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| Issue Date | September 30, 2008 |
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| Audit Report Number: | 2008-CH-0003 |
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TO: John W. Cox, Chief Financial Officer, F
Keith A. Nelson, Assistant Secretary for Administration, A

FROM: 
Heath Wolfe, Regional Inspector General for Audit, 5AGA

SUBJECT: The U.S. Department of Housing and Urban Development Needs to Improve Its Existing Procedures and Controls Regarding Its Management of Human Capital

HIGHLIGHTS

What We Audited and Why

We reviewed the U.S. Department of Housing and Urban Development's (HUD) management of human resources. We initiated the review based on our annual audit plan and our strategic plan to help HUD resolve its major management challenges. The review also addressed a complaint to our Hotline regarding the adequacy of HUD's Total Estimation and Allocation Mechanism (TEAM) system. Our objectives were to determine the adequacy of HUD's staffing resources in meeting its program objectives and whether HUD's offices used HUD's Resource Estimation and Allocation Process (REAP) studies when they had the ability to hire. This is the second of three audit reports planned on HUD's management of its human resources.

What We Found

HUD lacked a valid basis for assessing its human resource needs and allocating staff within its program offices. Three of the five offices statistically selected for review could not provide adequate documentation to support their assessment of human resource needs and allocation of staff among their headquarters and field

office locations. As a result, HUD lacked assurance that its allocation of staff was based on supportable need and it accurately determined the human resources required to meet its performance goals under the Government Performance Results Act (GPRA).

HUD's program offices used the REAP studies when they had the ability to hire; however, they lacked adequate documentation to support their hiring practices. In particular, five of the seven HUD program offices selected for review were unable to provide adequate documentation to support their hiring of staff. As a result, HUD lacked assurance that its program offices' hiring was appropriate.

Lastly, the complainant's allegation regarding the adequacy of HUD's TEAM system lacked a supportable basis as he did not have a complete understanding of the system.

What We Recommend

We recommend that HUD's Chief Financial Officer implement a plan detailing how HUD's program offices will use REAP and the TEAM systems to determine which program offices need to be reassessed, continue providing training, and obtain feedback from the Office of Fair Housing and Equal Opportunity regarding the pilot of the TEAM system's allocation module. If the pilot is determined to be successful, HUD's Chief Financial Officer should take the necessary steps to implement the allocation module in HUD's other program offices.

We also recommend that HUD's Assistant Secretary for Administration ensure that HUD implements adequate controls to ensure that its program offices comply with its internal hiring procedures.

For each recommendation without a management decision, please respond and provide status reports in accordance with HUD Handbook 2000.06, REV-3. Please furnish us copies of any correspondence or directives issued because of the audit.

Auditee's Response

We provided the results of our reviews to HUD's management during the audit. We also provided our discussion draft audit report to HUD on August 28, 2008. We conducted an exit conference with HUD's management on September 18, 2008.

We asked HUD's management to provide written comments on our discussion draft audit report by September 26, 2008. HUD's management provided written comments to the discussion draft report, dated September 26, 2008. HUD generally disagreed with the findings and recommendations. The complete text of HUD's written comments, along with our evaluation of that response, can be found in appendix A of this report except for 140 pages of documentation that was not necessary for understanding HUD's comments.

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BACKGROUND AND OBJECTIVES

In the late 1990s, the Office of Management and Budget, the Government Accountability Office, and the United States Congress criticized the U.S. Department of Housing and Urban Development (HUD) for its inability to estimate its staffing needs and support its staffing requests. HUD terminated its previous resource management system in 1995. Since that time, HUD's staffing levels have fluctuated while HUD's workload has grown. As a result, HUD and Congress recognized the need for an approach to estimate, justify, allocate, and manage HUD's staffing resources.

Congress asked the National Academy of Public Administration (NAPA) to work with HUD to develop a resource management methodology. Therefore, an advisory group consisting of HUD staff and NAPA representatives was established. The group studied the best practices of other government agencies in the area of resource management and recommended the implementation of the resource management methodology known as the Resource Estimation and Allocation Process (REAP). HUD's former Deputy Secretary accepted the methodology and agreed to the implementation of REAP over an 18-month period.

In a report, dated October 1999, NAPA recommended that REAP apply to both HUD headquarters and the field offices to cover all work (including contractor work) and be validated on a continuous basis. The report also recommended that the REAP system consist of three components: resource estimation, resource allocation, and resource validation.

REAP studies, which provide the data for resource estimation, are performed periodically and when requested. HUD began conducting REAP studies in August 2000 and completed the initial studies in December 2001. HUD was reexamined in a second round of REAP studies in 2003 and 2004. HUD's Office of Administration was reviewed for a third time in 2006. REAP establishes a staffing baseline for budget formulation and execution, strategic planning, organization and management analysis, and ongoing management of staff resources.

To provide a continuous validation of REAP, an automated information system known as Total Estimation and Allocation Mechanism (TEAM) was developed and became operational in fiscal year 2002. TEAM is a Web-based computer system that collects workload accomplishments and employee time use on a sampling basis. All employees at HUD headquarters and in the field offices record how much time they spend working on different activities and processes during a randomly selected two-week period every quarter.

TEAM accumulates its information in a centralized database and provides managers and staff with the ability to query and analyze the stored data. TEAM offers a variety of reports that are available to all HUD employees. The reports can be used for full-time equivalent management, work planning, identifying productivity among different locations, identifying optimal staff adjustments and reallocation, determining whether management plan goals are met, and providing data support for management analysis studies.

HUD implemented REAP and TEAM to aid in its budget formulation and execution process and resource management. REAP and TEAM can also be used for HUD's strategic planning process and reporting.

We reviewed HUD's management of its human resources. We initiated the review based on our annual audit plan and our strategic plan to help HUD resolve its major management challenges. The review also addressed a complaint to our Hotline regarding the adequacy of HUD's TEAM system. Our objectives were to determine the adequacy of HUD's staffing resources in meeting its program objectives and whether HUD's offices used HUD's REAP studies when they had the ability to hire. This is the second of three audit reports planned on HUD's management of its human resources.

RESULTS OF AUDIT

Finding 1: HUD Lacked a Valid Basis for Assessing Its Human Resource Needs and Allocating Staff Among Its Program Offices

HUD lacked a valid basis for assessing its human resource needs and allocating staff within its program offices. Three of the five offices statistically selected for review could not provide adequate documentation to support their assessment of human resource needs and allocation of staff among their headquarters and field office locations. These conditions occurred because HUD did not ensure that its program offices maintained documentation to support its staffing and allocation decisions and did not encourage the program offices to utilize TEAM, as a resource management tool. As a result, HUD lacked assurance that its allocation of staff was based on need and that it accurately determined the human resources required to meet its performance goals under the Government Performance Results Act (GPRA).

Program Offices Lacked Documentation to Support Their Assessment of Human Resources and Staffing Allocations

We statistically selected five of HUD's 16 program offices to review their methodologies for assessing their human resource needs and allocating staff within their offices. The selected offices were the Government National Mortgage Association, Office of Departmental Operations and Coordination, Office of Fair Housing and Equal Opportunity, Office of Public and Indian Housing, and Office of Housing. We reviewed the offices' analysis for determining to hire and the allocation of their staff. Of the five offices, only two (the Office of Departmental Operations and Coordination and the Government National Mortgage Association) provided sufficient documentation to support its staffing decisions. The remaining three program offices indicated they used various methodologies for estimating and allocating staff and in determining their staffing needs.

- The Office of Fair Housing and Equal Opportunity based its hiring and placement of staff on its ability to fill critical positions, attrition, and its staffing plan requirements. Its management staff said that they used TEAM for budget purposes only. For the allocation of staff, the office used 10-year studies performed by HUD's Office of Policy Development and Research along with studies from outside contractors, demographics, performance goals, work volume, and complaints. According to the Deputy Assistant Secretary for Operations and Management, the office's REAP data were outdated

and the system was not a useful tool for hiring assessment and the placement of staff within its field offices. As of August 2008, the office was in the process of updating fields to capture current workload information. Further, some employees did not report all of their time in the TEAM system.

- The Office of Public and Indian Housing considered staff losses and its attrition rate to determine how many new staff to hire, in addition to the hiring priority list provided by the office's General Deputy Assistant Secretary. According to the Director of Budget/Chief Financial Officer, the office's REAP data were only a snapshot in time; therefore, the office based its hiring decisions on available funding and not full-time equivalents. It used REAP and TEAM for its budget formulation when requesting resources to justify staffing level requests. As of August 2008, the Director said that the office was working with its field offices to change factors and outputs in the TEAM system to reflect current work activities.
- The Office of Housing was not fully using the TEAM reports. According to the office's Director of Salaries and Expenses Budget Division, the REAP refresh studies were outdated, therefore, not used exclusively. The office determined its hiring and allocation of staff based on staff productivity, the President's Management Agenda, the annual performance plan, and other available resources.

Although the previously mentioned offices indicated that they performed their own analyses for assessing their human resource needs and allocating staff, they were unable to provide any or adequate documentation to support their staffing determinations.

HUD Was Not Fully Committed to Using REAP and TEAM

HUD did not ensure that its program offices maintained documentation to support their staffing and allocation decisions and did not encourage the program offices to utilize TEAM as a resource management tool to assist with assessing their human resource needs and for hiring decisions as reported in HUD's annual performance and strategic management plans. According to management staff for HUD's Office of the Chief Financial Officer, the system was a management tool that supported HUD's compliance with GPRA. HUD received a green rating on the fiscal year 2007 President's Management Agenda Scorecard on its human capital initiative due to its implementation of TEAM as well as other factors.

Although HUD may have received a successful scorecard rating, its program offices did not fully use the TEAM system, which could affect its future ratings. HUD

stated in its fiscal years 2006 through 2011 strategic plans that it had implemented the TEAM system. The system provides the following benefits: (1) estimating resources for budget formulation, execution, and analysis; (2) linking resources to performance measures specified in the annual performance plan under GPRA; and (3) validating and monitoring resource use. Additionally, in its fiscal years 2004 through 2007 annual performance plans, HUD indicated that it would use TEAM to support its fiscal years 2005 through 2008 budget justification requests and assessment of its human resource needs and when making hiring decisions during fiscal years 2004 through 2007. However, three of HUD's program offices were unable to provide documentation to support that the TEAM system was used in their decision making process.

HUD's program offices used the REAP studies to support their budget requests (see finding 2); however, they had not fully adapted the TEAM system as one of the ways of managing their human resource needs and for making hiring decisions. Additionally, HUD used the TEAM system to justify its consolidated budget. However, the system was not fully functional because the allocation module, which supports the execution of HUD's budget, was not in production for any of the program offices.

HUD piloted the TEAM system allocation module with the Office of Fair Housing and Equal Opportunity. However, the office's staff involved with the pilot informed us that they had not provided feedback to the Office of the Chief Financial Officer regarding the pilot's results and were uncertain whether they should initiate contact to express their concerns with the allocation module. They also expressed concern about whether they should continue to test the module due to lack of communication with the Office of the Chief Financial Officer.

The TEAM system is comprised of the following eight modules: (1) workload (data entry), (2) allocation, (3) resource, (4) setup, (5) time reporting, (6) extracts, (7) queries, and (8) reports. Of all the modules contained in the system, the allocation module is the primary module used to provide HUD headquarters and the field offices with resource estimations and allocations, thereby ensuring a stronger basis for workload and staff distribution. It allows HUD to allocate full-time equivalents based on workload requirements and provides for a staffing negotiation process between higher and lower levels of an organization. The allocation module tracks accomplishments versus the allocation for workload, unit cost, and full-time equivalent use for each program office location throughout HUD.

