

**STATEMENT OF D. MICHAEL BEARD,
DISTRICT INSPECTOR GENERAL FOR AUDIT
SOUTHWEST DISTRICT
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Wednesday November 3, 1999
BEFORE THE SUBCOMMITTEE ON CRIMINAL JUSTICE,
DRUG POLICY AND HUMAN RESOURCES
U. S. HOUSE OF REPRESENTATIVES**

Chairman Mica, Ranking Member Mink, and other Subcommittee members, I appreciate the opportunity to appear before you today to discuss the results of our audit on Community Builders at the Department of Housing and Urban Development. I am accompanied today by Kathryn Kuhl-Inclan, Assistant Inspector General for Audit.

As part of the Office of Inspector General's ongoing assessment of HUD's 2020 Management Reform, we issued a nationwide report on Community Builders on September 30, 1999. The report also responds to requests from members of Congress and numerous citizen complaints. Our audit evaluated Community Builder hiring practices, reviewed their assigned duties and responsibilities, and examined their impact on other organizations within HUD. The audit was conducted in Headquarters and ten field offices. This review was comprehensive. It took nearly 5 years of staff effort to complete and it involved the work of 64 auditors. We examined documents, analyzed data, and interviewed more than 130 HUD staff and more than 90 HUD customers. We conducted our audit in accordance with Generally Accepted Government Auditing Standards. These standards relate to the auditors' professional qualifications, the quality of audit effort, and the characteristics of professional and meaningful audit reports.

This audit was highly sensitive because of the important role of Community Builders in the 2020 Management Reform. We experienced difficulty in obtaining timely information. Senior management provided employees a list of “questions and answers” to be used if they were interviewed in the course of the audit. We were requested to go through certain points of contact for our interviews and documents. In many of our interviews, employees requested confidentiality for fear of reprisal. These limitations made this audit more difficult than most. Accordingly, we reported a scope limitation, which we rarely use.

Background on the Community Builders

The Community Builders come from HUD’s attempt to reorganize to a more community-focused agency. The idea is an outgrowth of the 1993-94 *National Performance Review (NPR)* and the July 1994 NAPA report to HUD and Congress. NAPA suggested HUD: *“Select, through a merit promotion process, staff whose careers demonstrate they can work well with community leaders and are able to work comfortably across the complexity of HUD's programs.”* In 1996, Secretary Cisneros referred to community building saying: *“Selected HUD personnel will receive intensive training to convert them from administrators performing paperwork processing functions to community-oriented experts who can help communities optimize the necessary layering of local, state, federal and private resources.”*¹

¹ Cisneros, Henry C., Secretary Essay 5, *Higher Ground: Faith Communities and Community Building*, February 1996, pp 4-9.

Secretary Cuomo stated that Community Builder positions would enable HUD to clearly separate the staff function of facilitating community access to HUD programs from the functions of program monitoring and enforcement. He was of the opinion that requiring employees to be both facilitators as well as monitors was both inconsistent and contradictory. He proposed the Community Builders would serve as the one-stop customer representative in HUD's 81 field offices to provide assistance and information on economic development, homeownership, public housing, homeless assistance, and HUD's other programs. There are over 770 Community Builders, of which more than 400 are Community Builder Fellows with term appointments.

Audit Results

Our audit generally found problems with the Community Builder concept, its implementation, and its impact on HUD. While we did see some positive results from the 85 Community Builder Specialists, overall we concluded that HUD cannot afford the Community Builder concept. Over the last 2 decades, HUD has downsized from 20,000 employees to just over 9,000 employees. During this same period, HUD's programs have increased dramatically. The General Accounting Office placed the Department on its high-risk list because HUD had:

1. In internal control weaknesses such as a lack of necessary data and management processes;

2. Poorly integrated, ineffective, and generally unreliable information and financial management systems;
3. Organizational deficiencies, such as overlapping and ill-defined responsibilities and authorities between its headquarters and field organizations and a fundamental lack of management accountability and responsibility; and
4. An insufficient mix of staff with the proper skills, hampering the effective monitoring and oversight of HUD's programs and the timely updating of procedures.

Our audits have also identified similar weaknesses. For example, the 1998 Financial Audit of the Department cited as a material weakness HUD's need to effectively manage staff resources. The audit noted that because of delays in HUD 2020 implementation, most of the expected staffing efficiencies have not been realized. Additionally, we have conducted several audits of programs impacted by HUD reform changes. A common theme in each of these audits is the lack of sufficient resources to effectively manage and monitor the programs. While HUD has made strides to correct these problems, we do not see how Community Builders contribute to resolving any of the above deficiencies. On the contrary, we believe the large number of staff devoted to this function diverted other staff resources from performing important oversight functions. The Community Builders were an attempt to separate the outreach and monitoring functions. However, HUD chose an expensive and controversial solution. Specific findings in our audit include the following.

