audit
report

OFFICE OF INSPECTOR GENERAL

Issue Date
March 31, 2000

Audit Case Number
00-AO-177-0001

TO: Saul N. Ramirez, Jr., Deputy Secretary, SD

FROM: Saundra G. Elion, District Inspector General for Audit, Capital District, 3GGA

SUBJECT: Nationwide Audit of Storefront Operations

We performed a nationwide audit of Storefront Operations to evaluate the effectiveness and efficiency of the operation. The new HUD Storefront Office, one of many changes the Department is making as part of the 1997 HUD 2020 Management Reform Plan, is intended to serve as a national model of more responsive government. We wanted to determine the amount and source of funding for storefront operations and kiosks; and the adequacy of HUD's policies and procedures relating to staffing, training, site selections, and monitoring and evaluating the storefronts' overall performance in meeting the stated goals and long-term vision. The audit included reviews in Headquarters; Albuquerque, New Mexico; Baltimore, Maryland; Buffalo, New York; Reno, Nevada; Sacramento, California; and Washington, DC. The audit found that HUD storefront operations and kiosks were costly, poorly planned, and lacked measurable benefits. We also determined that HUD's storefront implementation was so aggressive that HUD did not adequately: establish management controls over storefront operations; plan or support storefront staffing levels; or establish national HUD goals for Community Builders.

Within 60 days, please provide us with a status report on each recommendation made in this report. The status report should include: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why the action is considered unnecessary. Also, please furnish us copies of any correspondence or directives issued because of this audit.

Please write or call me at (202) 501-1330 if you or your staff have any questions.

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Executive Summary

We performed a nationwide audit of HUD's Storefront Operations to evaluate the effectiveness and efficiency of operations. This audit is part of the Inspector General's continuing reviews of HUD's 2020 Management Reform Plan. The audit found problems with storefront operations, its implementation, and its financial impact on HUD's infrastructure.

HUD has little if any measurable evidence that the significant expenditures for storefront and kiosk operations have benefited HUD customers. While the ultimate beneficiaries of HUD programs are individuals, nearly all HUD programs are administered through HUD's primary customers or intermediaries such as Public Housing Authorities, grantees, lenders, or community organizations. In our opinion, these are HUD's most important customers. We found little use of storefront facilities and kiosks by these primary customers since Community Builders typically met with HUD customers outside of the storefront facility. While it is good for public relations to make individuals aware of HUD programs, storefront and kiosk funding could be better spent on improved oversight and monitoring of HUD's primary customers. The general public has numerous less costly resources available to them to learn of HUD programs including HUD's award winning Internet site, which is available at most public libraries at no cost.

The audit disclosed that HUD opened new storefront offices to serve as national models for more responsive government; however, their impact is minimal and overall benefits cannot be measured. HUD paid $8.5 million to establish and operate six storefronts and install 73 kiosks, will incur an additional $4.5 million annually to support the existing facilities and kiosks, and will spend millions more in establishing new storefront offices and kiosks nationwide. HUD did not adequately plan or justify storefront site selections; exceeded budgeted costs to design and construct storefront facilities; did not provide effective customer services and monitoring; did not implement adequate marketing and community outreach strategies; and did not monitor kiosk usage. In addition, HUD's implementation strategy was too aggressive, causing HUD management to not provide adequate management controls, support staffing levels, and establish national goals for Community Builders. As a result, HUD has spent millions of Federal funds and used its limited resources to implement a new outreach and customer relations initiative, but cannot assure taxpayers that they are receiving the maximum return for their investment.

We provided a draft of this report to the Deputy Secretary and other senior HUD management officials on March 9, 2000. We held an exit conference with the Deputy Secretary and other senior officials on March 14, 2000. HUD provided a written response to the draft report on March 29, 2000. We have summarized and evaluated the responses in the findings and included the complete text of HUD's comments in Appendix C.

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Introduction

On June 26, 1997, Secretary Andrew Cuomo released HUD's 2020 Management Reform Plan that contains six major reforms for redesigning the HUD mission, programs, and organization. One of these six reforms, to "replace HUD's top-down bureaucracy with a new customer-friendly structure," provided for the creation of HUD Storefronts. Borrowing from the strategy used by many major banks over the past decades to consolidate routine functions into centralized "back office" processing centers and establish "store-front" customer service offices, HUD adopted this model in an effort to bring HUD programs closer to the community.

HUD began working with a design firm in late 1997 to create a storefront design based on a non-traditional government structure. The "store-front" service centers aim to provide hands-on service to communities, and "back office" processing centers to consolidate and expedite routine processing and paperwork. This structure was intended to (1) organize the Department by type of function instead of by program areas, (2) consolidate operations into processing centers, and (3) place public and grantee outreach in the communities.

In the new structure, storefronts are staffed with Community Builders, Community Builder Fellows, Associate Community Builders, and administrative personnel. The Community Builders are to empower communities by bringing in technical expertise and knowledge of finance programs and economic development. They will be the first point of contact for customers and will be the Department's "front door" helping customers gain access to the whole range of HUD services. Community Builders (GS-13 to 15) and Associate Community Builders (GS-9 to 12) are hired into career positions, whereas the Community Builder Fellows are hired for a 2- to 4-year term. The hiring and use of Community Builders was addressed in our Nationwide Community Builder Report 99-FW-177-0002, dated September 30, 1999. Congress terminated the Community Builder Fellows positions effective September 1, 2000. Other HUD employees (Public Trust Officers) responsible for monitoring HUD programs will, in most instances, be located with the storefront but will be considered part of the "back office" operations. Most Public Trust Officers came from within HUD's ranks and are to ensure that Federal funds are used appropriately and in compliance with laws and regulations.

At the opening of the first HUD storefront office in Washington, DC on May 6, 1998, Secretary Cuomo stated "We will be opening HUD Next Door offices [storefronts] around the nation as part of our effort to do a better job of serving the American people. These new consumer service centers will translate the lofty ideals of government reinvention into the down-to-earth reality of improved performance that can build better futures for America's families and America's communities."

The storefronts offer a place to hold community meetings, view satellite training presentations, obtain available HUD brochures on a number of programs, or use the HUD Answer Machines to access HUD's Internet Homepage. In addition, each storefront has a HUD kiosk located just outside its doors to provide information on HUD programs 24 hours a day. Based on the DC Storefront prototype design, HUD opened five additional storefronts during FY 1999.

The five storefronts are located in:

> Albuquerque, NM
> Baltimore, MD
> Buffalo, NY
> Reno, NV
> Sacramento, CA

To be more responsive to the public, HUD plans to establish storefront operations around the country during the next few years. The following schematic is the DC Storefront floor plan that covers 8,000 square feet of space. The other locations were modeled from the DC Storefront, but on a much smaller scale.
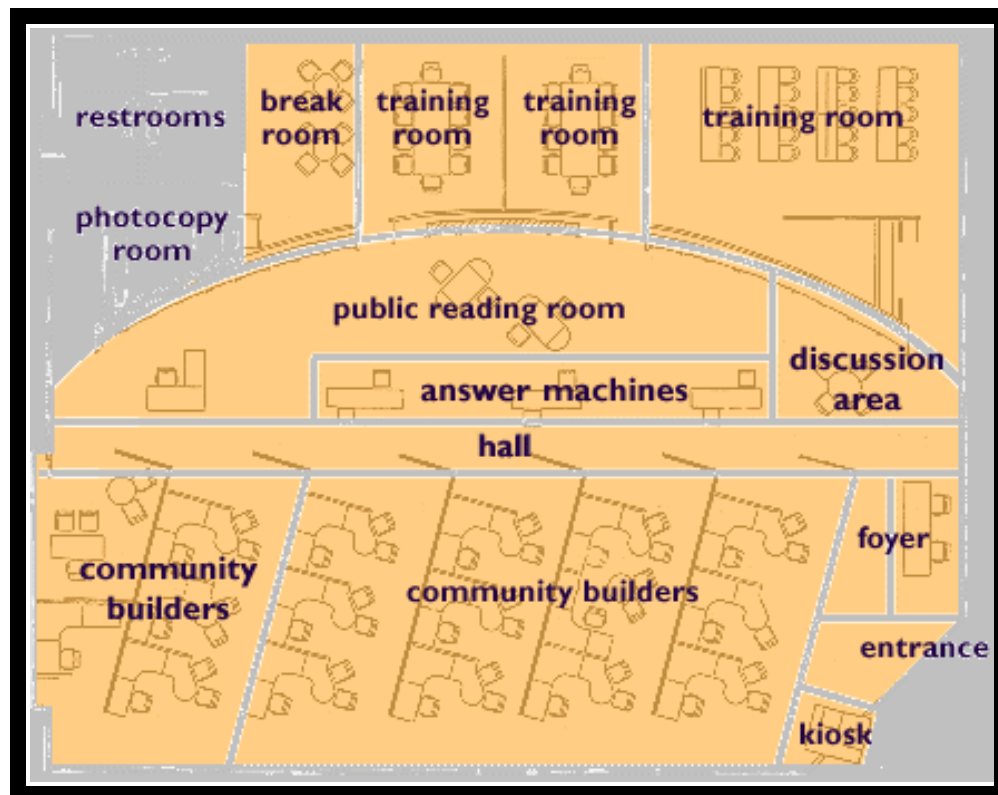
entrance The storefront is located at ground level, much like a commercial store.

foyer The receptionist greets each visitor to the storefront and helps guide them to the appropriate resource.

kiosk The kiosk is available 24 hours a day, 7 days a week.

answer machine The HUD Answer Machine offers extensive maps of individual communities, homes online, and access to the HUD Homepage.

public reading room Like a HUD library, brochures, reports, and other literature published by HUD are displayed on open shelves for customer use.

discussion area Conversation areas are located throughout, including formal training rooms and intimate gathering places in the reading room.

community builders Office space for the Community Builders ensures that customers can meet in a comfortable setting while the Community Builders guide them through the process to homeownership, starting a business, or obtaining HUD funding opportunities.

training room Training rooms vary in size and are available for public use. A large training room is available for holding seminars and classes on everything from HUD's

funding programs to community organizing. The smaller rooms can be used for meetings and small gatherings.