Although the allocation module had not been implemented as of August 2008, TEAM provided various reports to assist HUD's program offices in operating more efficiently. The TEAM system contains various reports for managing full-time equivalent management, work planning, productivity, management plan goals, etc. The productivity reports assist management with identifying programs or locations with apparent high and/or low productivity. The reports contain comparative index indicators that compare actual unit costs to expected unit costs based on REAP

studies. This comparison helps managers validate the results of REAP studies and compare productivity among the various field office locations.

The comparison index formula provides a quantitative analysis of the REAP and TEAM relationship. The acceptable range for the comparative index is between 80 and 120. In those instances where the comparative indices are outside the acceptable range, management should determine the reasons why, such as workload and staffing imbalances, staffing shortages, lack of experience with the staff performing the tasks, etc.

The reports showed that several program offices were operating outside acceptable ranges in more than one area. However, the offices did not mention using the reports to measure productivity when asked. For example, HUD's Detroit Office of Public Housing reported 12 work codes and all 12 were outside of the acceptable ranges. During the end of the fiscal year, the office had comparative indexes as low as six in grant administration and as high as 450 in monitoring and assistance. However, the hiring of additional staff for the Detroit Office of Public Housing did not occur in fiscal year 2007. Whereas, HUD's Minneapolis Office of Public Housing reported 12 work codes and 11 were outside of the acceptable ranges. Two additional staff were hired for the Minneapolis Office of Public Housing in fiscal year 2007. Although there are additional factors to consider, this information would have been invaluable in making hiring decisions and the allocation of staff, since the allocation module that assesses this information and provides for the allocation of full-time equivalents based on workload requirements was not available to the Office of Public and Indian Housing.

According to staff from HUD's Office of the Chief Financial Officer, the office provided training to the program offices in 2007 on how to use the TEAM system. However, management staff from the Government National Mortgage Association informed us that they were not aware of any recent training. Due to its failure to implement the allocation module; its program offices inability to provide supporting documentation used in assessing its human resource needs; and the lack of commitment to the TEAM system; HUD lacked assurance that its program offices managed their human resources efficiently and effectively and its decisions to hire and the allocation of staff were matched with their performance goals as required by GPRA.

Recommendations

We recommend that HUD's Chief Financial Officer

- 1A. Implement a plan detailing how HUD's program offices will use REAP and TEAM for estimating and allocating staff resources to ensure that HUD meets GPRA requirements as reported in its annual performance and strategic management plans.

- 1B. Publish criteria for the “re-reaping” of program offices on the HUDweb, provide on demand REAP studies pending funding availability, and review REAP, TEAM, and other data to identify program areas and programs, which are candidates for “re-reaping” and recommend studies to the affected program areas.
- 1C. Continue providing training for HUD’s applicable program offices on how to use the TEAM system’s various modules.
- 1D. Obtain feedback from the Office of Fair Housing and Equal Opportunity regarding the pilot of the TEAM system’s allocation module to determine whether the module provided the information necessary to assess HUD’s staffing resources. If the pilot is determined to be successful, HUD’s Chief Financial Officer should take the necessary action to implement the allocation module in HUD’s remaining program offices.

Finding 2: HUD Program Offices Lacked Adequate Documentation to Support Their Hiring Practices

HUD program offices used REAP to support their hiring decisions; however, they did not always maintain adequate documentation to support their hiring practices. Specifically, five of the seven program offices reviewed could not provide adequate documentation to support the hiring of staff during fiscal year 2007. This condition occurred because HUD lacked adequate procedures and controls to ensure that its program offices initiated the actions necessary to comply with its hiring control procedures. As a result, HUD lacked assurance that its program offices appropriately hired staff in accordance with HUD's requirements.

HUD's Use of REAP

HUD's Office of the Chief Financial Officer used REAP as a baseline when determining full-time equivalents. The office issued the program offices their full-time equivalent ceiling based on prior years and the full-time equivalents did not exceed the recommended full-time equivalents contained in the REAP studies. The program offices are required to review their full-time equivalent allocation and the availability of funds to determine whether they could bring new staff onboard.

Hiring Control Procedures

According to the former Deputy Assistant Secretary for Human Resource Management, HUD's Office of Administration developed the senior management approval process in response to a congressional mandate. The office incorporated this approval process into its hiring control procedures guidance for all program offices to control the hiring of grades 14 and 15 staff positions. According to these procedures,

- Senior management approval from the appropriate official called for under the hiring control procedures guidance in effect during that time was required when hiring a high-grade level employee, such as grade 14 or 15 positions.
- Program offices were responsible for managing their full-time equivalents and validating their full-time equivalent ceiling and availability of funds.
- Information required for budget certification and/or external hiring approval was required to be properly documented. Certification documents were to be authorized and maintained by the budget office of the hiring program office to verify that proper consideration was given to all pertinent management-related information necessary to reach sound hiring decisions.

Using data obtained from the National Finance Center's database, we identified the number of staff hired during fiscal year 2007 for each of HUD's program offices. We then selected the program offices that hired 10 or more staff per pay period during fiscal year 2007 to determine whether they complied with HUD's hiring control procedures.

HUD's Program Offices Not in Full Compliance with HUD's Hiring Control Procedures

Five of the seven program offices reviewed (Offices of Departmental Management, Administration, Community Planning and Development, Fair Housing and Equal Opportunity, and Housing) did not fully comply with HUD's hiring control procedures during fiscal year 2007. The Offices of General Counsel and Public and Indian Housing provided sufficient documentation to support that they complied with the hiring procedures.

Using the requirements of HUD's hiring control procedures, we identified the following deficiencies for the five program offices:

- All five failed to provide adequate documentation supporting the certification of the availability of funds and full-time equivalents.
- Only one program office did not provide adequate documentation supporting that the appropriate senior management approval was obtained before the hiring of two staff employees at grades 14 or 15.

The following chart provides a summary of the hiring control procedures deficiencies for the program offices reviewed.

| Offices | <i>Inadequate certifications of the availability of funds and full-time equivalents</i> | <i>Inadequate documentation supporting appropriate senior management approval</i> |
|--|--|--|
| Office of Departmental Management | ✓ | |
| Office of Administration | ✓ | ✓ |
| Office of Community Planning and Development | ✓ | |
| Office of Fair Housing and Equal Opportunity | ✓ | |
| Office of General Counsel | | |
| Office of Housing | ✓ | |
| Office of Public & Indian Housing | | |

Lack of Controls

HUD lacked adequate procedures and controls to ensure that its program offices followed its hiring control procedures. The Office of Administration’s staff said that written senior management approval from the Assistant Secretary for Administration would not be logical since he would be approving his own office’s requests. Additionally, regarding the lack of documentation certifying the availability of funds and full-time equivalents for its hires, the Offices of Administration and Fair Housing and Equal Opportunity indicated that they tracked their funds and full-time equivalents; therefore, they complied with the hiring control procedures, although they did not have certification documentation.

For the seven program offices reviewed, none was able to provide an accurate listing of the staff hired for the selected pay periods reviewed during fiscal year 2007. For example, the Offices of Housing and Community Planning and Development were unable to provide information or complete information about the staff hired during the selected pay periods; therefore, they could not provide certifications of availability of funds and full-time equivalents for all staff hired, or the information provided could not be reconciled with their new hires. In reviewing the information that was provided by the program offices, we determined that some of the information conflicted with the data contained in the National Finance Center’s database and the hiring data provided by HUD’s Employee Service Center, such as staff’s grade levels at the time of hire.

In reviewing the data from the National Finance Center’s database and comparing the information to documentation provided by HUD’s Employee Service Center, such as Standard Form 50s, Standard Form 52s, and appointment affidavits, we

determined that the information did not always reconcile. For instance, we identified discrepancies in employees' hiring dates, grade levels at their time of appointment, and geographic locations. Also, in determining the political appointees hired during our audit period, according to the National Finance Center's database, there were only two political employees hired; however, HUD's program offices provided documentation supporting that there were additional hires.

Because of HUD's inadequate procedures and controls, it lacked assurance that its program offices appropriately hired staff in accordance with its requirements. Additionally, due to the information discrepancies, it lacked assurance that information maintained in its systems and by its program offices was accurate.

Recommendations

We recommend that HUD's Assistant Secretary for Administration

- 2A. Implement adequate procedures and controls to ensure that HUD's program offices comply with its hiring control procedures.
- 2B. Reconcile discrepancies between HUD's Integrated Human Resources and Training System and the National Finance Center database to ensure that they contain accurate information.

SCOPE AND METHODOLOGY

To accomplish our audit objectives, we reviewed

- The National Academy of Public Administration’s 1999 study, entitled “Aligning Resources and Priorities at HUD, Designing a Resource Management System”; GPRA; REAP studies; HUD’s strategic plans for fiscal years 2006-2011 and annual plans for fiscal years 2004-2007; TEAM reports; HUD’s Memorandum for Principal Staff regarding HUD’s fiscal year 2007 Hiring Control Procedures revisions, dated February 14, 2006, December 19, 2006, March 2007, and April 5, 2007;
- HUD program offices’ hiring documentation from the Offices of Departmental Management, Administration, Community Planning and Development, Fair Housing and Equal Opportunity, General Counsel, Housing, and Public and Indian Housing;
- HUD’s hiring information in the National Finance Center’s database; and
- Hiring documentation maintained by the HUD’s Employee Service Center.

We also we interviewed HUD’s management and staff.

Using HUD’s 16 program areas, 160 program offices and 88 sub-offices as the population, we developed a multi-stage sampling plan. This plan allowed us to randomly select five program areas (Office of Departmental Operations and Coordination, Fair Housing and Equal Opportunity, Governmental National Mortgage Association, Office of Housing, and Office of Public and Indian Housing) to review staff geographically, and determine productivity based on full-time equivalent allocations and REAP baselines.

Using the staffing data obtained from the National Finance Center’s database, we identified by program office the number of staff hired during each pay period in fiscal year 2007. We also obtained from this same database information on the staff hired during each pay period, such as the employee’s name, position title at the time of hire, grade level at the time of hire, and geographic location of hire. We selected from the universe of HUD’s 16-program offices¹ all pay periods for each program office in which the program office hired 10 or more staff during the pay period to determine whether the offices selected complied with HUD’s hiring control procedures guidance during the pay periods selected.

To determine our testing universe, we relied on information provided in the National Finance Center’s database. We verified the data, whenever possible, by comparing the data to documentation provided by the program offices and hiring documentation maintained by HUD’s Employee Service Center. We also removed from our review any political appointees that we determined were hired during the pay periods under review using the data sources listed above

¹ Excludes the Offices of Inspector General and Federal Housing Enterprise Oversight, which are two independent offices within HUD that use independent resource management systems.

or that were brought to our attention by the program office and supported with adequate documentation. The seven offices selected for review that hired 10 or more staff during a pay period in fiscal year 2007 were the Offices of Departmental Management, Administration, Community Planning and Development, Fair Housing and Equal Opportunity, General Counsel, Housing, and Public and Indian Housing. The pay period(s) selected for review and their corresponding dates during fiscal year 2007 are in appendix B of this audit report.

We performed our audit work between October 2007 and August 2008. We conducted our audit at HUD's headquarters in Washington, DC, and HUD's Chicago regional office. The audit covered the period October 1, 2004, through September 30, 2007. We extended this period as necessary. We conducted the audit in accordance with generally accepted government auditing standards.

INTERNAL CONTROLS

Internal control is an integral component of an organization's management that provides reasonable assurance that the following objectives are being achieved:

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

Internal controls relate to management's plans, methods, and procedures used to meet its mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined 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 resource use is consistent with laws and regulations.
- Safeguarding resources - Policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

We assessed the relevant controls identified above.

A significant weakness exists if internal controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet the organization's objectives.

Significant Weaknesses

Based on our review, we believe the following items are significant weaknesses:

- HUD lacked a valid basis for assessing its human resource needs and allocating staff within its program offices (see finding 1).
- HUD generally lacked adequate documentation to support its hiring practices (see finding 2).


