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TO: Janie Payne, General Deputy Assistant Secretary/Chief Human Capital Officer, A
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FROM: John P. Buck, Regional Inspector General for Audit, Philadelphia Region, 3AGA

SUBJECT: HUD Hired Employees in Accordance With Office of Personnel Management Guidelines for Streamlining the Federal Hiring Process

# HIGHLIGHTS

## What We Audited and Why

We audited the U.S. Department of Housing and Urban Development's (HUD) process for hiring employees in accordance with Office of Personnel Management (OPM) guidelines. The audit was initiated due to concerns about whether HUD addressed the staffing needs of its Homeownership Centers in a timely manner to address significant increases in single-family mortgage workload. Our audit objective was to determine whether HUD effectively hired employees in accordance with OPM guidelines for streamlining the Federal hiring process.

## What We Found

HUD generally hired employees in accordance with OPM's 80-day timeframe goal for the Federal hiring cycle. HUD's Office of the Chief Human Capital Officer made improvements that reduced its average cycle time for hiring employees by approximately 37 percent between fiscal years 2008 and 2010; and, met the staffing needs of HUD's 4 Homeownership Centers within the confines of authorized staffing levels.

## What We Recommend

This report contains no recommendations.

## Auditee's Response

We discussed the draft report with HUD during the audit and at an exit conference on January 12, 2011. HUD provided written comments on January 18, 2011, but did not respond to the report because there were no recommendations. The complete text of HUD's response can be found in appendix A of this report.

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# BACKGROUND AND OBJECTIVE

The U.S. Department of Housing and Urban Development's (HUD) mission is to create strong, sustainable, inclusive communities and quality affordable homes for all. HUD works to strengthen the housing market to bolster the economy and protect consumers, meet the need for quality affordable rental homes, use housing as a platform for improving quality of life, and build inclusive and sustainable communities free from discrimination. Given its critical mission, HUD needs to ensure that it maintains an adequate workforce with the skills needed to maintain this capacity within its operations.

Before September 2009, HUD's key recruitment and hiring functions were handled by the Office of Human Resources, which was a suboffice under HUD's Office of Administration. On September 8, 2009, HUD Secretary Shaun Donovan announced a reorganization to transform the Office of Administration into the Office of the Chief Human Capital Officer (OCHCO). The goal was to enable HUD to focus more strategically on human capital. The transformation process is ongoing.

The stated mission of OCHCO is to deliver services to enable HUD's human capital to fulfill HUD's mission and make HUD a model workplace. The office is led by the Chief Human Capital Officer, assisted by the Deputy Chief Human Capital Officer. As a result of the ongoing reorganization, the key functions of the Office of Human Resources were transferred to a new Office of Human Capital Services under OCHCO. The Office of Human Capital Services is responsible for managing and administering HUD's human capital programs. Its operational responsibilities include strategic recruitment, staffing, position classification and management, pay administration, benefits and retirement counseling, employee and labor relations, performance management, personnel actions processing, maintaining official personnel records, personnel security, and a full range of executive personnel programs and operations. OCHCO's mission and functional statements are subject to congressional approval.

To improve overall organizational performance, HUD engaged the National Academy of Public Administration (NAPA) as an independent third party to assess its human resources, acquisition, and information technology operations in October 2009. The study results were released in April 2010. NAPA identified several human resource challenges, along with challenges in the other areas reviewed, and made related recommendations to HUD leadership. Following the release of the NAPA report, OCHCO contracted with IBM Global Business Services (IBM) in July 2010 to assist it with the implementation of the NAPA recommendations related to HUD's human resources challenges.

Our audit objective was to determine whether HUD effectively hired employees in accordance with Office of Personnel Management (OPM) guidelines for streamlining the Federal hiring process.

# RESULTS OF AUDIT

## Finding: HUD Met the Staffing Needs of Its Four Homeownership Centers

HUD generally hired employees in accordance with the OPM timeframe goal for the Federal hiring cycle. HUD's Office of Human Capital Services made improvements that reduced HUD's cycle time for hiring employees by approximately 37 percent between fiscal years 2008 and 2010. As a result, HUD met the staffing needs of its four Homeownership Centers within the confines of authorized staffing levels.