Audit objectives, scope, and methodology

The overall audit objective was to evaluate the effectiveness and efficiency of HUD's Storefront Operations. Our specific objectives were to determine:

- The amount and source of funding for the storefront operations, including building renovations, salaries, travel, training costs, and kiosks.
- How HUD planned and selected current and future storefront locations.
- How HUD monitored and evaluated storefront operations' performance in relation to original goals and the long-term vision.
- If HUD used kiosks effectively.[1]
- The procedures used to staff the storefronts, including the adequacy of the training received.

We performed field work at Headquarters and the following six storefronts from October 1999 through February 2000.

Albuquerque, NM	Baltimore, MD
Buffalo, NY	Reno, NV
Sacramento, CA	Washington, DC

Our audit procedures included:

- Interviewing HUD Headquarters and storefront employees;
- Interviewing storefront customers randomly selected from the visitor log (DC Storefront only);
- Interviewing randomly selected local government officials located near all six storefront locations;
- Analyzing cost and usage reports on the 73 HUD kiosk machines in operation at the end of FY 1999;
- Analyzing the Business Operating Plans (BOP) and accomplishments for each of the storefront locations;
- Analyzing financial data pertaining to salaries, training, and travel;
- Reviewing information pertaining to HUD's 2020 Management Reform Plan;
- Reviewing complaints involving the usefulness of kiosks; and

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[1] **During the entrance conference on October 4, 1999, the Deputy Secretary requested that we incorporate the kiosks into our audit scope since this is another source that HUD uses to reach communities.**

- Reviewing documents related to the costs associated with facility design and construction, lease costs, and annual recurring costs.

The following table shows the number of Community Builders, Public Trust Officers, and administrative personnel we interviewed while conducting our review of the six storefront locations:

Location	Community Builders	Public Trust Officers	Other
Albuquerque, NM	9		1
Baltimore, MD	5		2
Buffalo, NY	10		1
Reno, NV	6	1	1
Sacramento, CA	7		1
Washington, DC	9	8	3
Total	46	9	9

The audit period generally covered January 1, 1998, through September 30, 1999 (however, we did include prior period contracts and costs for the design and renovation of the DC Storefront). We conducted our audit in accordance with generally accepted government auditing standards

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Storefront and Kiosk Operations are Costly, Poorly Planned, and Lack Measurable Benefits

HUD opened new storefront offices to serve as national models for more responsive government; however, their impact is minimal and overall benefits cannot be measured. HUD paid $8.5 million[2] to establish and operate six storefronts and install 73 kiosks; will incur an additional $4.5 million[3] annually to support the existing facilities, staff, and kiosks; and plans to spend millions more in establishing additional new storefront offices and kiosks nationwide. HUD did not adequately plan or justify storefront site selections; exceeded budgeted costs to design and construct storefront facilities; did not provide effective customer services; did not implement adequate marketing and community outreach strategies; and did not monitor kiosk usage. We attributed these deficiencies to HUD's lack of well-defined criteria, policies, procedures, and financial controls over storefront and kiosk operations. As a result, HUD has spent millions of Federal funds and used its limited resources to implement a new outreach and customer relations initiative, but cannot assure taxpayers that they are receiving the maximum return for their investment.

| Storefront initiative lacks criteria | In 1997, Secretary Cuomo directed HUD staff and the agency's consultants to design a new field office—the storefront—with two criteria in mind: it must be welcoming and inviting to the public, and it must be cost efficient. Beyond the Secretary's statement, we did not find and HUD staff could not provide well-defined criteria, policies, procedures, and strategies covering storefront offices' justification, planning, operations, and customer use and satisfaction. |

| Storefront costs are excessive | The costs associated with the six storefront operations are excessive and the benefits derived by the customers are not measurable. The total cost, as of September 30, 1999, for six storefront facilities and kiosks, and storefront staff was $6.8 million and the annual recurring costs of the six storefronts and their kiosks will be a minimum of $3.8 million. The benefits derived from this "storefront" structure were minimal, at best. |

We compiled cost data from a variety of sources, as HUD does not separate the cost of the storefront operations from its field office operations. A summary of the costs were compiled as follows:

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[2] The $8.5 million consists of $6.8 million associated with storefront costs and $1.7 million for stand alone kiosks.
[3] The $4.5 million consists of $3.8 million in annual recurring costs for storefronts and $.7 million for stand alone kiosks.

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Summary of Costs Incurred
May 1998 - September 1999

Facilities and Kiosks	$3,745,029
Salaries	2,816,675
Training and Travel	247,062
Total	**$6,808,766**

Details of the costs, by storefront, are in Appendix A.

Facilities and Kiosks. Costs include design and construction and leases for the storefronts, and installation, maintenance, and monitoring of the six storefront kiosks.

Salaries. Salary costs include the salaries of the 43 permanent employees assigned to the storefronts and a pro-rata share of the salaries of the Baltimore and Buffalo field office staff that rotate between the field office and the storefront.

Training and Travel. We obtained the training rosters for each of the training courses held and calculated the training and travel costs associated with the storefront staff. We also included any work-related travel costs of the Community Builders. As part of the HUD 2020 Management Reform Plan, training programs were specifically developed for the Community Builders nationwide. The Community Builders and Community Builder Fellows attended 2- to 3-week courses at Harvard's School of Business and 2 weeks of HUD program training provided by HUD's Training Academy. The Associate Community Builders attended 1 to 3 weeks of training at various universities nationwide, including DePaul and Portland State Universities, and the University of Maryland. On the surface, the training appeared to be adequate but many of the Community Builders felt they were given "too much, too fast" and could use additional HUD program training in order to perform their job more effectively. The administrative staff received a variety of training sessions on time-keeping, computer skills and communications.

Recurring Costs. In addition to the $6.8 million of costs incurred through September 30, 1999, the six storefronts will have additional annual recurring costs of a minimum of $3.8 million for as long as the storefronts remain open. This cost is based on annual leases, salaries, and related storefront kiosk costs.

We analyzed the supporting documentation for Community Builder accomplishments, provided to us by the storefront staff and were able to distinguish which meetings and training sessions were held in the storefront facilities. However, often times the storefront conference and training facilities were used by HUD field office staff to hold internal meetings. We did not include these meetings in our usage results. The results showed that the usage was minimal, at best:

Facility Usage
as of September 30, 1999

Storefront	Opening Date	Meetings	Training Sessions
Albuquerque, NM	02/18/99	28	14
Baltimore, MD	03/29/99	50	1
Buffalo, NY	02/01/99		4
Reno, NV	01/25/99		4
Sacramento, CA	03/01/99	4	1
Washington, DC	05/06/98	22	13

As shown in the above chart, the number of meetings and training sessions conducted in the storefronts, with few exceptions, did not show enough activity to warrant the expenditure of $6.8 million. While the ultimate beneficiaries of HUD programs are individuals, nearly all HUD programs are administered through HUD's primary customers or intermediaries such as Public Housing Authorities, grantees, lenders, or communities. In our opinion, these are HUD's most important customers. We found little use of storefront facilities by these primary customers since Community Builders typically meet with HUD customers outside of the storefront environment.

On February 18, 2000, the Deputy Assistant Secretary for Administration notified the Principal Staff that the Department did not receive the requested funding for HUD's infrastructure (see Appendix B). The memorandum states that the $153 million requested was an increase over last year's budget of $123 million and that this increase was needed to support the "Departmental priorities, such as Community Builders, new storefront offices and kiosks. Through funding decisions made by the Technology Investment Board (TIB), funding for the infrastructure was reduced to $112 million…reduced funding

has affected the more discretionary areas." This memorandum clearly shows that HUD must make significant sacrifices to ensure the continuation of the storefront operations.

Inadequate site planning

HUD did not adequately plan or justify how storefront sites were selected. No cost benefit analyses, needs assessments or site selection strategies were developed to show that storefronts were needed or that they would attract customers and target resources to communities in need.

We could not obtain any documentation showing how many storefronts are planned after FY 2000 but HUD plans to spend millions of dollars in establishing additional storefronts and kiosks nationwide. Office of Administration management officials stated that sites were selected based on expiring leases at current field offices or when space became available at the street-level of an existing field office. We obtained a listing of all locations that had expiring leases in FYs 1998, 1999, and 2000. The 17 locations are as follows:

HUD Field Offices With Expiring Leases

FY 1998	FY 1999	FY 2000
Albuquerque, NM	Nashville, TN	Fort Worth, TX
San Juan, PR	Coral Gables, FL	Tucson, AZ
Sacramento, CA	Buffalo, NY	San Diego, CA
	Helena, MT	Honolulu, HI
	Shreveport, LA	Richmond, VA
	Birmingham, AL	World Trade Center, Washington, DC
	Reno, NV	Cincinnati, OH

Of the 17 locations with expiring leases, only eight have been selected as storefront locations as shown in the following table. However, the table also shows that nine locations were selected for a storefront where there were no expiring leases and one location (Syracuse) has a storefront but no existing field office.