APPENDIXES

Appendix A

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments


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

SEP 26 2008

MEMORANDUM FOR: Heath Wolfe, Regional Inspector General for Audit, SAGA

FROM: John W. Cox, Chief Financial Officer, F *[Signature]*
Keith A. Nelson, Assistant Secretary for Administration, A *[Signature]*

SUBJECT: Management Comments on the Draft Report on Phase 2 of OIG's Review of HUD's Management of Human Resources

We thank you for the opportunity to comment on the Office of Inspector General's (OIG) subject draft report provided on August 28, 2008. HUD management's assessment of the draft report finds that the stated audit objectives are not supported by the content of the report, and we generally disagree with the substance of the draft findings and recommendations presented. The nature of our concerns is summarized below and covered in more detail in the attached comments. As developed and written, the draft report will not assist HUD in improving its human resource management. Accordingly, we request that OIG reconsider report issuance or address our below concerns and attached comments as you complete Phase 2 of the subject review.

Audit Objectives

We find that the first of two stated audit objectives – "...to determine the adequacy of HUD's staffing resources in meeting its program objectives..." – was not addressed in the draft report, and does not appear to have been addressed in the underlying audit work. While coverage of this intended objective may have produced useful information for HUD management's consideration in addressing its human resource management challenges, the fact that it was not covered should necessitate reconsideration of the need for or content of the subject report. With respect to the second stated audit objective – "...to determine whether HUD's offices used HUD's Resource Estimation and Allocation Process (REAP) studies when they had the ability to hire" – the draft report and underlying audit work clearly attempted to cover this objective, but we find the conclusions reached in the two related findings to be somewhat inconsistent and off-base, since there appeared to be a failure to recognize the factors, other than REAP studies that affect staffing and hiring decisions.

Comment 1

Comment 2

Comment 3

Finding 1 and Associated Recommendations:**Comment 4**

We disagree with the draft finding: "HUD Lacked a Valid Basis for Assessing Its Human Resource Needs and Allocating Staff Among Its Program Offices." Finding 2 of the draft report actually contradicts Finding 1 in concluding that the Office of the Chief Financial Officer and Program Offices did use REAP information in allocating full-time equivalent (FTE) staff resources and in supporting hiring decisions. More importantly, missing from the audit objective's exclusive focus on REAP, and this finding, is a necessary recognition that there are many other factors besides REAP and the related Total Estimation Allocation Mechanism (TEAM) process that affect HUD management's staffing plans and hiring decisions. REAP assesses staffing needs under current conditions at a point in time and TEAM records historical staff usage and provides a basis for analysis to either validate REAP estimates or focus attention on variances in need of management review. To the extent HUD organizations' operations and goals do not significantly change from year to year, you will not see significant changes in their staffing plans and the majority of hiring actions will be limited to backfilling attrition in essential existing positions they can afford to hire in their budgets. Changes in HUD's operating environment – such as new legislation to establish new or revised program requirements or OIG or GAO audit recommendations for corrective actions to address material internal control weaknesses – will often lead to hiring decisions to address new current staffing needs not reflected in historical REAP/TEAM data.

Comment 5

We further find that the four draft recommendations associated with this finding are unnecessary, since we currently have sufficient guidelines and practices in place for the: 1) general use of REAP/TEAM as resource management tools; 2) update of REAP studies to cover major changes; 3) provision of REAP/TEAM training; and plans for 4) expanded use of the TEAM allocation module.

Finding 2 and Associated Recommendations:**Comment 6**

We disagree with the draft finding that "HUD Program Offices Lacked Adequate Documentation to Support Their Hiring Practices." The basic issue raised in this finding is that certain HUD components appeared to be in non-compliance, or did not fully document evidence of compliance, with two hiring control procedures related to: 1) certifying the availability of funding and FTE for a hiring request, and 2) obtaining a "senior management approval" (SMA) for hiring of a grade 14 or 15 position. With respect to the first compliance issue, OIG appears to have misinterpreted HUD's compliance requirements in that we only require a certification of the availability of funding for a hiring action and not a certification of FTE. While we allocate FTE targets to help manage staffing, those targets are not absolute limits and organizations can exceed those targets as long as they have the funding to cover the actions. Our understanding is that OIG did find that all sampled activity did have a certification or sign-off on the funds availability. If that is the case, there should be no compliance finding on this issue. With respect to compliance with the SMA control on grades 14 and 15, it appears that all sampled office activity was found to be in compliance with the exception of the Office of Administration, which would in effect be approving its' own requests. Under the circumstances, we see no substantive finding issues raised in this section of the draft report, and therefore no basis for the two recommended actions.

Comment 7**Comment 8****Comment 9**

Management Improvement Efforts

HUD management is currently focused on improving its existing workforce planning and hiring processes under an on-going business process reengineering (BPR) effort directed as one of Secretary Preston's Impact 200 Initiatives. Additionally, HUD's BPR is being performed in consideration of the new end-to-end hiring process standards mandated by the Office of Personnel Management's efforts to improve government-wide processes. In mapping the current "as is" HUD hiring processes, we have determined that there is a need to increase our focus on staff planning in advance of the fiscal year. With an improved staff planning process there will be streamlined execution processes which will improve the timing and quality of hiring actions and better assure a full execution of scarce annual resources levels for HUD's workforce. Given these on-going management improvement efforts, additional audit work on existing controls over the hiring process would not be beneficial to HUD management at this time.

If you have any questions on our comments, please feel free to contact James Martin, Deputy CFO, on (202) 402-3706 or Sharman Lancefield, Acting Deputy Assistant Secretary for Human Resource Management, on (202) 402-2268.

Attachment

Comment 10

HUD's CONSOLIDATED COMMENTS TO DRAFT AUDIT REPORT
Review of HUD's Management of Human Resources – Phase 2

Comment 11

| No. | Reference | Audit Report Statement | Comments |
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| 1 | Page 3, What they audited and why | OIG Indicated that their objectives were to determine the adequacy of HUD's staffing resources in meeting its program objectives, and whether HUD's offices used HUD's ReAP system when they had the ability to hire. | <p><u>HOUSING Comments:</u></p> <p>The OIG report expressly indicated that one of the purposes of their study was to see whether HUD used the REAP system when they had the ability to hire. Given some of the discussion that occurred at the Exit Conference, on 18 Sep 08, in which OIG indicated HUD clearly uses REAP, OIG should refine, or at the very least better define its purpose of the study.</p> |
| 2 | Page 3-4, What they found | OIG indicated that HUD (including Housing) lacked a valid basis for assessing its human resource needs, and allocating staff within its program offices. | <p><u>HOUSING Comments:</u></p> <p>Despite repeated attempts by the Office of Housing to provide information and data regarding our Workforce Analysis Management (WAM) Database system, that was being implemented by the Office of Housing to address its human resources needs, as well as assist in the allocation of its human resource requirements within the various sub-areas of the Office of Housing, OIG did not acknowledge it as evidenced by it not being mentioned in this draft report. At no time during the investigative phase did OIG formally acknowledge Housing's input. If it was not effective, they should have made a distinction in their report, rather than not discussing it at all. Instead, they simply lumped the Office of Housing in with the other areas that supposedly did not have a valid basis for assessing human resource needs, or allocating staff. If WAM was not valid, there should be some discussion as to why it was not valid?</p> |

Comment 12

Comment 13

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| | | | <p>We would like to point out further, that in addition to REAP/TEAM, the Department through the Office of Administration also undertook the Logistics Management Institute (LMI) study for resource needs and allocation in 2004, as well as the more recent Office of Administration system, which the Office of Housing is being required to implement in place of WAM. Additionally, the CFO instituted the Corrective Action Plan (CAP) system to guide human resource levels and allocations. In effect, the Department was undertaking various other human resource oversight efforts and applying other means of allocating human resources.</p> |
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Comment 14

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| 3 | Page 4, Under Recommendations, | OIG indicated that HUD's CFO should implement a plan indicating how HUD's program offices will use the REAP/TEAM systems to identify which areas need to be reassessed | <p><u>HOUSING Comments:</u></p> <p>If the OIG has had a change of direction with respect to exclusively utilizing REAP/TEAM as the means of identifying resource needs, then how come they have not mentioned that other systems for identifying human resource needs and allocations could be used to determine the need for a REAP refresh action?</p> |
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Comment 15

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| 4 | Thematically discussed throughout the draft report. | OIG indicates that HUD did not provide adequate documentation in support of its hiring decisions | <p><u>HOUSING Comments:</u></p> <p>The Office of Housing like many other organizations throughout the department identified numerous requirements for justifying its hiring requirements, as well as the allocation of its human resources. Many of these were dictated by the department under such requirements as, but not limited to: Subject Matter Expert review (SME review), Corrective Action Plan (CAP) initiative, direct response to appropriation or programmatic legislation. Each of these has a identifiable source, and reaction on the part of the Office of Housing to help justify its human resource</p> |
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Comment 16

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| | | | outcomes. The Office of Housing realized some hiring during the period 2000 through present day, so the documentation conditions associated with each of these mandates was sufficient to obtain additional staffing resources. |
| 5 | Page 6, second bullet, third sentence | “The Senior Vice President of Management Operations said that she believed the TEAM system was for time reporting since staff were required to enter their time during a two-week period quarterly. | <p>GNMA Comments:</p> <p>Should read “The Senior Vice President of Management Operations said that, “She believed TEAM is a time reporting method for verifying the anticipated time reflected in REAP in terms of how long it takes to perform specific functions. That staff are required to report on a regular schedule, which is done quarterly.”</p> <p>Mr. Frenz and Ms. Owens indicated that TEAM was not the only factor used in making funding decisions.</p> |
| 6 | Page 6, Finding 1 | HUD lacked a valid basis for assessing its human resource needs and allocation staff among its program offices. | <p>PIH Comments:</p> <p>REAP/TEAM is a system designed to assist HUD in aligning its human resources with its workload in meeting performance goals. The system can produce reports and analyses that show where workload and staffing are not in balance. The REAP module establishes work performance indicators and estimates the FTE required to accomplish the work and is useful for budget formulation. The TEAM component, on a quarterly basis, collects (for only a two-week period) work activity accomplished. OIG in its Draft Audit Report alleges that, “HUD lacked a valid basis for assessing its human resources needs and allocating staff within its program offices”. In particular the OIG states that the Team system was not utilized as a tool in determining human resource needs and allocating staff.</p> |

Comment 17

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| | | <p>Discussion:</p> <p>The first assertion by the OIG is that the program offices lacked documentation to support their assessment of human resources and staffing allocations. This allegation is not true. The program offices do properly assess and allocate staff. While a variety of measures are utilized by the different Program Offices, a review shows that all have common elements. Common thread across all program areas is that the use of REAP & TEAM as one of many tools available to support allocation decisions. The current appropriations process requires the Program Offices to maintain an accurate FTE tracking and forecast model. Each program office maintains that system and has received S&E training from the Office of the Chief Financial Officer (OCFO). At the beginning of the fiscal year personnel levels and locations are carefully justified utilizing REAP/TEAM data. The relatively few hiring opportunities that exist during the year are guided by the following factors:</p> <ul style="list-style-type: none">• Succession plans (including retirements and replacements)• Experience level of staff in various offices• Complexity of issues• Need to implement legislation (Asset Mgmt, Housing & CPD legislation)• National priorities – (Hurricane response, terrorism, foreclosure, PHA takeover)• Strategic and management plan• GAO and OIG Reports• WAM in Housing). |
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Comment 18