Hiring of Community Builders Was Poorly Planned and Implemented

Prior to implementing the Community Builder concept, HUD did not properly establish the necessity for Community Builders or the level of resources required. The Department may have inappropriately used Schedule A hiring authority; failed to adhere to veterans preference when hiring; and dramatically increased its average employee salary expense.

Rather than targeting staff from within, HUD chose to look to the general public for Community Builder Fellow positions. The Community Builder Fellows were hired under Schedule A hiring authority. In our view, HUD used this authority because it offered the most latitude in hiring outside the civil service rules. However, HUD may have inappropriately used Schedule A hiring authority because they did not meet the Office of Personnel Management (OPM) stated requirements. Further, hiring Community Builders at the GS-13 to GS-15 level exceeded the Department's average grade structure.

In selecting personnel for Community Builders fellow positions, HUD ignored Veterans Preference and OPM's "rule of three" selection process. Senior management dismissed the failure to follow veterans preference and selection rules as "administrative errors." Further, in response to our report, HUD stated they complied with Veterans Preference. However, the audit evidence shows they

did not. In light of the forgoing, we have asked Director Lachance of the Office of Personnel Management to conduct a full review of HUD actions.

We reviewed complaints regarding ethical misconduct involving 25 Community Builders. Of these, we considered five valid. One involved false information on a resume, two involved lobbying at the state level, and two involved conflicts of interest. Also, we noted instances of Community Builders participating in activities that would violate Public Law 105-277, which prohibits publicity or propaganda designed to support or defeat legislation pending before Congress.

The Community Builders' Value is Minimal

The Community Builders' positive impact on HUD's mission is indeterminable. The Community Builders' purpose is everything from providing "one-stop customer service" to solving "the toughest economic and social problems facing communities." This visionary mission is not easily measured or realistically accomplished. HUD's Business Operating Plan does not accurately reflect all the Community Builders' activities. Further, most of the Community Builders' goals are activities rather than actual accomplishments. HUD classifies 15 of the Community Builders' 19 goals as activities performed, rather than outcomes measured. Our report cites several of the activity measures used by the Community Builders, one example being participation in HUD homeownership fairs. Also, most of the field offices had an inadequate system in place to document and report the Community Builders activities.

Though most Community Builders claimed to have a positive impact on attaining HUD's goals, only a few provided specific examples of actual accomplishments. Sixty-two of the 77 Community Builders interviewed stated that they had not been involved in leveraging private funds to be used for HUD programs, an important goal for Community Builders. Of the 13 who said they had, only three could describe their activities in specific terms.

We interviewed 91 HUD customers. About one-half believed the Community Builders added value, about one-third believed the Community Builders did not add value, and surprisingly, the remainder stated that Community Builders had an adverse effect. We also interviewed 54 HUD Program Directors; less than half thought the Community Builders added value.

HUD Allocated Large Resources to the Community Builder Position

Through the establishment of the CB program, HUD has redirected a significant amount of staff resources to outreach and customer relations activities. In our interviews with 59 CB staff during the course of our audit, 39 said they spent more than 50% of their time on public relations activities. Since the CB function was created without any increase in HUD funding, all associated CB costs reduce the funds available for other program staff. These other program staff, known as "Public Trust Officers," have the responsibility for monitoring and overseeing several hundred HUD programs. At a time when HUD is designated by the GAO as a "high risk" agency, HUD can ill afford to devote substantial

resources to the CB concept. CB activities do little to address HUD's mission and require scarce resources being directed away from areas that could help in addressing the many identified material weaknesses in HUD programs.

* * * * *

Our overall conclusion is HUD should discontinue the Community Builder position. As designed and implemented, the Community Builder function is too costly. Excluding the Community Builders Specialists assigned to specific program areas, HUD never established a need for the Community Builders, identified skills Community Builders would need or gave focus to their activities. In creating the Community Builders, HUD gave its program staff a new title, Public Trust Officers. The Public Trust Officers are charged with executing, monitoring, and enforcing HUD's programs. Resources used to create Community Builders came from the Public Trust Officers. Thus, HUD has hampered its ability to perform its normal program functions or correct the systemic problems it faces as the only agency the GAO lists as high risk. Further, recruiting, hiring, and training Community Builders for short term appointments is a very expensive and resource intensive process.

Requiring Community Builders to be proficient in the full spectrum of HUD's programs, as well as other Federal programs, is optimistic and even impractical due to the volume, diversity, and complexity of such programs. In view of HUD's limited staff resources, we question the necessity for maintaining Community Builders.

In responding to our report, HUD cites favorable comments by other organizations on Community Builders. However, these organizations performed limited reviews. For example, the interim Ernst & Young report stated their work was limited to reporting on 25 case studies identified by HUD. HUD had also asked to control our selection of people to interview and sites to visit, but we declined. HUD also cites several instances where Community Builders have had a positive impact. We have no doubt individual Community Builders have had positive impact. However, we believe career HUD employees have always had a positive impact and could have had an even greater impact if given the same resources provided to the Community Builders.