require an Environmental Assessment.	Medium	15 - 6			
c. Responsible Entity undertakes one (1) or fewer projects per year that require an Environmental Assessment.	Low	5 - 0			

**FACTOR 3 - LOCAL CAPACITY**

**Factor Definition:** The demonstrated capacity of the RE to carry out the requirements for environmental review according to 24 CFR Part 58 including all procedures and requirements for public notification.

**Rating Considerations:** The Evaluator should base this rating on his or her own interactions with the environmental staff for the RE. Does the RE have a designated environmental specialist or are environmental responsibilities assigned to a generalist or to staff having other primary responsibilities? Consider if the RE has sent staff to HUD-sponsored Part 58 trainings. Also consider if RE staff is in contact with you and has sound knowledge of HUD environmental requirements. Consult with program office staff and environmental processing records in the Field Office, such as the Request for Release of Funds log within the Office of Community Planning and Development (CPD), Housing, Public Housing, and Office of Native American Programs.

3. Local Capacity (Total Points = 25)	Risk Category	Factor Score Range	Evaluator's Rating	Evaluator's Comments	Data Source (for GMP development)
a. Responsible Entity has experienced at least 50% staff turnover and new staff members are untrained.	High	25 - 16			Historic, carry over score and comments from previous year with the ability to edit.
b. Responsible Entity staff has had some training and REO or FEO has no major concerns regarding staff's environmental expertise.	Medium	15 - 6			
c. Responsible Entity staff are well trained with considerable environmental compliance experience.	Low	5 - 0			

**FACTOR 4 – PROGRAM OFFICE RATING**

**Factor Definition:** The Evaluator should consult with all program office directors, and staff persons, as applicable, to determine their perspective overall risk concerns for REs within their geographic jurisdiction to determine their perspective on environmental risk concerns.

**Rating Considerations:** The Evaluator should assign numeric ratings to REs based on the comments of all program directors and staff. HUD program staff can be a source of information to Evaluators on the *overall* compliance profile (i.e., not limited to environmental) of a State or local government acting both as a program grantee and an RE under 24 CFR Part 58. It is the responsibility of the Evaluator to assure that the consultation process with program office staff is thorough and successful. The Evaluator has discretion to weigh the comments of various program offices in arriving at an overall score. CPD Risk Analysis considers high risk grantees to have a score of fifty-one (51) and above, medium risk grantees to have a score between thirty-one (31) and fifty (50), and low risk grantees to have a score under thirty (30).

4. Program Office Rating (Total Points = 15)	Risk Category	Factor Score Range	Evaluator's Rating	Evaluator's Comments	Data Source (for GMP development)
a. At least two (2) program offices (CPD, Public Housing, Housing and/or other program office) indicated RE as high risk.	High	15 - 11			Historic, carry over score and comments from previous year with the ability to edit.
b. At least one (1) program office (CPD, Public Housing, Housing and/or other program office) indicated RE as high risk.	Medium	10 - 6			
c. Program offices (CPD, Public Housing, Housing and/or other program office) indicated RE as low risk.	Low	5 - 0			

**FACTOR 5 – AUDIT FINDINGS, OUTSTANDING MONITORING FINDINGS OR CITIZEN COMPLAINTS**

**Factor Definition:** Any HUD Office of Inspector General (OIG) or other audit findings concerning the environmental review procedures of the RE, outstanding concerns or findings from prior environmental monitoring, either limited or in-depth, or unresolved citizen complaints about the RE’s environmental procedures.

**Rating Considerations:** The Evaluator should use discretion and exercise careful judgment in considering HUD OIG, Government Accountability Office (GAO), or other audit findings regarding both environmental and non-environmental compliance. Audit issues may be sufficiently serious in nature to warrant an on-site monitoring visit. Examples of this include, but are not limited to, complete non-compliance, statutory or regulatory violations, environmental degradation findings, and concerns for the health and safety of residents. The Evaluator should base his or her ratings on the degree to which outstanding findings exist that have not been satisfactorily resolved, including mitigating measures that remain unresolved. The ratings should include substantive citizen complaints that are unresolved or noteworthy, and how the RE handled these complaints. Also the rating should include complaints or objections from another agency with regulatory authority in the environmental review process. As in the instance of audit findings, some complaints about a single instance of failure to address environmental requirements may be sufficient in and of themselves to warrant an on-site monitoring to investigate the complaints.

5. Audit Findings, Outstanding Monitoring Findings, Citizen Complaints (Total Points = 15)	Risk Category	Factor Score Range	Evaluator’s Rating	Evaluator’s Comments	Data Source (for GMP development)
a. Serious outstanding audit or monitoring findings, or citizen complaints, or objections to the RROF.	High	15 - 8			Historic, carry over score and comments from pervious year with the ability to edit.
b. Some outstanding issues from either monitoring or audits, or less serious citizen complaints, or objections to the RROF.	Medium	7 - 1			
c. No concerns or complaints.	Low	0			

**EVALUATOR ADJUSTMENT**

The Evaluator Adjustment may be used to add points for *extenuating circumstances*. This includes circumstances that might not be captured within the five factors, or when the Evaluator feels strongly that the score for a factor should be higher than the maximum score assigned. For example if an RE has not been monitored in 10 years, it might be appropriate to add to the maximum score for **Factor 1: Recent Monitoring**.

The Evaluator Adjustment cannot bring the total score for the RE over 100.

Evaluator Adjustment - Justification	Points Assigned
<b>Total</b>	

**OVERALL RISK ASSESSMENT – TOTAL SCORE**

FACTOR	MAXIMUM SCORE	POINTS ASSIGNED	EVALUATOR’S COMMENTS
1. Recent Monitoring	25		
2. Program/Project Complexity	20		
3. Local Capacity	25		
4. Program Office Rating	15		
5. Findings/Complaints	15		
Evaluator Adjustment			
<b>Total</b>	<b>100</b>		

**REO Certification:** \_\_\_\_\_ **Date:** \_\_\_\_\_