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| | | | <ul style="list-style-type: none">• TEAM Reports <p>The OIG failed to give proper weight to the full spectrum of information that goes into a hiring decision, despite repeatedly being briefed by all programs areas on the various factors used in making allocation decisions. In essence, OIG refused to accept the procedures used by program offices.</p> <p>Moreover, the OIG overemphasizes the use of TEAM data, and in particular, the "comparative index indicators" produced by the REAP/TEAM system (at one point calling such information "invaluable" in the report, Pg 9 3rd paragraph). A cursory review of the indexes shows that, at any given point in time, many organizational units or field offices are out of "range" for many workload items or for the entire office. All program offices agree that the usefulness of TEAM data in hiring decisions is minimal at best.</p> <p>A good example of how TEAM data can be misleading is the very example OIG uses (page 9, comparing the Minneapolis and Detroit PIH Field Offices) asserting additional staff should have gone to Detroit based on the comparative indices. However the Detroit Housing Authority, being in receivership, reduced greatly the oversight requirements of the Detroit Field Office and negated any need for additional staff there. The fact is that there are far more considerations and restraints on the hiring process than the OIG recognizes. All of the program office repeatedly tried to educate the OIG on why program areas do not exclusively using TEAM data in a making</p> |
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Comment 21

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| | | | allocation decisions. |
| 7 | Page 6-7, Program Offices Lacked Documentation to Support their Assessment of Human Resources and Staffing Allocations | <p>The Office of Fair Housing and Equal Opportunity based its hiring and placement of staff on its ability to fill critical positions, attrition, and its staffing plan requirements. Its management staff said that they used TEAM for budgeting purposes only. For the allocation of staff, the office used 10-year studies performed by HUD's Office of Policy Development and Research along with studies from outside contractors, demographics, performance goals, work volume, and complaints. According to the Deputy Assistant Secretary for Operations and Management, the office's REAP data were outdated and the system was not a useful tool for hiring</p> | <p>FHEO Comments:</p> <p>Technically, the presentation here is accurate though the statement regarding the use of TEAM for budgeting purposes only is not entirely consistent with information FHEO sent to the OIG on May 20th which follows immediately below:</p> <ul style="list-style-type: none"> • FHEO's FTE allocation decisions are based upon the following: <ul style="list-style-type: none"> ○ Analysis of the REAP tables, a major component of the Salaries and Expenses section of HUD's performance budget, at least three times each year as a part of the budget formulation process. ○ Salaries and Expenses funding levels; ○ Analysis of actual TEAM workload data; and ○ Data/information from program management (i.e., TEAPOTS data, HQ/field performance, etc.) • FHEO utilizes the following TEAM reports: <ul style="list-style-type: none"> ○ TEAM Productivity reports; ○ TEAM workload count reports; ○ TEAM FTE Allocation Module |

Comment 22

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| | | assessment and the placement of staff within its field offices. As of August 2008, the office was in the process of updating fields to capture current workload information. Further, some employees did not report all of their time in the TEAM system. | <ul style="list-style-type: none"> Overall, FHEO utilizes data from TEAM reports and other program management tools to assist in the development of short and long term performance goals, identification of locations with apparently high/low productivity, and allocation of human and fiscal resources.” |
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Comment 23

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| 8 | Page 9, fourth paragraph, second sentence | However, management staff from the Government National Mortgage Association informed us that they had not received recent training. | <p>GNMA Comments:</p> <p>Should read “Ms. Owens indicated that all Ginnie Mae staff had been trained on TEAM, but I was not aware of any recent training and recommended that the investigators contact Charles Brandt and Garland Reid. She further indicated, when further questioned about the frequency of training that the TEAM reporting system was fairly easy to utilize and was not aware of any major changes which would require major retraining.</p> |
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Comment 24

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| 9 | Page 9, Recommendation, 1A | Implement a plan detailing how HUD’s program offices will use REAP and TEAM for estimating and allocating staff resources to ensure that HUD meets GPRA requirements: | <p>CFO Comments:</p> <p>This finding should be dropped because, as explained above, use of REAP/TEAM data is designed for budget formulation/estimation. Use of REAP/TEAM data is optional for budget execution. The Office of Budget provided the IG with numerous documents including graphs, tables, which demonstrate how the Department uses REAP/TEAM data for budget formulation/estimation.</p> <p>In the audit, the OIG acknowledges that REAP/TEAM</p> |
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Comment 25

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| | | | data is used in the budget formulation process and is one of many variables used in the budget execution process. There is no need for a plan since REAP/TEAM is being utilized as the National Academy of Public Administration (NAPA) expected. |
| 10 | Page 10, Recommendation, 1B | Determine the applicable program offices that need to be reassessed and ensure that the appropriate action is taken to complete this task: | <p>CFO Comments:</p> <p>CFO led Department-wide REAP studies in 2000-2001 and 2003-2004. Due to funding and time constraints, the CFO no longer conducts Department-wide REAP studies every two to three years. Rather, the CFO conducts studies on demand based on major changes in the program areas (e.g., new programs/legislation, major re-organizations, GAO/IG reports).</p> <p>We recommend that the finding be re-worded to:</p> <p><i>Publish criteria for the re-REAPing of offices on the HUDweb. Provide on demand REAP studies, pending funding availability. Reviews REAP/TEAM and other data to identify Program Areas and programs which are candidates for re-Reaping and recommend studies to the affected Program Areas.</i></p> |
| 11 | Page 10, Recommendation, 1C | Continue providing training for HUD's applicable program offices on how to use the TEAM system's various modules. | <p>CFO Comments:</p> <p>This finding should be dropped because, over the last few years, there has been a substantial amount of training on REAP/TEAM. Hundreds of HUD employees have been trained on REAP/TEAM, both in house and via webcasts. To date, eight formal training sessions have been held (two sessions in FY 08).</p> |

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| | | | <p>Training sessions were provided to HUD program directors, managers, administrative officers, budget officers and other responsible support personnel. These sessions provided the necessary management tools and perspectives to assume control of major fiscal responsibilities, enhance Program Areas' understanding of what TEAM is and how it works and showed them how to retrieve, understand and use TEAM data so that they could more effectively manage and allocate their staff resources.</p> <p>With the passage of the FY 2008 Appropriation, which created nine (9) separate S&E accounts, the Salaries & Expenses/Resource Management Training was given in March 2008. This training identified the specifics of the new structure and highlighted tools available to assist in the management of funding and FTE.</p> <p>Some of the training is posted on the HUDweb and the S&E Resource Management Training will be posted on the HUDweb in FY2009.</p> <p>Evaluations from the participants of each session were positive.</p> |
| 12 | Page 10, Recommendation, 1D | Obtain feedback from the Office of Fair Housing and Equal Opportunity regarding the pilot of the TEAM system's allocation module. | <p><u>CFO Comments:</u></p> <p>Feedback was obtained from the Office of Fair Housing and Equal Opportunity (FHEO) on the TEAM Allocation Pilot. The primary source of feedback was a briefing provided to FHEO on March 26, 2007 in which the lessons learned from the pilot was discussed. (A copy of the briefing presentation and a write-up of the</p> |

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| | | | <p>lessons learned are attached.) Any changes requested by FHEO as part of the briefing or through the lessons-learned write-up were made to the Allocation Module.</p> <p>The Allocation Module is fully operational and ready for implementation. However, its use by the program areas is optional. In FY 2009, the CFO will develop Computer Based Training (CBT) to assist the program areas in implementing the TEAM Allocation Module.</p> <p>We recommend that this finding be changed to:</p> <p><i>Develop Computer Based Training (CBT) to assist Program Areas in implementing Allocation Module.</i></p> |
| 13 | General Comments | | <p><u>CFO Comments:</u></p> <p>The OIG has a fundamental misconception of the REAP/TEAM process. The use of REAP/TEAM is mandatory for Budget formulation/estimation. REAP/TEAM is optional for budget execution. This is particularly true for the internal distribution of FTE where the program areas need to take into account other variables besides REAP/TEAM data. It was never envisioned that REAP/TEAM data would be the sole factor used in distributing FTE within Headquarters and the Field.</p> |
| 14 | Page 11, Finding 2 | HUD Program Offices Lacked Adequate Documentation to Support Their Hiring Practices. | <p><u>PIH Comments:</u></p> <p>This allegation is also not true. CFO has the lead on this initiative for the Department. As stated above, CFO requires that each program office maintains that system and has given each program office S&E training.</p> |

Comment 30

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| | | <p>Moreover, the Department has required all program budget offices to incorporate REAP/TEAM data into their annual budget justifications. Finally, HUD currently engages in an agency wide validation process called TEAM on a quarterly basis for two weeks.</p> <p>The Department is undergoing rapid change due to a variety of factors all of which can not be factored into TEAM. A good example of a statutory requirement with staffing implications where decisions must be quickly made and TEAM data is of little use is the Housing and Economic Recovery Act of 2008 which had a mandatory start-up date of October 1, 2008 for the FHA. Other examples are:</p> <ul style="list-style-type: none">• Disaster Response (PIH & CPD)• Housing Crisis (FHA & CPD) Housing Recovery Act of 2008• Asset Management (PIH)• Increased FHA Activity (FHA & GNMA) <p>Conclusion: All programs office agree that REAP indicators can be out of date with current requirements and needs. For example, in PIH, the workload indicators for the Field do not reflect some of the tasks the field is currently doing and those that are increasing such as in Asset Management. Workload, such as in the new roles PIH and CPD have in disaster management and Housing has experienced to respond to the foreclosure crisis were not even known as of the last REAP study. Conducting updated REAP studies is helpful but the results may still be "behind the curve" as workload changes more rapidly in today's policy climate.</p> |
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| 15 | Page 12, HUD's Program Offices Not in Full Compliance with HUD's Hiring Control Procedures | Five of the seven program offices reviewed (Offices of Departmental Management, Administration, Community Planning and Development, Fair Housing and Equal Opportunity, and Housing) did not fully comply with HUD's hiring control procedures during fiscal year 2007...All five failed to provide adequate documentation supporting the certification of the availability of funds and full-time equivalents. | <p>FHEO Comments:</p> <ul style="list-style-type: none"> • FHEO provided documentation on several occasions to support the hires during pay periods 12 and 13 which were comprised primarily of summer hires. FHEO explained that summer employees are not typical hires, so FHEO utilized its Budget Division's FTE and funding analysis to support these hiring decisions. Therefore, Senior Management Approval (SMA) forms were not completed for this group of employees. Specifically: <ul style="list-style-type: none"> ○ On December 14, 2007, FHEO faxed OIG copies of e-mails and personnel action routing and transmittal slips, which show approvals of the summer hires; and ○ On May 20, 2008, FHEO sent OIG, via e-mail, FHEO's FTE projection spreadsheet and Program Area Dollar Detail Report that was used to determine the availability of FTEs and funding to support the hires during pay periods 12 and 13. |
| 16 | Page 14, Recommendation, 2A | OIG indicated that HUD's Assistant Secretary for Administration implement adequate procedures and controls to ensure that HUD's program offices comply with its hiring control procedures. | <p>ADMIN Comments:</p> <p>The Assistant Secretary for Administration is HUD's Human Capital Officer, as well as the Senior Management Official of the Office of Administration (Admin). In his role as the HUD Human Capital Officer, guidance and procedures for FY2007 hiring controls were issued which provided guidance that stated: "vacancies with a full performance level of GS-</p> |

Comment 33

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| | | <p>14 or GS-15 will require advance Senior Management Approval (SMA) by the Assistant Secretary for Administration or designee, before either an external or internal recruitment can be initiated (source: Fiscal Year 2007 Hiring Control Procedures, dated December 19, 2006).</p> <p>Program offices throughout the Department submitted written SMA approval to the Assistant Secretary for Administration. Within the Office of Administration, the Assistant Secretary was provided with a bi-weekly report that tracked Full Time Equivalent (FTE) usage and availability. He was advised of FTE and budget availability via Attachments A and B (FY2007 Full Time Equivalent Estimate and the Office of Administration's status of funds report for May 22nd and May 26th, 2007, respectively). These reports reflect the available balance in the Office of Administration's personal services account (\$7,086,316), as compared to the number of FTE that were available to be filled. These documents, which are updated biweekly, inform the Assistant Secretary for Administration of the number of FTE available to fill, as well as the overall financial status of the Office of Administration.</p> <p>During meetings to determine the number of positions that could be filled within Admin, the Assistant Secretary was provided with a list of vacancies throughout the organization that were requested to be filled. All positions at the GS-14/15 level in the Office of Administration were approved by the Assistant Secretary. When verbal approval was given, documentation was placed in the file to reflect the</p> |
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Comment 34