### OPM Established an 80-Day Goal for the Federal Hiring Cycle

Recognizing the need for an improvement in the Federal recruitment and hiring process, OPM, in partnership with the Chief Human Capital Officer's Council Subcommittee for Hiring and Succession Planning, launched the End to End Hiring Initiative in 2008. The goal of the initiative was to streamline the process and improve the overall experience for job applicants and hiring officials. The approach to streamlining the process was to strategically integrate and reengineer the five key components including workforce planning, recruitment, hiring process, security and suitability, and orientation. To this end, OPM designed and established roadmaps to address each of the five components from workforce planning through the first year of a new employee's orientation. With respect to the hiring process, OPM's roadmap established a timeframe goal of 80 days or fewer for the complete hiring process (i.e., from when a manager recognizes the need to fill a position to the time a new hire starts). HUD met OPM's timeframe goal for the hiring cycle as discussed below.

### HUD Met OPM's Timeframe Goal for the Federal Hiring Cycle

Based on a review of information on the average time to fill vacant positions obtained from HUD's Human Resources Tracker system, we determined that HUD's average hiring cycle time decreased from about 117 days in fiscal year 2008 to approximately 74 days in fiscal year 2010. This hiring period complied with OPM's 80-day goal for the Federal hiring cycle timeframe. HUD's Office of Human Capital Services ensured compliance with the goal by reducing the number of human resources steps from 40 to 15 and eliminating many reviews and signatures in the

hiring process. The table below reflects a summary of the average hiring cycle time from fiscal years 2008 through 2010.

| Fiscal year | Average cycle time | Improvement |
|---|---|---|
| October 1, 2009, to August 17, 2010 | 74 days | 37% |
| October 1, 2008, to September 30, 2009 | 108 days | 8% |
| October 1, 2007, to September 30, 2008 | 117 days | |

To validate the information obtained from the Human Resources Tracker system, we randomly selected 10 case files for review. The files were reviewed to determine the validity of the dates used to calculate the elapsed days in the hiring cycle as reflected in the Human Resources Tracker system. For each of the cases, we reviewed the announcement opening and closing dates, applicant eligibility form, job offer letter date, and date the certification was sent to the selecting official. In this regard, we also reviewed qualifications and selection criteria. We determined that the elapsed days as computed in the Human Resources Tracker system were accurate for all 10 cases.

We also performed limited testing to determine whether the Office of Human Capital Services hired staff as needed for HUD's four Homeownership Centers in Philadelphia, PA, Atlanta, GA, Denver, CO, and Santa Ana, CA. The Homeownership Centers insure single-family Federal Housing Administration (FHA) mortgages and oversee the selling of HUD homes. We specifically reviewed staffing at the Homeownership Centers because of the increased demand for FHA loans, which consequently increased its workload. We obtained and reviewed information on authorized staff compared with staff on board. The table below shows the details for each of the four Homeownership Centers as of May 2010.

| Homeownership Center | Authorized employees | Onboard employees | Vacancies |
|---|---|---|---|
| Philadelphia, PA | 224 | 219 | 5 |
| Atlanta, GA | 232 | 232 | 0 |
| Denver, CO | 182 | 181 | 1 |
| Santa Ana, CA | 183 | 182 | 1 |
| **Totals** | **821** | **814** | **7** |

The data showed that only 7, or 0.85 percent, of 821 authorized positions were vacant. Therefore, the Homeownership Centers' staffing needs appeared to have been met within the confines of authorized staffing levels.

## HUD Is Taking Action to Address Its Significant Human Resource Challenges

HUD is developing a plan to address recommendations in a report by NAPA regarding HUD's human resources, acquisition, and information technology operations. HUD commissioned NAPA to perform the study in an effort to improve overall organizational performance. In its April 2010 report, the NAPA study panel recommended that HUD

1. Improve its short- and long-term staffing planning by establishing departmentwide work force planning capability and reforming existing agency resources and allocation processes;

2. Increase managerial engagement, ownership, and accountability for human resources management;

3. Improve its performance management through increased managerial and supervisory training, development, and accountability; and

4. Develop and implement a service delivery model framework that defines how human resources services will be provided across the agency.