Opened and Planned Storefronts
With (X)/Without Expiring Leases

Storefronts Opened and Planned	Expiring Leases FY 1998	Expiring Leases FY 1999	Expiring Leases FY 2000
FY 1998			
Washington, DC			
FY 1999			
Albuquerque, NM	X		
Baltimore, MD			
Buffalo, NY		X	
Reno, NV		X	
Sacramento, CA	X		
Syracuse, NY[4]			
FY 2000			
Atlanta, GA			
Casper, WY			
Cincinnati, OH			X
Grand Rapids, MI			
Helena, MT		X	
Honolulu, HI			X
Jackson, MS			
Kansas City, MO			
Minneapolis, MN			
Santa Ana, CA[5]			
Tucson, AZ			X

The DC Storefront was the first storefront constructed even though the lease at the field office had not expired. According to the Office of Administration, "the decision to develop the pilot storefront in Washington, DC was specifically made to enable the Headquarters staff to work closely with the Office of Administration and Management Services, Office of Information Technology, and the Secretary's staff during the development phase of the storefront concept and image proposed for the office. The Washington, DC location enabled HUD staff to have immediate contact with GSA representatives, architects and office planners working on the concept."

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[4] Syracuse, NY does not have a HUD field office. The Buffalo, NY Storefront is 3 hours away.
[5] San Diego is less than 2 hours away and its lease expires in FY 2000.

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We also determined that many of the storefront locations may not be as customer-friendly in that they may not be readily accessible to their intended customers. The six storefronts are accessible by public transportation but parking is a problem at four of the six locations. Since the storefronts provide space for meetings and training, and allow customers the opportunity to access the HUD Answer Machine and use the resource library, it is important to establish storefronts in locations where ample parking is available. Storefront staff felt that the inaccessibility or lack of ample parking has hindered visitors from using the storefront facilities. In addition, the facilities are not always visible from the street. The Reno, NV Storefront is located in a strip mall off the main street where it cannot be easily seen by street traffic and there is no marquee at the mall that designates HUD as an occupant.

Basically, HUD's planning strategy was not very effective in selecting storefront locations and if HUD continues to use the same strategy for future decisions, millions of Federal funds will be spent without determining if there is a need for storefront facilities nationwide. Until HUD clearly articulates for whom the storefronts are designed to serve and the precise types of activities to be conducted at the storefronts, they cannot measure the benefits derived from constructing the "store-front service centers."

Costs for storefront facilities exceeded budgeted expectations

As of September 30, 1999, HUD had paid almost $3 million to design and construct six storefront facilities. These costs exceeded budgeted expectations by almost $1 million. HUD budgeted $464,300 to design and construct the prototype facility in Washington, DC and budgeted $300,000 for each of the five storefronts opened in FY 1999. However, HUD paid nearly $800,000 for the DC Storefront (including the costs of the storefront prototype) and paid an average of $416,565 for each of the five storefronts ($2,880,053 - $797,230 ÷ 5).

Design and Construction
as of September 30, 1999

	Square Footage	Design and Construction	Budget	Costs Over Budget
Albuquerque, NM	3,801	$ 459,676	$ 300,000	$159,676
Baltimore, MD	2,094	449,151	$ 300,000	$149,151
Buffalo, NY	2,205	324,176	$ 300,000	$ 24,176
Reno, NV	3,801	341,926	$ 300,000	$ 41,926
Sacramento, CA	4,310	507,894	$ 300,000	$207,894
Washington, DC	8,000	797,230	$ 464,300	$332,930
Total		$2,880,053	$1,964,300	$915,753

During 1997, HUD began working with Gensler, a GSA-approved design and architectural firm, at least 3 months before GSA became aware of Gensler's involvement. GSA staff responsible for the storefront-related contracts was unaware of any cost limitations or budgets established for Gensler regarding storefront design and construction costs. They stated that "HUD had a very 'carefree' attitude about managing costs associated with Gensler. Whenever costs exceeded Reimbursable Work Authorizations, GSA requested additional funds and the HUD Office of Administration always approved the requests." GSA staff stated that it took a lot of their time to analyze Gensler's bills to weed out the unallowable costs, such as the cost of first class hotel rooms. Gensler was dropped from GSA's list of approved contractors in FY 1998. GSA sought and found a GSA-approved contractor, Design Management Associates (DMA), who subcontracted with Gensler to continue with HUD's storefront design and construction work. However, because the billing process has become difficult for DMA to manage, DMA plans to cancel its contract with HUD after completing the current ongoing storefront construction projects.

Customer service was not effective

Customer service provided by the storefront staff was not very effective. None of the storefronts had procedures in place to evaluate customer satisfaction and obtain customer feedback. Using local government and community contact lists provided by the storefront Community Builders, we randomly phoned some of their contacts to inquire about customer satisfaction. The limited responses we received, for the most part, supports the fact that some of HUD's customers were either unaware of

the storefront or were not always satisfied with the services they received:

The Vice President of the Frederick County Branch of the NAACP said she requested assistance from a Community Builder to provide the participants of a workshop information on how to open a day care center. She stated, **"I was very displeased with the service provided by the Community Builders. Prior to the workshop the Community Builder was informed of the purpose of the workshop, which was to educate minorities on how to open a day care center. However, at the workshop, the Community Builder mentioned nothing about day care. Many of the participants in the workshop were very upset and most of them left in the middle of the workshop. Therefore, our goal for the workshop was not accomplished."**

The Executive Director for Albuquerque's Housing Services Department stated, **"My assessment of the services provided by the Storefront/Community Builders is an excellent one. They are helpful and provide us with resources that are essential to our programs."**

The Community Development Coordinator for the University of Reno stated, **"Our relationship with the Storefront/Community Builder is not a good relationship. We worked with them in relation to the Community Outreach Partnership Center (COPC) grant. The Community Builder did not do much to assist us, in fact they mainly interfered with the progress the proposal had made. The Community Builder brought people onto the project who did not know anything about COPC grants. As a result, we had to drop the entire grant project because it was going nowhere."**

The Director, Prince William County Office of Housing and Community Development stated, **"The Storefront Community Builders are unimpressive. They are not needed and our organization has not gained any benefit from them."**

The Executive Director of Prince George's County Department of Housing and Community Development stated, **"The Storefront/Community Builders have been helpful, although we may not have accomplished everything we wanted. It is also difficult for me to say if having the**

Storefront/Community Builders is beneficial to organizations because the Storefront/Community Builder was here before I became Executive Director."

During our interviews with the storefront staff, many admitted that they had few customers visiting the storefront. For example, one Community Builder at the Reno, NV Storefront said that they averaged about 20 customers a week, a significant increase from the old office in which they had 10 customers in 6 months. The Reno Storefront did not maintain customer logs because they wanted to have a non-invasive environment that was friendly and open to the public. Another Community Builder at the Albuquerque, NM Storefront said he has only spoken with 10 to 15 visitors since the storefront opened 10 months ago.

We found that only three of the six storefronts maintained visitor logs and only one of the three (Washington, DC) had visitor logs with customer phone numbers. The staff at one storefront stated that they did not use visitor logs because of the negative comments received from customers. Using the visitor logs for the DC Storefront, we determined that the storefront staff assisted about 20 visitors a day. We randomly selected and attempted to call 100 customers but were successful in reaching and asking questions of only 18. We asked questions related to the satisfaction of the information and services provided by the storefront staff. We found that 25 percent of those interviewed were not satisfied with the storefront responses to their requests for information and 85 percent said that they obtained information from the HUD answer machines or were provided HUD brochures and did not need to speak with a Community Builder.

We also reviewed the visitor logs for the Buffalo, NY Storefront and determined that on average, they assisted about seven visitors a week. The low number of visitors or users of the storefront facilities may be a reason visitor logs are not maintained in all locations. However, the Buffalo, NY Storefront was the only storefront that implemented a phone log and planned to begin following up with customers to make sure that they are completely satisfied with the information they received. This follow-up process will be an effective way of determining whether storefront services are adequate and should be used by all storefronts.

Marketing and community outreach efforts were inadequate	Marketing and community outreach efforts were not adequate because, other than press releases and a color brochure created solely for the grand opening of the DC Storefront, HUD has not planned or implemented any marketing strategies for the other storefronts. Also, during the initial concept design phase of the DC Storefront, the catchy phrase "HUD Next Door" was developed to market the storefronts. Employees at one storefront informed us that visitors were literally interpreting this phrase to mean that HUD was in the building next door.

Marketing was hampered because funds were not specifically allocated to the storefronts. Instead, the six storefronts fall under the budget of the applicable HUD field offices which have not been provided funds for marketing or outreach. Consequently, printing requests from the storefront staff have been denied. Some of the storefront staff stated that they have often paid for supplies, equipment, printing, and receptions from their own personal funds.

Four of the six storefronts we reviewed have now been open for at least a year, but have not had an official grand opening or issued a press release. Some Senior Community Builders were told the grand opening ceremonies must be attended by an Assistant Deputy Secretary or higher HUD official before the storefront can be considered "officially" open. Grand openings were planned for these locations but were canceled. Subsequent to these cancellations, the Assistant Secretary for Housing held a grand opening for the newly opened Syracuse, NY Storefront on December 15, 1999. Interestingly, the Buffalo, NY Storefront (located less than 3 hours away from Syracuse) opened February 1, 1999 but has not had its "official" opening.

One Senior Community Builder was instructed by the Administrative Service Center to not market the storefront to the public or provide any community outreach until after the official grand opening and since that has not occurred, the amount of customer services he can provide has been severely limited.

Without brochures, or other types of mass media products such as press releases, many of the potential customers the storefronts were intended to reach will not know that services are available in these "customer-friendly" locations.

| Kiosk usage not monitored adequately | Another readily available tool that HUD could use to measure the amount of customer services it provides is the use of kiosks. As of September 30, 1999, HUD had spent in excess of $1.7 million to install, maintain, and monitor an additional 67 stand alone kiosks. HUD contracted with North Communications to monitor and develop usage reports for the kiosks. However, HUD did not monitor or measure customer usage because the kiosk reports were inaccurate. |

The stand alone kiosks are located in shopping malls, libraries, transportation centers, Federal buildings, city halls, and grocery stores. The kiosks are capable of providing information on a limited number of HUD programs 24 hours a day and the information is tailored to the communities where they are located. However, the information available on the kiosk is not as extensive as the information that can be obtained by accessing the HUD Homepage on the Internet. Internet services are available at most public libraries at no cost. The cost of the 67 stand alone kiosks was $1,748,449. Annual recurring costs for the 67 stand alone kiosks will be about $743,688 which includes costs for maintenance and monitoring. The following map shows the states that had kiosk machines as of September 30, 1999, and includes the six storefront kiosks.