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| | | <p>decision made as of a specific date. All decisions were based on the Resource Estimation and Allocation Process (REAP), the basis for the formulated budget for the Office of Administration. After the Administrative Officer was told which positions had been approved by the Assistant Secretary, then Admin organizations were notified in writing of those positions that had been approved by the Assistant Secretary.</p> <p>As the Human Capital Officer for HUD, the Assistant Secretary for Administration received regular briefings from the Office of Human Resources on the status of HUD recruitments, including all positions requested to be filled at the GS-14 or GS-15 level. The Office of Human Resources constantly communicated with the Office of the Chief Financial Officer (OCFO) to ensure that before staff was hired, that each action was within the approved FTE level for the requesting program office. This provided a second check to ensure that adequate hiring controls were in place to avoid an Anti-Deficiency Act (ADA) violation.</p> <p>Beginning with Quarter 4 of FY2008, the Department's hiring procedures changed. Each Assistant Secretary provided a certified list of positions approved for hiring during the quarter. These lists were reviewed and approved by OHR, as well as the OCFO/Budget Office. After approval, the hiring process proceeded without further steps, including SMA. This change, instituted as one of the Secretary's Impact 200 initiatives, provides written certification by each Assistant Secretary of the positions that each office is filling. The intent is to move away from transactional approvals and to review/approve at the staffing plan level.</p> |
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Comment 36

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| <p>17</p> | <p>Page 14, Recommendations, 2B</p> | <p>OIG indicated that HUD's Assistant Secretary for Administration reconcile discrepancies between HUD's Integrated Human Resources and Training System and the National Finance Center database to ensure that they contain accurate information.</p> | <p>ADMIN Comments:</p> <p>The reconciliation of discrepancies between HUD's Integrated Human Resources and Training System (HIHRTS) and the National Finance Center (NFC) database to ensure that they contain accurate information is a process that will be made easier in FY2009.</p> <p>On October 3, 2008, the U.S. Department of the Treasury will release a new Mismatch Report that will compare the two tables of actions processed within the pay period. The report will highlight the mismatches between HIHRTS and NFC. Using this report as a tool, these mismatches may be researched and corrected. This report is a major payroll interface tool used to reconcile differences between HIHRTS and NFC databases.</p> <p>The Office of Human Resources will ensure that the reconciliation is completed by Human Resources Specialists on a timely basis as currently measured by a performance element to the annual performance appraisal of affected employees (Attachment C).</p> <p>While this system enhancement will make it easier to process corrections, OHR has emphasized the importance of data quality and required reconciliation between HIHRTS and NFC as a critical aspect of conducting HR business. Standard operating procedures were developed to require reconciliation between NFC & HIHRTS (Attachment D). In addition, the critical elements of HR's Specialists will</p> |
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| | | | continue to measure compliance with the requirement for data quality (Attachment C). |
| 18 | In the Meeting Read-Ahead Office of Community Planning & Development, My 7, 2008, 1 st sentence under Additional Data & Documentation Requested Update | If the Office of Community Planning & Development had certified the availability of funds and FTEs for all the hires made during pay periods 11 and 12 of Fiscal Year 2007, then please provide the audit team with copies of such certifications in a <u>format that can be identified and reconciled.</u> | <p><u>CPD Comments:</u></p> <p>A chart of new hires for pay periods 11 and 12 in FY2007 is attached. The chart is accompanied by the corresponding SF-52 or power recruit initiated to recruit for each new hire. Please note that actions could not be found for 2 summer hires: Patrick Manion and Brian Pickett. We can only surmise that, although, CPD had their names on record pending appointment, these 2 did not report for duty. Regarding summer hires, also attached is a memorandum, dated May 4, 2007, from the Deputy Secretary to Principal Staff authorizing program offices to initiate actions for summer hires. During FY2007, CPD did not obtain budget certification for each individual summer hire as the hires were paid from one central fund used by all program offices. CPD's HR Branch and Budget Division closely monitored the number of students hired to ensure that CPD did not exceed the number of student hires covered in our 2007 hiring plan (i.e., 20). In the future, CPD will ensure that all hiring actions (summer or otherwise) have the proper budget certification.</p> |

Comment 38

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| 19 | In the Meeting Read-Ahead, under the "Additional Data & Documentation Requested, 2 nd sentence | A list of names of the number of staff hired during pay period 11 (5/27/2007 - 6/9/2007) and pay period 12 (6/10/2007 - 6/23/2007) of Fiscal Year 2007, and if possible include the date of hire, position, geographic location of hire, and grade level at time of hire. | <u>CPD Comments:</u> Information provided in chart referenced in the above comment. (Attached) |
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Comment 39

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| 20 | In the Meeting Read-Ahead, under the "Additional Data & Documentation Requested, 3 rd sentence | Copies of the Office of Community Planning & Development's staffing plans for Fiscal Years 2005 & 2006. | <u>CPD Comments:</u> The staffing plan for Fiscal Year 2006 is attached. CPD is searching its files for a copy of the 2005 plan. A copy will be provided when the document is found. A list of CPD's 2005 new hires is substituted for the 2005 staffing plan as the new hires list generally includes those jobs on the staffing plan to be filled during the fiscal year. (Documents attached) |
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| 21 | In the Meeting Read-Ahead, under the "Additional Data & Documentation Requested, 4 th sentence | If applicable, copies of the analysis performed in determining which geographical locations to hire staff for. | <u>CPD Comments:</u> A Fair Share Model is used by CPD's Office of Field Management as an aide in determining Field staffing needs. The Fair Share Model is a "snapshot in time". It is used in conjunction with information on office workload and attrition to decide where staffing will occur. (Fair Share Model chart attached) |
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Comment 41

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| 22 | General Comments | Additional Information on the Process Used By Ginnie Mae to Fill Vacancies | <p><u>GNMA Comments:</u></p> <p>Ginnie Mae is a small organization with a staffing ceiling of 69 FTE. However, without sufficient funding to cover all 69 FTEs approved, we currently can only fund 62 positions, which are currently filled. Like other organizations within the Department, Ginnie Mae has an approved organizational structure, which includes an approved number of positions by organization. While these numbers correspond to the REAP numbers for performing these functions, the actual staff assigned to any sub-organization have varied, as historically, the fiscal year approved staffing levels have never equaled the levels identified in the REAP reports.</p> <p>The following procedures are followed in filling vacancies within Ginnie Mae, although not formally documented:</p> <ul style="list-style-type: none"> • The Ginnie Mae senior program/operational manager with a vacancy makes a request to the Executive Vice President to allow the pending/existing vacant position to be filled. • The EVP consults with the SVP for Management Operations and Finance, as well as the Administrative Officer, to determine if there are any known additional personnel actions pending or anticipated, the availability of funds to backfill the position, what impact does/will current market conditions/activity have on the enterprise organization's workload, and what grade level was required to fill the vacancy given both outstanding operational, budget and Departmental objectives. |
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| | | <ul style="list-style-type: none"> • The Administrative Officer prepares a report from the CAPS system (put into place by HUD CFO office – See Charles Brandt) to determine the costs for filling the vacancy and consults with the SPV for Management Operations and Finance in making a recommendation to the EVP on the availability of funds. • A recommendation is made by the SVP for Management Operations to the EVP for filling the position and he is provided all available information used to make the recommendation. • The EVP considers all facts provided him and makes a decision and advises the Administrative Officer to either proceed with preparing the appropriate paperwork to fill the vacancy, or advises the senior manager that his/her request will not be honored at that time. • The Administrative Officer prepares the appropriate documentation required to submit to OHR to fill the vacancy, including verification that the position is included on the annual staffing plan submitted to Headquarters, and that there are sufficient funds to pay for the position. <p>Starting in FY 2008 all funds were appropriated by program area. Prior to FY 2008 each organization received a FTE number. In order for Ginnie Mae to fill a vacancy the following information had to be provided to OHR:</p> <ul style="list-style-type: none"> • Staffing Plan which contained the organization positions by title, grade and series |
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Comment 42

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| | | <ul style="list-style-type: none">• Whether the position was within the organization's FTE authorization• Whether the position was on the within REAP• Justification for filling the position <p>A copy of the FY 2007 Staffing Plan and a sample justification are attached, as well as a chart that shows what attritions and hiring occurred during FY '07, which clearly reflects that the only hiring that was accomplished was for positions for which Ginnie Mae had FTE and REAP authorization (existing positions). In FY 2008 we only received funding to cover the staff on board. We were unable to fill any vacancies or hire up to the anticipated FTE level (69). Accordingly, the only positions we have filled in FY 2008 to date have been for the President and a Senior Advisor to the President, a Presidential Appointee and a Schedule C position respectively. The filling of these positions was only possible as a result of unexpected attrition. It is important to note that these positions were indeed on the Staffing Plan in FY 07 and FY 08.</p> <p>In FY 2009, Ginnie Mae will more formally document all human capital decisions made across the enterprise.</p> |
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Comment 43

9/26/2008

OIG's Evaluation of Auditee Comments

- Comment 1** We do not believe that a re-issuance of the discussion draft report is needed since HUD's comments did not materially affect the overall findings reported in our discussion draft audit report. Based upon HUD's comments, we adjusted this audit report, as necessary.
- Comment 2** HUD contends the first audit objective, which states "to determine the adequacy of HUD's staffing resources in meeting its program objectives" was not addressed in the draft report and did not appear to be addressed in the underlying audit work. We disagree. In assessing the adequacy of HUD's human resources, an evaluation of whether HUD makes the best use of its available resources should be determined. In the management of human capital, HUD should assess whether it is using its human resources efficiently and whether it properly aligned within the organization in regards to meeting the various program offices' objectives. Therefore, the audit findings, in particular finding 1 reported that HUD's program offices were unable to support their staffing allocation decisions, which is one of the factors that could possibly affect whether a program office can sufficiently accomplish its program objectives. Further, determining whether its human resources were properly aligned and adequately assessing staffing needs within the organization would assist HUD in determining: (1) if additional staff is needed and if so, (2) where they are needed the most. Therefore, we did not adjust our audit objectives. Additionally, one of the requirements of GPRA is that HUD determines the resources needed to meet its program objectives. Therefore, assessing the alignment of staff and properly analyzing hiring decisions are components of the management of human capital.
- Comment 3** HUD contends that the conclusion reached in finding 2, which states to determine whether HUD's offices used HUD's REAP studies when they had the ability to hire, was inconsistent and off-base since there appeared to be a failure to recognize the factors other than REAP studies that affect staffing and hiring decisions. We disagree. One of our audit objectives was to determine whether HUD's program offices used the REAP studies when they had the ability to hire. We reported that HUD's program offices did use the REAP studies in regards to the determination of full-time equivalents when they had the ability to hire, but lacked adequate documentation to support their hiring practices. For example, five of the program offices reviewed did not provide evidence that prior certification of full-time equivalents and/or funding available was performed before hiring staff. Further, one program office did not provide evidence that senior management approval was obtained prior to filling grade 14 and/or 15 staff positions. We took into consideration all factors that were presented to us during our audit and appropriately determined that HUD's program offices, when compared to the REAP baselines, were under their total recommended full-time equivalents for the fiscal years reviewed.