Following the release of the NAPA report, OCHCO contracted with IBM to assist it with the implementation of the NAPA study recommendations related to HUD's human resources challenges. The goal was for IBM to develop an actionable plan for the implementation of the NAPA recommendations as well as the continuous improvement of OCHCO's functions and processes. HUD needs to continue to work to ensure that the recommendations made by NAPA are implemented, and must particularly make it a priority to develop planning strategies to address its workforce needs.

## Conclusion

HUD generally hired employees in accordance with the OPM timeframe goal for the Federal hiring cycle. HUD is in the process of developing a comprehensive action plan to address challenges related to its workforce needs, as well as other challenges. Implementing a plan to address its workforce challenges will ensure that HUD has the staff it needs in the future to accomplish its mission.

# SCOPE AND METHODOLOGY

We performed our audit at HUD headquarters, Washington, DC, and our regional office in Philadelphia, PA, from April through September 2010. The audit covered the period October 2006 through April 2010 but was expanded as necessary to include other periods.

We used computer-processed data only in conjunction with other supporting documents and information to reach our conclusions and determined that the data were sufficiently reliable for our purposes.

To accomplish our objective, we

- Interviewed various HUD personnel in headquarters[1] and HUD's Philadelphia Homeownership Center to determine or become familiar with the following:
    - Duties, responsibilities, and functions of the Staffing and Classification Division in headquarters.
    - The role of the Director of the Office of Human Resources, HUD headquarters, in the hiring process, duties, responsibilities, and functions.
    - Duties, responsibilities, and functions of the Office of Budget and Administrative Support and its role in the hiring process.
    - The role of the Director of Administration Information Technology, HUD headquarters, in the hiring process and the current and proposed systems used by the Office of Human Resources.
    - The Philadelphia Homeownership Center's hiring process and its management's feedback regarding the hiring process.
- Reviewed the goal and scope of the IBM consultants as they relate to the NAPA study.
- Analyzed OPM's SWAT Team initiatives as they relate to streamlining the hiring process.
- Applied the U.S. Army Audit Agency's Statistical Sampling System to select a random sample of 15 files from a universe of 1,513. Of the 15 files selected, 10 were reviewed and reconciled with data in HUD's Human Resources Tracker system to verify the accuracy of system data on key milestone dates in the hiring process and determine the timeframes associated with the hiring process/cycle.

[1] During our review, the reorganization of HUD's Office of Administration and its related suboffices was not complete. Therefore, some of the personnel we interviewed were still in their roles under the prior organizational structure.

- Verified that HUD's Integrated Human Resources and Training System was accredited and certified for data integrity for fiscal year 2009.

We conducted the audit 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 objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusion based on our audit objective.

# INTERNAL CONTROLS

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

## Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objectives:

- Program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.

- Validity and reliability of data – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.

- Compliance with laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resources use is consistent with laws and regulations.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

We evaluated internal controls related to the audit objective in accordance with generally accepted government auditing standards. Our evaluation of internal controls was not designed to provide assurance regarding the effectiveness of the

internal control structure as a whole. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

# APPENDIX

## Appendix A

## AUDITEE COMMENTS

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-3000

OFFICE OF THE CHIEF HUMAN CAPITAL OFFICER

Mr. John Buck
Regional Inspector General for Audit
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Philadelphia, PA 19107

Dear Mr. Buck,

The U.S. Department of Housing and Urban Development will not be providing a response because there were no recommendations. The Recruitment and Staffing Division will continue to implement the recommendations that were outlined or identified in the NAPA report and from the IBM Consultants' Action Plan. We will continue to develop our processes to further improve our hiring cycle time. We have established a Project Management Office and are currently recruiting for a Project Management Officer to lead this effort.

If you require additional information, please let me know.

W. Diane Brundidge

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Office of Chief Human Capital Officer
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