73 HUD KIOSKS

HI

PR
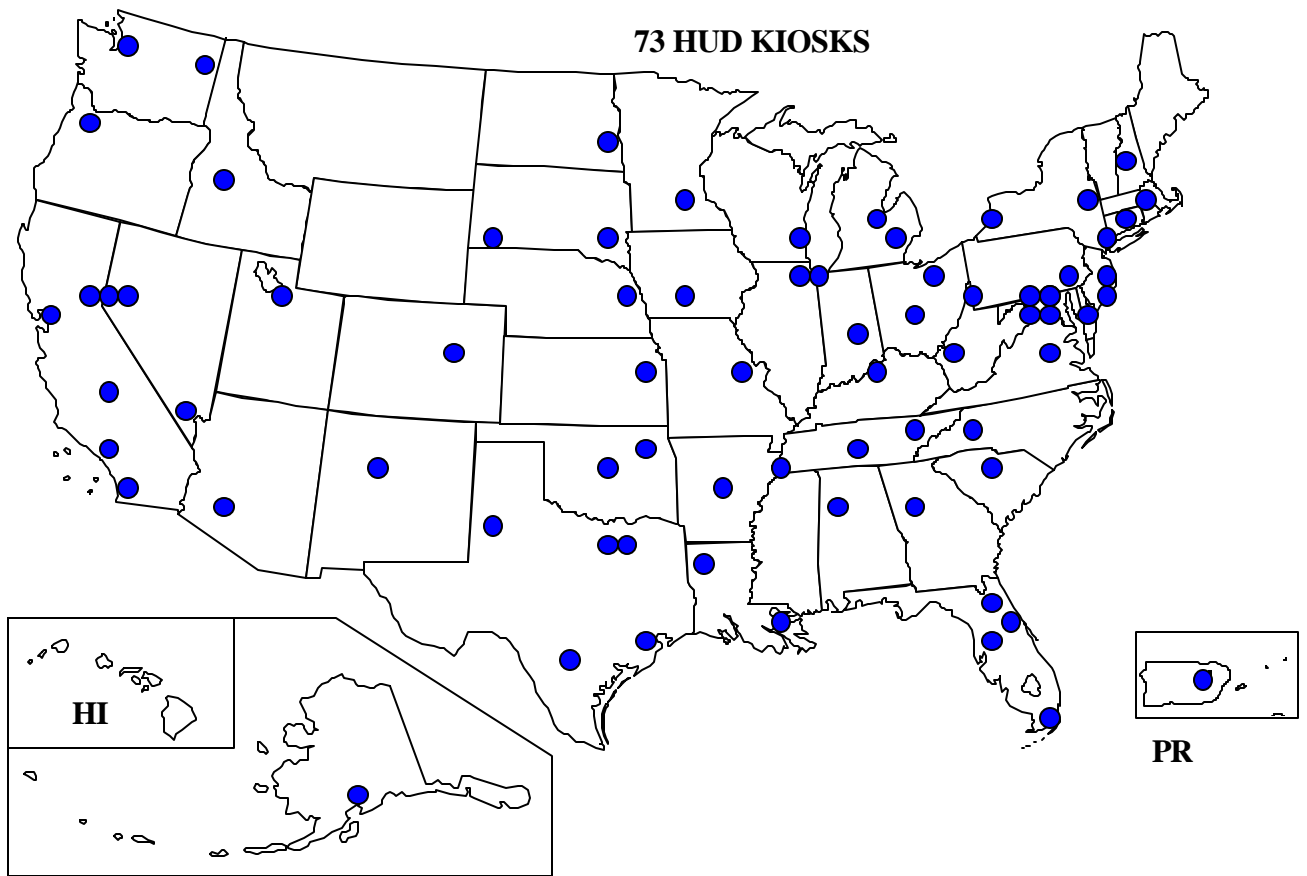
In order to determine the usefulness of both the 67 stand alone and 6 storefront kiosks, we evaluated the kiosk usage reports for the 3-month period beginning in July 1999. The usage reports showed:

Usage Report Analysis

Month	Number of Stand Alone Kiosks	Average Daily Users	Number of Storefront Kiosks	Average Daily Users
July	54	193	6	204
August	56	73	6	73
September	64*	9	6	5

*Three of the 67 stand alone kiosks were not included in the usage calculation since no usage data was available.

We compared the usage for stand alone and storefront kiosks and found that the usage reports showed similar numbers of average daily users for both the storefront kiosks and the stand alone kiosks. We also determined that the amount of the decrease from month to month was questionable. The Office of

Departmental Operations and Coordination stated that during periods of inactivity, the kiosks play public service announcements and when these announcements play, they get counted as a kiosk user even though nobody is actually using the kiosk. This may account for why similar numbers of users were shown for the storefront and the stand alone kiosks. In addition, the number of reported users continued to drop because the contractor was working to correct the statistics. However, a cursory review of usage for the month of January 2000 for the six storefronts showed that the average number of users was 117 a day. This would mean that if each user was on the machine for about 10 minutes each, the kiosk would have to be in operation 19 of every 24 hours and that is not reasonable. When we brought this to the attention of the person responsible for monitoring the kiosks, he said that if the numbers are high again, they must be having problems with the kiosk statistics provided by the contractor. It was evident to us that no one was monitoring these statistics on a routine basis.

We could not determine the cost effectiveness of the kiosks since the information available on customer usage is unreliable. The person responsible for monitoring the kiosks does not use the kiosk usage report but relies on a report that tells him how many times a kiosk screen has been "hit" for each location or a report that tells how many pages of information were printed. The HUDWEB Kiosk Statistics report states: "The Kiosk Usage Summary really only has one useful number – the number of pages printed. The other numbers aren't reliable and shouldn't be used." None of these reports accurately report actual users. When we asked why HUD was paying a contractor for bad information, we were told "it was better than nothing."

Conclusion

As a result of our review, we concluded that HUD has spent millions of Federal funds and used its limited resources to implement a new outreach and customer relations initiative, but cannot assure taxpayers that they are receiving the maximum return for their investment.

HUD Comments

The Deputy Secretary disagreed with the finding and was nonresponsive to the individual recommendations. We included

HUD's entire response in Appendix C. A synopsis of the Deputy Secretary's response follows:

The Deputy Secretary stated the OIG was provided with documents explaining the criteria, policies, and procedures relied upon in planning and delivering the storefronts. Among the documents provided as criteria were a point paper discussing the benefits of the storefronts; a concept paper on the proposed staffing, furnishings, space, and locations of the storefronts; and HUD's daily newsletter dated May 7, 1998.

The Deputy Secretary took exception to including the salary and training costs of the Community Builders and staff who manage the storefronts in determining the total cost of storefront operations. Salaries and training are costs that HUD would incur if there were no storefronts. He further stated the actual costs directly attributable to the DC Storefront are $494,100, not the $797,230 the OIG reported. As support for the $494,100, he included a schedule showing the DC Storefront costs as $464,300 and the design costs as $233,000.

As justification for the storefront site selections, the Deputy Secretary indicated that in addition to the criteria in the report, needs of the community were also considered.

The Deputy Secretary concurred that standardized methods for determining customer use and satisfaction are desirable; however, he disagreed that no efforts are being made by storefront staff to measure customer satisfaction. His inquiry of storefronts found that "customer surveys are being performed and customer satisfaction is quite high."

The Deputy Secretary disagreed that marketing and outreach efforts are inadequate and that additional money is needed for this effort. In his opinion, this would conflict with recommendations the OIG made in the Community Builder audit regarding public relations and outreach.

Lastly, the Deputy Secretary believes the "kiosks provide valuable service to the customer" and they are adequately monitored. He believes the kiosks can be used to address immediate needs as well as provide resources in times of crisis and one does not need to have prior computer knowledge to successfully use a kiosk. He also took exception to the OIG statement that "Internet services are available at most public libraries at no cost" because the OIG did not conduct a review

to determine whether public libraries are located near HUD kiosks; and did not consider that library cards are required to use library resources and kiosks are more customer-friendly.

OIG Evaluation of HUD Comments

None of the documents provided by HUD established sound criteria for storefront operations. Criteria are the standards, rules, or tests upon which a judgment or decision about a program can be based. Criteria include laws, regulations, policies, and procedures to name a few. HUD's documents did not identify the standards or measurements used to determine if the storefront operations are meeting expectations.

HUD developed the DC Storefront prototype to be used as a model for designing future storefront offices. Since HUD incurred costs for developing the prototype as well as design and construction costs for the DC Storefront, the costs were expended in establishing the DC Storefront. Also, since the space layout for each of the subsequent storefronts was different and with significantly less square footage than the DC Storefront, additional design costs were incurred for each subsequent storefront site.

The Deputy Secretary provided the storefront preliminary proposal that identifies a minimum of six employees for each storefront. These six employees are made up of Community Builders. We included the salaries and training costs because our objective was to evaluate the **total** costs of operating the storefronts.

The Deputy Secretary identifies examples of the community need assessments used to determine storefront locations. One example points out the two storefronts in the Mid-Atlantic District, DC and Baltimore, represent two communities with the highest crime rates in the country. There is no mention of how a high crime rate in these cities equates to the need for a storefront to assist customers. Furthermore, we were not provided copies of these needs assessments.

The Deputy Secretary disagreed with the budgetary figures included in the audit report, but the budgetary cost data included in their comments at Attachment A, reflects the same figures used in our audit report.