Comment 4 HUD disagreed with the discussion draft audit finding. It stated that finding 1, which states “HUD Lacked a Valid Basis for Assessing Its Human Resource Needs and Allocating Staff Among Its Program Offices”, contradicts finding 2 since it concludes that the Office of the Chief Financial Officer and program offices did use REAP information in allocating full-time equivalent staff resources in supporting hiring decisions. We do not agree. The audit report did not state “...in allocating full-time equivalent”, but instead reported “...in determining full-time equivalents”. REAP is the baseline for determining the full-time equivalents. However, the TEAM system substantiates or validates REAP. Therefore, it is possible to use REAP studies when program offices have the ability to hire, but not consider the information in which TEAM is reporting, especially if it contradicts or produces information that shows that REAP is no longer useful. For example, if the total unit costs of workload codes for a particular program office consistently exceed the expected unit costs reported in the REAP studies, then the REAP studies for that office may need revisiting or management needs to intervene to determine the underlying cause for discrepancies.

Additionally, finding 1 did not exclusively focus on REAP. In fact, finding 1 did not even mention the REAP studies. We requested that the selected program offices explain the methodology they used in assessing human resource needs and for allocating staffing resources, then provide documentation to support the methodology. We did not specifically inquire about whether the program offices used REAP or TEAM in making its staffing decisions. As explained by the Office of the Chief Financial Officer, REAP and TEAM are a resource management tool; therefore, we did not imply in our audit report that the program offices must use REAP and TEAM. However, we would like to point out that HUD reported in its annual performance and strategic management plans that it uses TEAM to assess human resources needs and for making hiring decisions.

Comment 5 HUD contends that the four recommendations associated with finding 1 are unnecessary. We do not agree. Recommendation 1A was suggested because HUD reported in its annual performance and strategic management plans that it uses TEAM to assess human resource needs and in making hiring decisions. If this is the case, then HUD should implement a plan on how each program office will incorporate the systems in their planning/staffing processes. Recommendation 1B was suggested because in reviewing the TEAM reports, we identified program offices in which comparative indexes reported 999* or were outside acceptable ranges for all reported work codes. Therefore, in accordance with the TEAM handbook, when program offices indexes are not within acceptable ranges, it requires management to assess the issues and make a determination if the offices need to be “re-reaped”. Finally, in interviews with the program offices it was mentioned on more than one occasion that the REAP baseline data was not current. We suggested recommendation 1C because in order for a system to be useful, it requires a commitment from the program offices and a thorough understanding of how it can assist them in making decisions that affects HUD as a whole. We suggested recommendation 1D based on discussions with the team that participated

in the allocation module pilot. Therefore, we do not believe that the recommendations associated with finding 1 are unnecessary.

Comment 6 We disagree that we misinterpreted HUD’s compliance requirements with the Hiring Control Procedures and that HUD’s compliance requirements only require a certification of the availability of funding for a hiring action and not a certification of full-time equivalents. Page 1, paragraph 2, of HUD’s Memorandum for Principal Staff from the Assistant Secretary for Administration regarding HUD’s fiscal year 2007 Hiring Control Procedures Revision, dated April 5, 2007, states that “documentation must be retained, certifying the availability of funds and full-time equivalents”. Further, to ensure that we were interpreting the Hiring Control Procedures guidance in the manner in which it was intended, we obtained written guidance and clarification from HUD’s former Deputy Assistant Secretary for Human Resource Management during the audit. Additionally, as pointed out in this report, two of the seven HUD offices reviewed provided adequate documentation of the certification of funds and full-time equivalents for the hires made during the pay periods reviewed in accordance with such procedures.

Comment 7 HUD contends that its program offices can exceed the full-time equivalent targets as long as they have the funding to cover the hiring actions. However, page 1, paragraph 1, of HUD’s Memorandum for Principal Staff from the Assistant Secretary for Administration regarding HUD’s fiscal year 2007 Hiring Control Procedures Revision, dated April 5, 2007, allow for a program office to hire staff when over its full-time equivalent ceiling if the office obtains prior approval. Further, the written response from the former Deputy Assistant Secretary for Human Resource Management mentions that over-ceiling offices can hire if they had an urgent requirement to backfill a vacancy, but they are required to comply with approval requirements. However, this situation does not negate the requirement for certifying the availability of full-time equivalents for other hires as called for in the Hiring Control Procedures and as reinforced by the former Deputy Assistant Secretary for Human Resource Management’s written clarification on interpreting the Hiring Control Procedures.

Comment 8 HUD contends its understanding was that all our sampled activity had a certification or sign-off on the funds availability. This understanding is not correct. All sampled activity did not contain certifications or sign-offs of funding availability. For example, in lieu of obtaining a certification or sign-off on the funds availability for some hires, some program offices provided spreadsheets, system printouts, and other documentation sustaining that at the end of fiscal year 2007 the program office had funds available and/or had not exceeded its available funds during the fiscal year. However, the provided information did not constitute a “certification” as called for under HUD’s hiring control procedures. The provided documentation either was not dated or contained a date after the hire in question was made; thereby, providing no assurance or support that an analysis was performed before the hiring decision was made that funds were available. The hiring control procedures require that the program offices maintain documentation

certifying the availability of funds and full-time equivalents, which was reinforced by the former Deputy Assistant Secretary for Human Resource Management's written clarification on interpreting the hiring control procedures. We asked the former Deputy Assistant Secretary whether the documentation that must be retained certifying the availability of funds and full-time equivalents be dated at or before the date of hire. The former Deputy Assistant Secretary responded in writing that "Yes. Program offices were requested to certify funds and full-time equivalent availability before submitting recruitment requests to Office of Human Resources." The former Deputy Assistant Secretary for Human Resources had specifically underlined the word "before" in her written response. Further, the comment that it was HUD's understanding that the "OIG did find that all sampled activity did have a certification or sign-off on the funds availability" is contrary to other comments made by HUD in response to our discussion draft audit report. For example, in comment 37, the Office of Community Planning and Development stated, "During fiscal year 2007, the Office of Community Planning and Development did not obtain budget certification for each individual summer hire as the hires were paid from one central fund used by all program offices. The Office's Human Resource Branch and Budget Division closely monitored the number of students hired to ensure that Office did not exceed the number of student hires covered in our 2007 hiring plan (i.e. 20). In the future, the Office will ensure that all hiring actions (summer or otherwise) have the proper budget certification."

HUD contends that "with respect to compliance with the senior management approval control on grades 14 and 15, it appears that all sampled office activity was found to be in compliance with the exception of the Office of Administration, which would in effect be approving its' own requests." We agree with this statement. HUD's Memorandum for Principal Staff from the Assistant Secretary for Administration regarding HUD's fiscal year 2007 Hiring Control Procedures Revision, dated April 5, 2007, states that "The filling of all (the word all is underlined in the memorandum) vacancies with a full performance level of general schedule 14 or 15 staff positions requires advance senior management approval. This review is applicable to internal and external recruitment actions. The Assistant Secretary for Administration or designee will retain senior management approval authority for supervisory and managerial positions. However, requests to fill non-supervisory positions with a full performance level of general schedule 14 or 15 must be submitted to the Deputy Secretary for approval."

According to the written statements provided by HUD's former Deputy Assistant Secretary for Human Resource Management, approvals must be in writing. Thus, the Office of Administration was unable to provide us with any documentation showing that it obtained the appropriate written senior management approval for its hires at grades 14 and 15.

Comment 9 We disagree with the comment that "under the circumstances, we see no substantive finding issues raised in this section of the draft report, and therefore no basis for the two recommended actions". Recommendation 1A was suggested due to the

program offices' noncompliance to the hiring control procedures that were in place during our audit period. Recommendation 1B was suggested because of the difficulty the program offices had in providing accurate information and the identified discrepancies between HUD's Integrated Human Resources and Training System, the National Finance Center's database, and the documentation provided by the program offices. Therefore, the recommendations are substantiated.

Comment 10 We commend HUD on its commitment to on-going management improvement efforts, such as the ones described in its comments regarding improving its existing workforce planning and hiring processes. We furthermore understand the challenges that HUD faces, especially at this pivotal time. However, our discussion draft report addressed HUD's hiring and its methodology for allocating staff. HUD should consider this information as it works on improving its existing workforce planning and hiring processes.

Comment 11 The Office of Housing suggested that we refine or at least better define our purpose of the study in reference to whether HUD used the REAP system when they had the ability to hire. We do not agree. The discussion draft report stated that HUD uses REAP as a baseline in determining full-time equivalents and overall compared to the REAP baselines the program offices were under their recommend full-time equivalents for the fiscal year reviewed.

Comment 12 The Office of Housing contends that despite repeated attempts by them to provide information and data regarding their Workforce Analysis Management Database system, we did not acknowledge it as being evidence by not mentioning it in our discussion draft audit report. We do not agree with this statement. The Workforce Analysis Management Database system, which has a succession-planning component, was presented to us by the Office of Housing to address the audit finding reported during our phase 1 audit of HUD's Management of Human Resources. Additionally, in considering this documentation as support for finding 1, we would asked whether all of its hiring and staffing decisions were due to attrition. The Office of Housing did not provide names of staff or any other documentation for us to make this determination.

Comment 13 The Office of Housing contends that in addition to REAP and TEAM, HUD through the Office of Administration undertook the Logistics Management Institute study for resource needs and allocation. It also uses the Office of Administration system that is currently being implemented to replace the Workforce Analysis Management system and the Corrective Action Plan system to guide human resource levels and allocations. Although the Office of Housing mentions using other systems or studies to assist them with allocating human resources, the Office of Housing failed to provide documentation from the previously mentioned systems or study even though we requested any information/documentation from the Office of Housing on more than one occasion. Further, our written documentation requests to the various program offices did not indicate that it should only use REAP and TEAM. Our requests were open ended to include any

documentation/information the program offices used to support their staffing allocations and human resources assessments.

- Comment 14** The Office of Housing contends we indicated that REAP and TEAM should be used exclusively as the means of identifying resource needs. We do not agree. There is no mention in our discussion draft audit report or this final audit report that indicates REAP and TEAM should be used exclusively. We requested that the Office of Housing explain how it assess its human resource needs and allocates staff, then provide documentation showing how its methodology was used for actual hires. We did not receive any documentation to illustrate its staffing assessment. Further, HUD itself reported that it uses TEAM in assessing human resource needs and for making hiring determinations as reported in its annual performance and strategic management plans.
- Comment 15** The Office of Housing contends that similar to many other organizations throughout the department identified numerous requirements for justifying its hiring requirements, as well as the allocation of its human resources. We do not agree with this statement. We determined that the Office of Housing provided inadequate certifications of the availability of funds and full-time equivalents. Additionally, it did not provide documentation to support its analyses in which it stated it performed. The Office of Housing contends that its allocation and hiring decisions were dictated by requirements such as, subject matter review, corrective action plan initiatives, and direct responses to appropriation or programmatic legislation. Although this may be true, we did not receive any documentation.
- Comment 16** Based on documentation provided (see comment 41), we removed the reference to the Government National Mortgage Association in regards to its assessment of human resource needs from this audit report.
- Comment 17** The Office of Public and Indian Housing contends that where we reported that the program offices lacked documentation to support their assessment of human resources and staffing allocations is not true. We do not agree. The documentation received was inadequate in determining the assessment of human resources and staffing allocations. For instance, the Office of Public and Indian Housing did not identify the staff and/or positions in which an analysis was performed, the actual assessment, or provide documentation to determine why positions were filled before others.
- Comment 18** The Office of Public and Indian Housing contends that we failed to give proper weight to the full spectrum of information that goes into a hiring decision despite repeatedly being briefed by all program areas. We do not agree. We acknowledged being briefed by the Office of Public and Indian Housing on several occasions regarding the information that goes into a hiring decision. However, when we requested documentation to support its analyses of the full spectrum of information, it did not provide the documentation.