The OIG did not state that no efforts are being made to measure customer satisfaction, we stated that storefronts did not have any procedures in place to measure customer

satisfaction and obtain customer feedback during the period of our review.

When we speak of marketing and outreach in relation to the storefront operations, we are referring to the fact that if the storefronts have not held an official grand opening and cannot advertise the services they can provide, they cannot provide effective service to the customer and community where they are located.

It was not necessary for the OIG to conduct a review to determine whether public libraries are located near HUD kiosks. The point we were making is that the HUDWEB, accessed through the Internet, has significantly more information than a HUD kiosk screen can provide and can be easily accessed at any public library free of charge.

Recommendations

We recommend that HUD:

1A. Delay plans for constructing future storefront facilities until the Department can demonstrate the need for the storefronts and develop well-defined criteria, policies, and procedures and financial controls for storefront operations.

1B. Develop a cost-effective planning strategy for storefront locations that identifies an equitable distribution of storefronts nationwide based on the needs of the communities.

1C. Locate storefront sites in high traffic, publicly accessible areas.

1D. Open storefronts only in locations where HUD has an existing field office.

1E. Develop standardized methods for determining customer use and evaluating customer satisfaction.

1F. Provide adequate funding for marketing and community outreach.

1G. Provide more extensive HUD program training to the Community Builders.

1H.   Monitor kiosk use and justify the need for the kiosks at their current locations. Do not install any future kiosks until the existing machines are justified.

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Storefront Implementation Was Too Aggressive

HUD's implementation of its 2020 Management Reform Plan was so aggressive that HUD did not adequately:

- Establish Management controls over storefront operations;
- Plan or support storefront staffing levels; and
- Plan or establish national HUD goals for Community Builders.

Consequently, the Secretary's vision of creating uniform standards for measuring performance to increase productivity and accountability, and refining Department goals through feedback from customers has not been realized.

Secretary Cuomo's vision

HUD 2020 Management Reform Plan

The HUD 2020 Management Reform Plan of 1997 has six major reforms and storefront operations are the result of implementing the sixth reform, "Replace HUD's top-down bureaucracy with a new customer-friendly structure." Like major banks, HUD's plan was to adopt the concept of a "back-office" processing center and establish "store-front" customer offices closer to their markets. Using this plan, HUD would implement a similar model across the country over the next 4 years.

HUD's management reform plan places a new emphasis on results. It creates new internal and external benchmarks, as well as uniform standards for measuring performance to increase productivity and accountability across program lines. The plan also links its approach to the Government Performance and Results Act (GPRA) of 1993 and requires each agency to identify specific measures of its performance, results it will achieve, and timelines for doing so. Approximately 20 percent of HUD's major goals and objectives will be based on straightforward outcome-oriented performance results.

The sixth reform also speaks of establishing a new planning strategy that creates a loop in which Department goals are constantly refined by feedback from customers. The Secretary's Representatives and Community Builders will be responsible for establishing an effective partnership and working

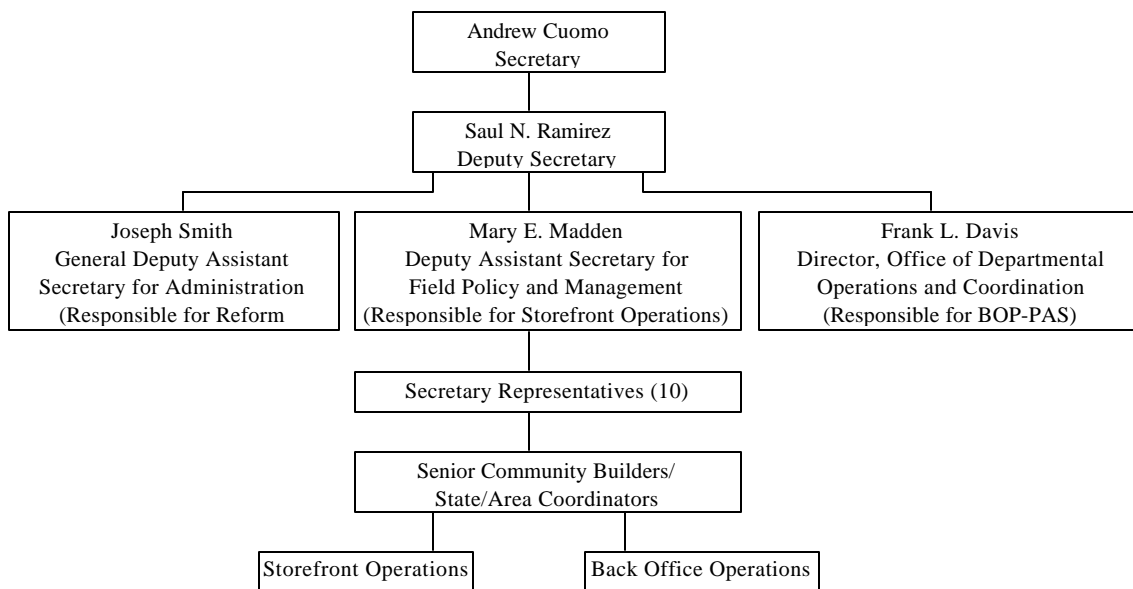relationship with customers as management plans are implemented.

GPRA

The Government Performance and Results Act of 1993 states that "the Congress finds that Federal managers are seriously disadvantaged in their efforts to improve program efficiency and effectiveness, because of insufficient articulation of program goals and inadequate information on program performance." One of the purposes of the Act is to "improve effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction." The performance plans section of the Act states that "performance plans shall have performance goals expressed in an objective, quantifiable and measurable form and provide a basis for comparing actual program results with the established performance goals."

Lack of management controls

Although the Office of Administration was responsible for planning and developing a strategy for carrying out HUD's 2020 Management Reform Plan, responsibility for the day-to-day operations of the storefronts belongs to the Senior Community Builders at the applicable field offices who report to a Secretary Representative. Based on the organizational structure, the Office of Field Policy and Management ultimately has overall responsibility for storefront operations (see the following organization chart). However, it became quite evident during our audit that even HUD senior management often had difficulty determining who actually had control of or responsibility for implementing various segments of the storefront operations.

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                    │     Andrew Cuomo          │
                    │     Secretary             │
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                    │     Saul N. Ramirez       │
                    │     Deputy Secretary      │
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│ General Deputy   │ │ Deputy Assistant     │ │ Director, Office of  │
│ Assistant        │ │ Secretary for        │ │ Departmental         │
│ Secretary for    │ │ Field Policy and     │ │ Operations and       │
│ Administration   │ │ Management           │ │ Coordination         │
│ (Responsible for │ │ (Responsible for     │ │ (Responsible for     │
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As mentioned in Finding 1, HUD, specifically the Office of Field Policy and Management, had not established policies and procedures for the overall operations of the storefront. In addition, storefront operations were not provided sufficient oversight and performance standards did not adequately define the duties and responsibilities relative to grade levels.

Senior Community Builders are the direct link between the storefronts and the field offices. They have the dual role of managing the storefront operations as well as being the State/Area Coordinator responsible for the field office staff. Prior to the implementation of the storefronts, state/area coordinators for three of the storefront locations were responsible for providing management and oversight to over 80 field office employees. With the additional storefront responsibilities, this dual role has sometimes made it difficult to provide oversight to both activities. One Senior Community Builder admitted that the storefront and field office staffs were not being supervised adequately. During interviews with two other Senior Community Builders, they also alluded to the difficulty of supervising both functions.

Although each Senior Community Builder reports directly to one of the 10 HUD Secretary Representatives, the Secretary Representatives were not directly involved with storefront operations. During an interview with the Secretary Representative in the Philadelphia Office, she stated that she only received information regarding the DC Storefront when

there was a problem. She also stated that she received the monthly input for the BOP-PAS via e-mail at the same time it was sent to the Headquarters Office of Departmental Operations and Coordination for Departmental consolidation. This clearly shows the lack of involvement and oversight provided to the storefront staff from upper management.

Performance standards for the Community Builder and Community Builder Fellows did not differentiate between grade levels. We found that the Community Builder Fellow GS-13 had the same performance standards and responsibilities as a Community Builder Fellow GS-15 who should have had an increase in responsibilities. At one location, the GS-9 Associate Community Builder had the same performance standards as the GS-13 Community Builders. The OPM position classification standards clearly state that grade levels are established based on the range of difficulty and responsibility and the level of qualification requirements of positions included in the General Schedule.

Storefront staffing levels not planned or supported

HUD could not provide support for the number of Community Builders and administrative staff hired to perform the customer service functions in the storefronts. We found that the staff structure, size, and composition of each storefront varied as shown in the following chart:

**Storefront Staffing Levels
as of September 30, 1999**

Location	Community Builder Fellows GS 13-15	Community Builders GS 13-15	Public Trust Officers GS 12-13	Associate Community Builders GS 9-12	Other Staff GS 1-7	Total Staff
Albuquerque, NM	2	3		1	1	7
Baltimore, MD**	1			1	2	4
Buffalo, NY**				3	1	4
Reno, NV	2	1		3	1	7
Sacramento, CA	4	2		1	1	8
Washington, DC	3	4	2	3	1	13
Total	12	12	2	12	7	43

**These storefronts rotated staff from local Field Offices.

The Office of Field Policy and Management provided us a copy of the allocation process for the Community Builder merit staffing for FY 2000 and told us this was what was used to determine staffing levels for the storefronts during FYs 1998 and 1999. However, we were directed to the Office of Policy Development and Research (PD&R) for an explanation of how the formula was applied to establish the staffing levels for FYs 1998 and 1999. As it turned out, the plan was for FY 2000 and was the first one that had been developed for Community Builders. Nonetheless, we reviewed the FY 2000 allocation process to see what factors were used that may have also been considered in earlier years. Some of those factors included (1) total assisted housing rental units; (2) average Community Planning and Development formula funding; and (3) average dollar amount of FHA single family insurance. None of these factors represents the workload of the Community Builders described to us during the audit; therefore we could not apply these factors in determining the adequacy of the staffing levels at the storefronts.

HUD's lack of staff planning was best demonstrated by the staffing of the Syracuse, NY Storefront.[6] HUD opened this location with only two Community Builder Fellows. We consider the staffing of this location to be poor planning because Community Builder Fellows are new to HUD, do not have expertise in HUD programs, and have 2-year appointments that will expire on September 1, 2000. HUD also recognized that this staffing level was inadequate and arranged to borrow staff from the Albany and Buffalo, NY Field Offices and the Buffalo, NY Storefront because there was no existing HUD office in Syracuse, NY to borrow from. This arrangement not only increased travel costs but created a shift in workload to cover the shortages in those offices. Basically, HUD's decision to open a storefront in Syracuse was contrary to available site selection guidance in that there was no expiring lease and no existing field office with space on the first level.

National Community Builder goals were not adequate

The goals established for Community Builders in FY 1999 were not adequate and were addressed in our Nationwide Community Builder Report, 99-FW-177-0002, dated

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[6] The Syracuse, NY Storefront opened in September 1999 but had its grand (official) opening in December 1999. We include Syracuse here because of its impact on the Buffalo, NY Storefront.

September 30, 1999. We include a discussion of the goals here because the three Community Builder goals for FY 2000 will measure activities, not outcomes, and will not measure a large part of the Community Builders' duties and responsibilities. The three goals relate to increasing the number of local and regional partnerships, enhancing the capacity of local partnerships, and developing a schedule to reflect a series of on-site consultations. As required by GPRA, Community Builder goals should be expressed in an objective, quantifiable and measurable form and provide a basis for comparing actual program results with the established performance goals.

The FY 1999 accomplishments presented in the Business Operating Plan-Performance Analysis System (BOP-PAS) for the six storefront activities relied on informal procedures for determining what activities Community Builders accomplished. Most of the input resulted from informal discussions, meetings, or electronic messages. Therefore, we could not validate these statistics. We understand that HUD is piloting a new system, Community Builder Information (CoBI), to capture the work plans and accomplishments of the Community Builders. However, in order for this system to be useful, the Community Builders must have adequate goals to work towards.

HUD's 2020 Management Reform Plan states that HUD will rely on customers to guide HUD's direction and will refine goals based on customer feedback. We recognize that HUD took some action, after the start of our review, to initiate customer survey forms in October 1999, but not all storefronts are using the surveys. Some Community Builders do not consider the surveys to be an accurate assessment of the storefronts' outcomes. We do not believe the surveys will be an impartial assessment of performance if the surveys are not sent to a third party for review and customers are not required to complete them.

Conclusion

We concluded that the Secretary's vision, of creating uniform standards for measuring performance to increase productivity and accountability, and refining Department goals through feedback from customers, as stated in the HUD 2020 Management Reform Plan, has not been realized.

HUD Comments

The Deputy Secretary disagreed with the finding and was nonresponsive to the individual recommendations, but he did state that the "four very general recommendations associated with this finding are indeed laudable." We included HUD's entire response in Appendix C. A synopsis of the Deputy Secretary's response follows:

The Deputy Secretary stated that management controls over storefronts were adequate and that very specific planning tools, setting directions and priorities, are enumerated in the FY 2000 BOP and other Quality Management Initiatives. The FY 2000 BOP is purposefully designed to allow local offices to determine those specific activities that will best meet the needs of their communities in the context of Department's goals; therefore, to state that storefront activities relied on informal procedures for determining what activities Community Builders accomplished is at best uninformed.

The Deputy Secretary claimed that variations in storefront staff size indicates that staff planning did take place. He also stated that since no historical experience existed, the FY 2000 Community Builder merit staffing plan was used as a guide to allocate Community Builders and that the factors used in allocating the Community Builder staff is appropriate.

Finally, the Deputy Secretary took exception to the OIG including a discussion of the goals since this had been addressed in a prior audit. However, he stated that the FY 1999 BOP did contain nationwide goals to establish storefronts and kiosks and that HUD indeed did track the progress against these goals.

OIG Evaluation of HUD Comments

Regarding Community Builders' accomplishments, we were not provided any formal documentation such as a consolidated report of accomplishments that we could link back to the actual BOP-PAS reports for FY 1999. Instead, we were given copies of informal discussions, electronic mail, and personal calendars which were usually incomplete, to support activities

conducted by storefront staff. We acknowledged that the COBI system, once implemented, should assist in resolving this problem. However, procedures are needed to ensure that adequate documentation is maintained to support COBI.

We acknowledged that the Department currently has an allocation process for Community Builders. However, as the finding states, that process was not used as the basis for determining the Community Builder staffing levels for FYs 1998 or 1999. Furthermore, based on our analysis of the storefront activities, none of the factors used in the current allocation process are directly or indirectly related to any of the activities conducted by the storefronts.

The FY 1999 goals to establish storefronts and kiosks mentioned by the Deputy Secretary in his comments had nothing to do with the Community Builder goals we discuss in the report. Additionally, we reviewed the FY 1999 BOP to determine what goals the Deputy Secretary was referring to and could not find any goals for storefront and kiosk implementation.

Recommendations

We recommend that HUD:

2A.   Establish management controls and provide adequate oversight to storefront operations.

2B.   Develop performance standards that clearly define employee duties and responsibilities applicable to their respective grade levels.

2C.   Determine storefront staffing levels by assessing the storefronts' role and responsibilities, documenting the assessment, and assuring that storefronts have adequate staff before they are opened.

2D.   Establish outcome-oriented national Community Builder goals that are objective, quantifiable, and measurable against program results.

Management Controls

In planning and performing our audit, we obtained an understanding of the management controls that were relevant to our audit. Management is responsible for establishing effective management controls. Management controls, in the broadest sense, include the plan of organization, methods, and procedures adopted by management to ensure that its goals are met. Management controls include the processes for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Relevant management controls	We determined that the following management controls were relevant to our audit:

- Justifying the cost of storefront operations and kiosks;
- Planning and selecting storefront and kiosk sites;
- Measuring storefront and kiosk operations and reporting results;
- Supervising storefront operations; and
- Establishing national goals for Community Builders.

Significant weaknesses	It is a significant weakness if management controls do not give reasonable assurance that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data is obtained, maintained, and fairly disclosed in reports. Our review indicated that HUD had significant weaknesses in justifying the cost of storefronts and kiosks, planning and selecting storefront and kiosk sites, measuring and reporting results of operations, and supervising and establishing goals for the Community Builders.

As discussed in Finding 1, HUD spent over $8.5 million to establish six storefronts and install 73 kiosks and did not adequately justify the need for the facilities or the plans for the site selections. There were no established criteria, policies or procedures for storefront operations. In addition, HUD could not measure customer service or satisfaction and kiosk usage was not monitored or reported accurately.

As discussed in Finding 2, HUD did not establish adequate management controls over storefront operations and did not plan or support storefront staffing levels. Further, HUD did not establish national goals for Community Builders that will measure outcomes.

These weaknesses are more fully described in the findings section of this report.

Summary of Storefront Costs

Design and Construction, Lease and Kiosk Costs
as of September 30, 1999

	Design and Construction	Annual Leases	Kiosks	Total Cost
Albuquerque, NM	$ 459,676	$ 51,334	$ 54,423	$ 565,433
Baltimore, MD	449,151	32,464	53,785	535,400
Buffalo, NY	324,176	34,970	20,082	379,228
Reno, NV	341,926	55,419	54,337	451,682
Sacramento, CA	507,894	94,785	54,381	657,060
Washington, DC	797,230	302,225	56,771	1,156,226
Total	**$2,880,053**	**$571,197**	**$293,779**	**$3,745,029**

Salary Costs
May 1998 through September 30, 1999

	Opening Date	Permanent Staff	Rotational Staff	Total Salaries
Albuquerque, NM	02/18/99	$ 337,565		$ 337,565
Baltimore, MD	03/29/99	87,037	$ 47,370	134,407
Buffalo, NY	02/01/99	148,122	53,736	201,858
Reno, NV	01/25/99	359,947		359,947
Sacramento, CA	03/01/99	352,899		352,899
Washington, DC	05/06/98	1,429,999		1,429,999
Total		**$2,715,569**	**$101,106**	**$2,816,675** *

* Salaries include employee benefits

Training and Travel Costs
as of September 30, 1999

	<u>Training</u>	<u>Travel</u>	<u>Total Costs</u>
Albuquerque, NM	$ 20,748	$ 10,661	$ 31,409
Baltimore, MD	40,266	19,423	59,689
Buffalo, NY	37,047	9,896	46,943
Reno, NV	19,105	5,838	24,943
Sacramento, CA	33,459	11,195	44,654
Washington, DC	36,299	3,125	39,424
Total	<u>$186,924</u>	<u>$60,138</u>	<u>$247,062</u>

Memorandum dated February 18, 2000

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

February 18, 2000

OFFICE OF THE ASSISTANT SECRETARY
FOR ADMINISTRATION

MEMORANDUM FOR: Principal Staff

FROM: Joseph F. Smith, General Deputy Assistant Secretary for Administration, AA

SUBJECT: Departmental Infrastructure

The Office of Administration has received numerous inquiries and complaints on the cuts in services which have been funded through the Department's infrastructure budget. The cuts have been severe and a source of frustration for all of the offices in the Department.

For Fiscal Year 2000, we had requested funding of $153 million for the infrastructure. This increase over last year's budget of $123 million was due to additional support for the Departmental priorities, such as Community Builders, new storefront offices and kiosks. Through funding decisions made by the Technology Investment Board (TIB), funding for the infrastructure was reduced to $112 million. All of the program offices were encouraged to participate in the working group which supported the TIB; most chose to be active in this open initiative, some did not. The decision process on Departmental priorities was a participatory one and the results should not have been a surprise to anyone.