Comment 19 The Office of Public and Indian Housing contends we overemphasized the use of TEAM data, in particular, the “comparative index indicators” produced by the REAP and TEAM systems. We do not agree. We had several meetings with the office’s staff to obtain an understanding of its processes regarding hiring and the allocation of staff geographically. Even though the office was able to provide us with a thorough understanding of how they allocate staff geographically, the basis for the allocations, and the person responsible for these decisions, the office failed to provide documentation detailing the analysis of these processes. In regards to the audit report mentioning the comparative indexes, it was mentioned only as a consideration. The program offices have a tool that could possibly assist them with assessing their human resource needs since three of the five offices reviewed were unable to provide documentation to show whether they assessed their human resource needs among their field offices. The office also contends that all program offices agree that the usefulness of the TEAM data in hiring is minimal at best. We would like to point out that HUD stated in its annual performance and strategic management plans that it uses TEAM to make hiring decisions.

Comment 20 The Office of Public and Indian Housing contends that a good example of how TEAM data can be misleading is the very example we used on page 9 of our discussion draft audit report, specifically, our comparison of the Minneapolis and Detroit Field Offices of Public Housing. We do not agree. Our audit report stated that there are other factors that must be considered. Additionally, the TEAM system workload data should be maintained and updated regularly to keep abreast of changing workload requirements. If this was not being done on a regular basis as required, then the information from the system would be useless and not assist HUD in meeting its GPRA requirements.

Comment 21 The Office of Fair Housing and Equal Opportunity contends that technically our presentation was accurate though the statement regarding the use of TEAM for budgeting purposes only was not entirely consistent with documentation that previously provided. A management staff member for the office during one of our interviews made the statement in question about the Office of Fair Housing and Equal Opportunity’s use of TEAM. Nevertheless, we re-reviewed the documentation that the Office of Fair Housing and Equal Opportunity provided on May 20, 2008, and to which is referred to in the comments. The following documentation was provided to the audit team on May 20, 2008: (1) A full-time equivalent projection table, (2) a dollar report table showing funds, and a (3) fiscal year 2006 staffing plan. However, the office did not provide TEAM reports, its analysis of TEAM workload data, and any information from its TEAPOTS system or headquarters/field performance documentation as it mentions in its written comments to our discussion draft audit report. The office also acknowledged that it used data from TEAM reports and other program management tools to assist in the development of short-term and long-term performance goals, identification of location with apparently high/low productivity, and allocation of human and fiscal resources. Although the office may perform this assessment using the various

resources previously mentioned, it did not provide us with any analyses performed on its human resources.

Comment 22 We commend the Office of Fair Housing and Equal Opportunity for utilizing data from TEAM reports and other program management tools to assist in the development of short-term and long-term performance goals, identification of locations with apparently high/low productivity, and allocation of human resources. The office also acknowledged that it used data from TEAM reports and other program management tools to assist in the development of performance goals, identification of location with apparently high/low productively, and allocation of human resources. Although it may perform this assessment using the various resources previously mentioned, the Office did not provide us with any analyses performed on its human resources.

Comment 23 The Office of Government National Mortgage Association requested that we rephrase a sentence from our report regarding training, in which we quoted an interview that was held with an Office of Government National Mortgage Association staff member. We agree to revise the statement in the audit report since the requested statement does not result in a change to the overall meaning. We note that additional conversations were held with a different Office of Government National Mortgage Association staff member, in which the staff member also said that no recent training had been received on the TEAM system. Finally, although the Office of Government National Mortgage Association attributed the quote to a specific individual, which we agree that this individual also mentioned training, it is the policy of the OIG not to identify individuals by name in its audit reports.

Comment 24 The Office of the Chief Financial Officer contends that recommendation 1A should be eliminated since REAP and TEAM data are designed for budget formulation/estimation and were optional for budget execution. The office also contended that there was no need for a plan since REAP and TEAM was utilized as the National Academy of Public Administration expected. We partially agree. According to the 1999 NAPA study, it recommended that the department: (1) adopt the resource management approach, one that bases estimate and allocations on the level of work and the specific location where it is to be performed, (2) use the resource management system to submit internal budget requests that reflect their workloads and needs, and (3) the responsibility to implement the resource management system be with the office that reports directly to the Secretary and this office should also include the strategic management function to reinforce the relationship between resource management and strategic planning and management. Further, according to the study, Congress requested that NAPA examine HUD's practices for estimating human resource needs as part of a broader study, which also reviewed procurement practices and compliance with GPRA. Additionally, HUD reported in its annual performance and strategic management plans that it used TEAM to assess human resource needs and in making hiring decisions. If this was the case, then HUD should implement a plan on how the program offices would incorporate TEAM in their planning/staffing processes.

- Comment 25** The Office of the Chief Financial Officer requested that due to funding and time constraints we re-word recommendation 1B. We agree and revised the recommendation.
- Comment 26** The Office of the Chief Financial Officer contends that recommendation 1C should be eliminated because over the last few years there was a substantial amount of training on REAP and TEAM. We suggested this recommendation due to the inability of HUD's staff to answer questions regarding the types and uses of TEAM reports. Therefore, we did not remove this recommendation. Further, training should be ongoing as needed.
- Comment 27** The Office of the Chief Financial Officer contends that we revise recommendation 1D to state, "develop computer based training to assist program areas in implementing the allocation module." We do not agree that recommendation 1D should be removed from our audit report based upon statements provided by the Office of Fair Housing and Equal Opportunity's management and the pilot team. Further if the allocation module is currently in production, the last feedback meeting on record from the Office of Fair Housing was March 26, 2007, although the pilot was still in effect during August 2008 when we interviewed the Office of Fair Housing and Equal Opportunity's pilot team members. During our interview, the team informed us that it had not been in contact with the Office of the Chief Financial Officer for a while and inquired of us whether they should contact the office regarding identified issues.
- Comment 28** The Office of the Chief Financial Officer contends that we have a fundamental misconception of the REAP and TEAM process. Further, it stated that it was never envisioned that REAP and TEAM data would be the sole factor used in distributing full-time equivalents within its headquarters and field offices. Our discussion draft audit report did not state or allude that REAP and TEAM were the sole factor used in distributing full-time equivalents within HUD's headquarters and its field locations. In interviewing representatives from the office, it was stated that REAP was used as a baseline in determining full-time equivalents and our audit report refers to its use as a baseline.
- Comment 29** We disagree with the comment made by the Office of Public and Indian Housing that it was not true that HUD's program offices lack adequate documentation to support their hiring practices. For example, as mentioned in our audit report, the majority of program offices reviewed could not provide key pieces of documentation to support their hiring practices such as a certification of the availability of funds and full-time equivalents; thus showing it analyzed the availability of funds and full-time equivalents prior to hiring. Further, the majority of program offices were unable to provide documentation to support their placement of staff in the field.

We agree that REAP data was used in the annual budget justifications and HUD engaged in an agency wide validation process done on a quarterly basis for a two week period called TEAM. However, there is more to hiring than just these items

and HUD program offices had not provided adequate documentation to support their hiring practices.

Comment 30 We acknowledge that HUD is going through rapid change. However, rapid change highlights the importance of maintaining adequate documentation to support HUD's staffing practices and to support its hiring and allocation determinations.

Comment 31 We acknowledge HUD's program offices' concern regarding the REAP studies being outdated and always being behind the curve. However, according to NAPA, "REAP is a tool that will permit HUD to most effectively manage toward its strategic and operating goals". However, it requires strong management commitment.

Comment 32 The Office of Fair Housing and Equal Opportunity contends that it provided documentation on several occasions to support its hiring during pay periods 12 and 13 of fiscal year 2007. Further, the office stated that its hiring during pay periods 12 and 13 were "comprised primarily of summer hires". However, the office did not indicate whether all its hires during pay periods 12 and 13 were summer hires. The office then describes the documentation provided for its summer hires; however, it did not mention whether it provided appropriate documentation certifying the availability of funds and full-time equivalents for those hires made during pay periods 12 and 13 that were not summer hires.

In regards to the senior management approval forms, we agree that senior management approval was not needed for summer hires as senior management approval was only required when hiring staff at a grade level of 14 or 15, which was why the office was determined to be in compliance. Regarding the December 14, 2007, fax, the office contends it provided copies of e-mails and personnel action routing and transmittal slips, which showed approvals of the summer hires. We agree with this statement; however, such documentation such as approvals to hire do not meet the requirements of the Hiring Control Procedures, which call for documentation must be retained, certifying the availability of funds and full-time equivalents. Further, the Hiring Control procedures do not exclude summer hires. We verified our understanding of the procedures with HUD's former Deputy Assistant Secretary for Human Resource Management during our audit.

Regarding the May 20, 2008, e-mail the Office contends it provided a full-time equivalents projection spreadsheet and Program Area Dollar Detail Report that was used to determine the availability of full time equivalents and funding to support the hires made during pay periods 12 and 13, such documentation did not constitute the certification of the availability of funds and full-time equivalents as called for in the Hiring Control Procedures. Such certifications of the availability of funds and full-time equivalents, which must be retained, provide an important control in ensuring that an analysis of the availability of funds and full-time equivalents was performed prior to the hire of a new staff member.

Comment 33 We commend HUD's Office of Administration for taking such measures such as using a bi-weekly report that tracked full-time equivalent usage and availability, and the tracking of budget availability via funds tracking reports as well as holding meetings with the Assistant Secretary for Administration to determine the number of positions that could be filled within the Office of Administration. However, this does not address the certification of the availability of funds and full-time equivalents requirement as called for in the Hiring Control Procedures issued by the Assistant Secretary for Administration. The Hiring Control Procedures also call for such documentation to be retained.

In seeking clarification regarding the procedures, we asked the HUD's former Deputy Assistant Secretary for Human Resource Management during our audit, whether "verbal certification (with no documentation required) be sufficient to meet this requirement of documentation must be retained, certifying the availability of funds, and full-time equivalents." In response, the Deputy Assistant Secretary for Human Resources provided written guidance that stated verbal certification was not sufficient. Verbal certification would not meet the intent of this requirement to retain documentation, as it would not be a reliable and consistent method of validating funds and full-time equivalents". Further, we asked the former Deputy Assistant Secretary whether specifically the Office of Administration and the Office of Departmental Management must retain hard-copy documentation certifying the availability of funds and full-time equivalents for its hires, assuming they were not political appointees." The former Deputy Assistant Secretary for Human Resources responded in writing that documentation must be maintained and that the previously mentioned offices were covered by the Hiring Control Procedures. The certification of the availability of funds and full-time equivalents' requirement is a control that helps ensure that the program offices perform an analysis prior to each hire that funds and full-time equivalents are available for the hire.

Comment 34 We commend the Office of Administration's statements that the Assistant Secretary for Administration approved all positions at the grade level of 14 and 15. However, page 1, paragraph 2, of HUD's Memorandum for Principal Staff from the Assistant Secretary for Administration regarding HUD's fiscal year 2007 Hiring Control Procedures Revision, dated April 5, 2007, also required that "requests to fill non-supervisory positions with a full performance level of general schedule 14 or 15 positions must be submitted to the Deputy Secretary for approval." Thus, if any of the general schedule 14 or 15 staff hired were for non-supervisory positions, more than just the Assistant Secretary of Administration's approval was required.

We acknowledge that we were provided documentation from the Office of Administration of third parties attesting that the appropriate official granted senior management approval for the Office of Administration's hired staff needing senior management approval. However, written guidance/clarification provided by HUD's former Deputy Assistant Secretary for Human Resource Management during our audit cited that the senior management approval documentation called for under the Hiring Control Procedures needed to come from the individual

providing the senior management approval. Alternatively, it needed to show that the office obtained senior management approval.

We commend the Office of Administration for receiving regular briefings with the Office of Human Resources on the status of HUD's recruitments, including all positions at grade levels 14 and 15 staff positions, and for communicating with the Office of the Chief Financial Officer to ensure that before it hired staff, it was within the approved full-time equivalent levels and for its commitment of ensuring that adequate hiring controls were in place to avoid Anti-Deficiency Act violations. However, such actions did not exempt the Office of Administration from complying with the additional hiring controls required under HUD's Hiring Control Procedures guidance.