Because the majority of the infrastructure budget in support of the Departmental platforms and processing is difficult to cut without harm, reduced funding has effected the more discretionary areas. The attachment gives you basic information on areas impacted.

We regret that these reductions in service are necessary. We will make every effort to mitigate the impacts within the Department's IT Budget for FY 2000.

Attachment

00-AO-170-0001

INFRASTRUCTURE SERVICE IMPACTS
AFFECTING ALL USERS

Service Impact

Geocoding
- No service provided

Microfiche
- Current users of HIIPS Data Entry/COM Support will be required to directly fund this capability as needed

Specialized technical infrastructure support
- No additional Picturetel installations

Local Area Network support
- Limited staff to provide support for HUD in-house developers with integration of applications or instruction on the configuration of the platform
- Technical support available from 7:00 a.m. to 9:00 p.m. EST Monday through Friday
- Limited staff for upgrades to the SMS environment and technical support for the SMS platform

Office relocations & associated travel
- Limited travel funds to support Office relocations and Storefront installations

HTN installations/service
- HTN & HVN hardware components taken off of maintenance
- No new satellite dish installations

Office Automation/HUDware Tier 1 support
- Elimination of staff support to roll-out Project Office precludes development and implementation of enhancements associated with project performance monitoring
- Limited number of licenses for roll-out

Presentation Graphics and Mapping
- No service provided

Data Entry
- Current users of HIIPS Data Entry/COM Support will be required to directly fund this capability as needed

Network operations management
- No upgrades to network management software increases response time for problem resolution

Specialized Lotus Notes training and Walk-in Clinics
- No reviews of the hardware and software infrastructure of HUD's groupware architecture to ensure timely and sufficient electronic mail and groupware services
- User training and "walk-in" clinics are eliminated

Color printer cartridges
- No replacement color printer cartridges after current stock is depleted

No general stock of hardware/software for emergency requests
- No stock LAN cables & connectors to support Headquarters and Field Office initiatives

Service Desk support
- Eliminates 50% of staff necessary to implement the Enterprise Service Desk
- Support for the integration of Call Center Technologies and Call Center management systems eliminated
- Reductions in Tier 1 and Tier 2 Help Desk support will increase the time required to respond to user problems
- No Saturday or Monday through Friday evening (after 6:00PM) Help Desk coverage
- No dedicated 10th floor support
- No technical support for high profile initiatives (i.e. Digital Divide)

Developer COOL:Gen support
- No technical support for the administration, performance, and maintenance of the COOL:Gen Central Encyclopedia (CE) and Client Server Encyclopedia(s) (CSE) products
- No developer assistance and guidance on the most effective use of the COOL:Gen product at HUD. No technical training and education for COOL:Gen developers
- No database support for Client/Server applications being developed with the COOL:Gen software
- No database support for new and existing Web applications developed using COOL:Gen

HTN maintenance
- No preventative maintenance coverage on existing hardware components

PictureTel maintenance
- No preventative maintenance coverage on existing hardware components

INFRASTRUCTURE SERVICE IMPACTS
AFFECTING ALL USERS

Service Impact

Developer DBA support
- Reduction in support for administering production C/S relational database management systems (RDBMS), operating systems, and production middleware products
- No support for user application database administration
- No support for the reengineering of existing "block mode" applications that currently utilize EASEL frontware, for migration into the Client/Server architecture

Modem maintenance
- Service level increased from 4 hours to approximately 8 hours response time and 48 hours "Return to Service"

Laptop maintenance (move to "Depot" maintenance approach)
- Notebook maintenance will be serviced via a Depot Maintenance agreement which will substantially increase the "Return to Service" time
- No replacements for damaged and/or stolen notebooks

Desktop maintenance
- Specific PC hardware components (i.e. scanners, jukeboxes, CD-ROMS and UPS) no longer maintained
- PC/LAN components service level increased from 4 hours to approximately 8 hours response time and 48 hours "Return to Service"

Engineering Change Proposal support
- Reduced ability to engineer platform modifications
- Limited support for research and the presentation of new technologies that will benefit existing operations or that can be implemented in the HUD environment
- Responsiveness to support system changes and new initiatives will increase

Printer Maintenance
- Removal of high-speed LAN printers from maintenance

Lotus Notes/Email support
- Substantial reduction in technical assistance, support, and guidance for the deployment, implementation, administration, and management of mail and groupware initiatives
- No evaluation, testing, and training on any new Lotus Notes and Electronic Mail releases other than maintenance patches/fixes
- Reduced administration and support services of HUD's electronic mail systems
- Reduced technical support to respond to problems
- No weekend support or weekdays after 6:00 p.m.
- Substantial reduction in technical assistance, support, and guidance provided to HUD Field Offices and other off-site personnel
- No support for the review/recommendation of new software and hardware tools for the enhancement of electronic mail and groupware administration

Client Server administration/data base support
- No developer support for installation/configuration of operating system software and Client/Server products
- Reduction in technical support of Client server products to production users
- Reduction in support for administering production C/S relational database management systems (RDBMS), operating systems, and production middleware products
- Limited support for the migration of approved applications into production environment
- No additional hardware to support development or test platforms

Headquarters Print Facility
- Major delays in the receipt of user reports

Training support (IT supported products)
- Limited staff to provide technical or end-user training on the platform and its components

Test Center application validation
- The time required to validate applications prior to production release will significantly increase
- Reduced IV&V oversight prior to production release
- No Web performance/stress/load testing and defect/error management reports

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HUD Comments

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE DEPUTY SECRETARY
WASHINGTON, DC 20410-0050

March 29, 2000

MEMORANDUM FOR: Saundra Elion, Inspector General for Audit, Capitol District

FROM: Saul N. Ramirez, Jr., Deputy Secretary, SD

SUBJECT: Departmental Response to the Office of the Inspector General Storefront Office Audit

I am attaching HUD's response to the Office of Inspector General's draft audit report regarding HUD's Storefront offices, which was previously provided to Kathryn Kuhl-Inclan. Should you have any questions or need additional information, please contact Kevin M. Simpson, Deputy General Counsel for Programs and Regulations at 202)708-2211.

Attachments

cc: Susan Gaffney, Inspector General
    Kathryn Kuhl-Inclan, Assistant Inspector General-Audit

THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT'S RESPONSE TO THE OFFICE OF INSPECTOR GENERAL'S AUDIT OF STOREFRONT OPERATIONS

Introduction

One of the key reforms proposed by Secretary Cuomo's HUD 2020 Management Reform Plan is to "replace HUD's top-down bureaucracy with a new customer-friendly structure." In order to implement this reform, HUD established "store-front" service centers designed to remove the distance between government and people, making it easier, less expensive and less time-consuming for the public to obtain information and assistance. The Storefronts literally move the Department out of hard-to-locate office towers and onto street-level storefronts where people live and work.

The Storefront technology provides various levels of information. The kiosk, located outside the Storefront, offers around-the-clock information about HUD programs. The after-hours component of the Kiosk ensures that HUD's doors are never closed and, as a result, no one is blocked from information. If someone needs to locate the nearest homeless shelter, they press a button and print the information. For more details, they can visit the Storefront the next day and personally use the Answer Machine, linked to HUD's award-winning website, where they can file housing discrimination complaints online or view and print 4-color maps of neighborhoods. If they need additional help, they can ask for a Community Builder, whose job is immediate customer service, one-on-one. Community Builders and some Public Trust Officers staff the Storefront. The welcoming design of the Storefront attracts the public inside.

Importantly, the Storefront helps HUD reach the "hard to reach" – low-income people who do not always have access to convenient transportation, technology, and other resources. By making the Answer Machine available in Storefronts and HUD offices, people who cannot afford a computer and Internet charges can get free access. Community Builders now can travel to remote locations, equipped with mobile Laptops that offer the same information as the Answer Machines. The Storefronts also help to take the mystery and frustration out of complex federal programs. By organizing services by subject, instead of by programs, people are not required to know the differences between the Section 184 and Section 202 programs. They just ask for "Indian housing" and "elderly housing" and someone can help.

In essence, the Storefront makes government work for people, instead of against them and, as a result, they are more likely to seek help, ask questions, make use of available resources and, most importantly, get involved in their communities. The first storefront office was opened in Washington, D.C. on May 6, 1998. Based on this prototype, an additional five storefronts were opened during FY99. Beginning in October 1999, HUD's Office of Inspector General (OIG) conducted an audit of the operations of the first six Storefront locations. Significant staff resources have been committed to providing OIG with documents and information to assist the OIG's review of the development, implementation and operation of six storefronts and numerous kiosks throughout the county.

We are disappointed that all of this effort and expenditure of resources has yielded a misleading and poorly-reasoned audit that demonstrates the lack of understanding by the OIG auditors of the role of the Community Builder; a lack of appreciation of the value of a storefront and the audience the storefront is intended to serve; a misunderstanding of the function and potential of the kiosks, and, perhaps most disconcerting, a lack of understanding of the structure of the Department of Housing and Urban Development and a lack of knowledge concerning Federal government contracting and procurement procedures.

The most troubling criticism is the OIG's assertion that the ultimate beneficiaries of HUD funds – the low-income Americans who need housing assistance – are not HUD's "most important" customers and that the Storefront concept is therefore unnecessary. HUD strongly disagrees. There is no more important customer than the person who benefits from HUD programs. Increasing the public understanding and awareness of HUD's programs is crucially important. HUD believes that determinations about the relative importance of particular groups of HUD customers is a decision reserved exclusively to management and the OIG's criticisms in this regard improperly step beyond their role as auditors in support of the management function.