Comment 35 We understand that changes in HUD's hiring practices, policies, and procedures were and/or will be changing because of the new HUD Secretary's Impact 200 initiatives beginning with the fourth quarter of fiscal year 2008. As this is a recent development that was outside our audit period, we did not review the impact of the changes called for in the Secretary's Impact 200 initiative. However, the requirements of the most recent Hiring Control Procedures guidance are still in effect and should be followed.

Comment 36 We commend HUD's plan to use the new Mismatch Report that will begin on October 3, 2008, which will highlight the mismatches between HUD's Integrated Human Resources and Training System and the National Finance Center's databases and will be used for reconciling differences between these two databases. Further, we commend the Office of Human Resources' plan to ensure that such reconciliation is completed on a timely basis and its development of standard operating procedures, as well as its emphasis on data quality and required reconciliation between HUD's Integrated Human Resources and Training System and the National Finance Center as a critical aspect of conducting business.

Comment 37 We reviewed the chart of new hires provided and as with the previous chart of new hires provided, we determined that the list contained inconsistencies with the list of hires for the Office of Community Planning and Development that we obtained from the National Finance Center's database. We verified the information provided against hardcopy data and other hiring documentation such as Standard Form- 50, appointment affidavits, start date for retirement calculation, etc. obtained from HUD's Employee Service Center. For example, the office's list contains a grade level of a staff person that was hired that differs from the grade level for that same staff from the National Finance Center's database. We followed-up by obtaining documentation from the Employee Service Center, which supported the grade level of the staff that was listed in the National Finance Center's database. Besides this example, there were other discrepancies noted with the office's list of hires.

As the Office of Community Planning and Development notes in its comments, it could not locate actions for two summer hires and can only surmise that although

the office had their names on record pending appointment, these two individuals did not report for duty. As with the previous comment, this highlights the need for HUD's program offices to maintain an accurate list of their hires made. The memorandum, dated May 4, 2007, from the Deputy Secretary to Principal Staff referred to in the office's comments authorized program offices to initiate actions for summer hires. However, the memorandum also mentions that offices that are under their authorized full-time equivalent ceiling may supplement their hiring needs with Student Temporary Employment Program (STEP) appointments. However, offices that were over-ceiling, but interested in having STEP appointments were allowed to do so if their full-time equivalent ceiling can be met by the end of the fiscal year or they coordinate with under-ceiling offices that are able to subsidize such hires. Thus, this memorandum did not constitute a certification of the availability of funds or full-time equivalents.

Although the Office of Community Planning and Development stated that during fiscal year 2007 that it did not obtain budget certification for each individual summer hire, we commend the office's commitment to ensuring in the future all hiring actions (summer and otherwise) will have the proper budget certification. We also commend the office's Human Resource Branch and Budget Division for closely monitoring the number of students hired to ensure that the office did not exceed the number of student hires covered in its hiring plan.

Comment 38 See comment 37

Comment 39 We commend the Office of Community Planning and Development for attempting to locate its fiscal year 2005 staffing plan even as this audit concludes.

Comment 40 We commend the Office of Community Planning and Development for having and utilizing its Fair Share Model as an aid in determining field-staffing needs, in conjunction with information on office workload and attrition. We requested this information during our audit for the selected program offices. Although we appreciate the information/documentation, the office was not one of the five offices statistically selected for review.

Comment 41 We commend the Office of Government National Mortgage Association for having the procedures that it follows when filling vacancies. Additionally, we also commend the office for providing requested documentation along with its comments to the discussion draft report. We reviewed and accepted the provided documentation and adjusted this audit report.

Comment 42 We acknowledge receiving such documentation (see comment 41) as well as being informed of the Office of Government National Mortgage Association's situation in terms of hiring.

Comment 43 We commend the Office of Government National Mortgage Association for its commitment to more formally document all its human capital decisions made across the enterprise in fiscal year 2009.

Appendix B

OFFICES SELECTED AND CORRESPONDING PAY PERIODS

| Office | Pay period | Start date | End date |
|--|------------|----------------|----------------|
| Office Departmental Management | 12 | June 19, 2007 | June 23, 2007 |
| Office of Administration | 16 | August 5, 2007 | Aug. 18, 2007 |
| | 19 | Sept. 16, 2007 | Sept. 29, 2007 |
| Office of Community Planning and Development | 11 | May 27, 2007 | June 9, 2007 |
| | 12 | June 10, 2007 | June 23, 2007 |
| Office of Fair Housing and Equal Opportunity | 12 | June 10, 2007 | June 23, 2007 |
| | 13 | June 24, 2007 | July 7, 2007 |
| Office of General Counsel | 17 | Aug. 19, 2007 | Sept. 1, 2007 |
| Office of Housing | 16 | Aug. 5, 2007 | Aug. 18, 2007 |
| | 20 | Oct. 1, 2006 | Oct. 14, 006 |
| | 21 | Oct. 15, 2006 | Oct. 28, 2006 |
| Office of Public & Indian Housing | 11 | May 27, 2007 | June 9, 2007 |
| | 12 | June 10, 2007 | June 23, 2007 |
| | 13 | June 24, 2007 | July 7, 2007 |
| | 19 | Sept. 16, 2007 | Sept. 29, 2007 |

Appendix C

FEDERAL REQUIREMENTS

Finding 1

Office of Management and Budget's (OMB) Government Performance Results Act of 1993 (GPRA)

- Page 2, section 2(b)(6), states that the purpose of GPRA is to improve internal management of the federal government.

Sec. 1115. Performance Plans

“(a) In carrying out the provisions of section 1105(a)(29), the Director of the Office of Management and Budget shall require each agency to prepare an annual performance plan covering each program activity set forth in the budget of such agency. Such plan shall-

- (1) establish performance goals to define the level of performance to be achieved by a program activity;
- (2) express such goals in an objective, quantifiable, and measurable form unless authorized to be in an alternative form under subsection (b);
- (3) briefly describe the operational processes, skills and technology, and the human, capital, information, or other resources required to meet the performance goals;
- (4) establish performance indicators to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity;
- (5) provide a basis for comparing actual program results with the established performance goals; and
- (6) describe the means to be used to verify and validate measured values.”

National Academy of Public Administration report, entitled “Aligning Resources and Priorities at HUD, Designing a Resource Management System”

Criteria for the three elements of an effective resource management system:

Resource Estimation System

- Develop requests for resource needs—for current and proposed policies and programs—to prepare departmental budget justifications that clearly indicate what work can be accomplished at different resource levels.
- Develop budget requests based on factors beyond the immediate HUD environment, such as the real estate market, public assistance policies, and relevant economic data.

- Provide sufficient information to OMB and Congress so they can gauge the resources needed to fulfill HUD's mission and meet the requirements of HUD's programs.
- Determine what work can be accomplished with HUD staff and what work would be done more efficiently if contracted out and facilitate cost comparisons for use of in-house staff versus contractors.
- Include justifications from staff at working levels in the field and headquarters.
- Develop resource estimates in sufficient time so that HUD's budget office can evaluate them in conjunction with workload data, have time for give and take with the submitting program offices, and provide information useful for subsequent discussions with OMB and Congress.

Resource Allocation System

- Relate the resources allocated to accomplishments as identified GPRA-required annual performance plans and HUD's business and operating plans.
- Make informed resource allocation decisions when there are not enough resources to do all assigned work and be flexible enough to reassign resources when needs change.
- Obligate funds for annual contracts early in the year so contract amendments do not have to be issued on a monthly basis.
- Know resources, by budget object class, for the full fiscal year.
- Ensure that programs that operate well receive adequate resources so that they continue to function well and that troubled programs receive sufficient resources to improve.
- Link resources to essential functions of current programs and specify secondary activities that can only be met if additional resources are provided.

Resource Validation System

- Ensure that resources are spent as Congress intended.
- Validate the outputs of the resource estimation and allocation system through time and workload reporting.
- Tie staff utilization to the performance measurement system, especially those relate to GPRA.

- Be sufficiently simple that staff do not view system requirements as onerous
- Generate reports that enable HUD managers and staff to see how the data they enter provide information useful to managing HUD programs and operations.

Finding 2

HUD's Memorandum for Principal Staff from the Assistant Secretary for Administration regarding HUD's fiscal year 2007 Hiring Control Procedures Revision, dated April 5, 2007

- Page 1, paragraph 2, states that program offices that are under their full-time equivalent targets may continue to hire up to their allocation, without prior approval, for positions at the general schedule 13 grade level and below.
- Page 1, paragraph 2, states that documentation must be retained, certifying the availability of funds and full-time equivalents.
- Page 1, paragraph 2, states that the filling of all vacancies with a full performance level of general schedule 14 or 15 will require advance senior management approval. This review is applicable to internal and external recruitment actions. The Assistant Secretary for Administration or designee will retain senior management approval authority for supervisory and managerial positions. However, requests to fill nonsupervisory positions with a full performance level of general schedule 14 or 15 must be submitted to the Deputy Secretary for approval. All senior management approval requests must be submitted to the Office of Human Resources for position management reviews and recommendations. Field human resource divisions will be consulted as appropriate. Supervisory and managerial requests will be processed the day of receipt. Nonsupervisory requests will be processed within 24-48 hours of receipt.
- Page 2, paragraph 2, states that these procedures apply to all positions in the categories described, regardless of how the positions are funded (example: salaries and expenses or working capital fund), except for positions in the Office of Inspector General and the Office of Federal Housing Enterprise Oversight. These procedures do not apply to personnel actions involving political appointees. In addition, these procedures are subject to such exceptions that the Secretary or the Deputy Secretary may grant, as necessary, to ensure the continued operation of HUD or to respond to emergencies.

HUD's Hiring Control Procedures from the Office of Administration, Office of Human Resources, revised March 2007

- Fifth page of document (page numbered 4), paragraph 6, line 1, states that one of the responsibilities of the program offices is to submit fiscal year 2007 staffing plans.

HUD's Memorandum for Principal Staff from the Assistant Secretary for Administration regarding Revised Hiring Control Procedures, dated February 14, 2006, and accompanying the document Hiring Controls Guidance and Procedures, dated February 2006

- Third page of document (an unnumbered page), paragraph 2, line 1, states that these hiring controls apply to all positions in HUD, regardless of how the position is funded (example: salaries and expenses and working capital fund), except for positions in the Office of Inspector General and the Office of Federal Housing Enterprise Oversight and personnel actions involving political appointees. Paragraph 3, line 1, states that these procedures are also subject to such exceptions as the Secretary or Deputy Secretary may grant, as necessary, to ensure the continued operation of HUD or to respond to emergency situations.
- Third page of document (an unnumbered page), paragraph 4, line 1, states that program offices continue to be responsible for validating their full-time equivalent ceiling and availability of funds. Line 4 of the same paragraph states that program offices are responsible for managing their full-time equivalent. Further, the sixth page (page numbered 4), paragraph 3, line 1, states that the responsibility of the program office is to ensure that all requests to hire comply with its full-time equivalent allocation and departmental restrictions and that information required for budget certification and/or external hiring approval is properly documented and submitted to the Office of Human Resources to initiate the hiring process. Paragraph 4, line 1, of the same page says that it is also the responsibility of the program office to ensure that any personnel action taken results in the organization remaining within its full-time equivalent ceiling and that there is appropriate funding to facilitate the personnel action.
- Third page of document (an unnumbered page), paragraph 5, states that certification documents should be authorized and maintained by the budget office of the hiring program office to verify that proper consideration has been given to all pertinent management-related information necessary to reach sound hiring decisions.
- Fourth page of document (page numbered 2), paragraph 4, states that senior management approval is required to fill general schedule 14 and 15 positions externally. To maintain oversight of the high-grade reductions, the Deputy Secretary will grant approval/disapproval.