Although HUD management does not disagree with many of the recommendations made by the OIG's audit, including the benefits of improving our monitoring of customer service functions and better tracking of Storefront

activities, many of the specific factual criticisms advanced by OIG are simply wrong, misleading, lack context, or otherwise demonstrate a lack of understanding of the purposes of the Storefront concept.

Response to Finding 1: Storefronts and Kiosks Are A Good Investment

HUD's Storefront Initiative does not lack appropriate criteria

The Office of the Inspector General recommends a delay in developing additional storefronts until the need is demonstrated and the OIG are better able to understand the criteria, policies, procedures, and financial controls for storefront operations. The OIG auditors have been provided with documents explaining the criteria, policies and procedures relied upon in planning and delivering the storefronts. HUD provided OIG with a document from Office of Administration staff, discussing the benefits of the storefronts, recognizing them "as a catalyst for growth and development in the area and (as) an anchor for attracting new businesses and stabilizing the business community." (See Attachment A). HUD also provided a "concept" paper developed at the end of July, 1997, that provides early information regarding the concept, proposed staffing, furnishings, space, and locations as well as cost estimates. The agenda for a meeting held with HUD staff and the GSA contractor, as well as a proposed implementation schedule are also included.

Moreover, as early as May 7, 1998, the FOCUS, HUD's daily newsletter, featured the storefront concept, describing it as "a new type of consumer-oriented service center designed to become a national model for more responsive government." (Attachment C). With the intention of "translat(ing) the lofty ideals of government reinvention into the down-to-earth reality of improved performance", the Storefront, it was explained, provides "assistance for a broad range of actions, including buying and building housing, getting home improvement loans, getting rental assistance, filing housing discrimination complaints, opening and expanding businesses, and revitalizing communities in other ways." The article went on to discuss the 24-hour touch screen computer in a sidewalk information kiosk outside the Storefront providing round-the-clock access to information and other features of the venture. Following that article, countless other articles appear on the HUD web that explain the program and discuss the excitement generated around the country by citizens and officials whose communities have benefited.

Separate policies and procedures have not, however, been implemented for the Storefront because Storefront employees are HUD employees, subject to the same standards and operating procedures of all HUD employees, charged with furthering the mission of the Department, from helping families achieve the American Dream of homeownership and ensuring that homeless families find shelter to helping victims of housing discrimination in filing complaints and assisting communities in providing for their citizens, while delivering superb customer service . . . in a Storefront setting.

Costs for the Storefronts were not excessive

One of the central weaknesses of the OIG's computation of the costs attributable to the storefronts is the inclusion of the salary costs and training costs for the Community Builders who staff the Storefront offices. The concept behind the Community Builder program – to separate program monitoring functions from community outreach and customer service functions – is distinct from the Storefront concept. Although many Community Builders currently staff Storefront offices, such employees represent only a small fraction of the total number of Community Builders. The benefits of the Storefront concept can be realized without Storefront offices. By the same token, the division of responsibilities which lies at the core of the Community Builder concept does not require the Storefront offices for its successful execution. Last September, the OIG audited the Community Builder program and criticized (we believe incorrectly) the costs of the Community Builder program. Tellingly, that national audit visited 11 cities -- but not one city with a Storefront location. It is difficult to understand how OIG can claim that the costs of the Community Builder program are now properly considered in connection with their review of HUD Storefronts when last year's comprehensive national audit of the Community Builder program did not even attempt to evaluate

the costs or benefits of the Storefronts. Moreover, as the OIG acknowledges, Congress has terminated the Community Builders Fellows program effective September 1, 2000. After that date, all Community Builders will be career civil servants. Even if all the Storefronts were closed tomorrow, HUD would still bear the salary costs of the employees previously stationed in the Storefronts. Moreover, no matter where the Storefront staff are housed, there are office space, furniture, phones, supplies, training, travel, salaries and benefits required for these Departmental employees. Therefore, we believe it is fundamentally misleading to include salary costs and training costs of employees in calculating the costs of the Storefronts.

Actual savings will be also be realized as a result of moving employees from the HUD office into the Storefront setting. For the DC HUD Office, savings of $87,000. per year will be realized once consolidation of office space can be achieved and funding has been requested to enable this to occur. In Sacramento, the office occupied 18,869 sq. ft. of space in their previous location; the new space, inclusive of the Storefront office, is 10,389 sq. ft Therefore, a space reduction of 8,480 sq. ft. was realized. In Reno, the office occupied 5,212 sq. ft. of space in their previous location; in the new location, with the storefront office in place, the leased space amounts to 3,801 sq. Ft., a space reduction of 1,411 sq. ft. Regardless of what the actual savings are, they will be realized *every* year.

Furthermore, the OIG's analysis of the costs of each Storefront unfairly lumps in start-up costs for design and development of the entire Storefront concept with the actual construction costs of the DC Storefront office. OIG claims that the DC Storefront office cost $797,230 to develop. In fact, the actual costs directly attributable to the DC Storefront are $494,100, as referenced in Attachment F. OIG may have also improperly included costs for security and cleaning services in their cost figure for the DC Storefront Office, but because of the vague nature of the numbers reported, it is difficult to know what specific costs were included by OIG. logo design, etc.

The Department uses the General Services Administration (GSA) and their contractors to develop the architectural and design components of the Storefront Offices, as well as to carryout the construction of the facilities. Funds are allocated to GSA on an as-needed basis to pay for materials and services through Reimburseable Work Orders (RWA), which provide funds for designated work in a specific location, although the funds may be used by GSA to cover work that supports similar Storefront development in other locations as well.

The audit report ignores the fact that general development and design expenses are properly apportioned to *all* of the storefronts because the same design plans are used in all of the storefronts. In fact, one of the cost-efficiencies that result from the Storefront concept is the significant reduction in development/design costs associated with field office relocations or the establishment of new offices. The OIG has made no attempt to measure these savings.

In attempting to evaluate the benefits of the HUD Storefronts, OIG refuses to recognize the benefit accruing to the agency from the usage of conference rooms in the Storefront offices by HUD field staff to hold internal meetings. Moreover, OIG claims that the number of meetings held at each Storefront demonstrates that usage is "minimal." In fact, an honest reading of the data indicates that usage is simply mixed. Some Storefronts have numerous meetings while some are recorded as having had no meetings at all since they opened. These anomalous results clearly suggest that there are some record-keeping weaknesses rather than a complete lack of usage. For example, the Baltimore Storefront hosted 50 meetings over a 6-month period, which is hardly "minimal." Similarly, the Albuquerque storefront had 42 meetings and training sessions over approximately the same time period. Indeed, the audit acknowledges that the activity in these offices – which constitute one-third of all offices reviewed -- qualify as "exceptions" to the OIG's criticism that there has not been sufficient activity to justify the costs of the Storefront. It is wrong, however, to suggest that counting the number of meetings in the Storefronts is the only way to gauge the benefits received from the Storefronts.

HUD's site planning was not inadequate

The OIG has been critical of the criteria used in site selection for the Storefronts. On November 30, 1999, the OIG received a written response to questions raised during their entrance conference regarding the criteria used to

determine additional sites, after the development of the DC Storefront (Attachment D). It was explained that opportunities to place a Storefront on the first floor of an existing HUD office location, in a city where HUD can maximize the Department's mission by increasing its visibility in the community and/or locations where leases were expiring and a move was imminent were the primary focus for Storefront development. The vast majority of storefronts opened to date have satisfied these criteria. In addition, community needs are considered in choosing Storefront locations. Of the six Storefronts reviewed, two are in the mid-Atlantic, one is in the northeast, one is in the southwest, and two are in the west.

- The two Storefronts in the mid-Atlantic, DC and Baltimore, represent two communities with crime rates among the highest in the country.
- The Reno Storefront affords a HUD presence in the second largest city in the state, situated in an area that serves a substantial Hispanic population.
- Serving as the cornerstone of the city's important downtown revitalization effort, the Albuquerque Storefront represents the first Federal agency to act on the President's directive to move back into center city areas.
- Serving as a center of hope for the future, the Buffalo Storefront, housed in New York State's second largest city, provides support and incentive for economic and community development in this economically disadvantaged, formerly industrial northeast city.
- Sacramento, California is facing three closed military bases as well as the loss of several substantial key employers of both professionals and blue collar workers and is a significant point of entry for immigrants into this country.

Therefore, exactly what needs in the community the OIG feels would merit a Storefront presence or the criteria they apply to determine what cities demonstrate a greater need for Storefronts are not clear. It is also unclear how the OIG can consistently criticize HUD on the grounds that Storefronts are not needed by HUD customers and, at the same time, claim that HUD has failed to locate the Storefronts in areas where the "needs" for the Storefronts are greatest. Consistency demands that one criticism or the other be dropped from the audit.

The auditors recommend that Storefronts be opened only in locations where HUD has an existing Field Office, but we see significant benefits resulting from the Storefront Offices that have been opened independent of a Field office. The Buffalo, New York Senior Community Builder, who provides oversight and support for the Syracuse Storefront Office, advises that the Syracuse Storefront has afforded the Department a presence in central New York State, from which, prior to this time, the Department and the community never benefited. The greater Syracuse community, and indeed, central New York State, formerly dealing with HUD staff from a distance for the most part, now feel that HUD is in their community, accessible with all of its resources, with staff locally placed, able to take the time to provide the incremental support often needed. Whether future Storefronts are co-located in existing Field Offices or are placed in cities where there is no HUD presence, the public trust obligation will assure that placement will continue to be in those locations where HUD's resources and talent can be optimally leveraged.

HUD Storefronts are accessible to the public

The OIG also states that Storefronts should be located in high traffic, publicly accessible areas. We agree. HUD attempted to locate Storefront Offices in highly visible, downtown locations. OIG opines, based on anecdotal comments, that better parking at some of the Storefronts would improve access. First, since OIG rejects HUD's vision of which customers are supposed to be served by the Storefronts, they cannot also criticize HUD based on speculation about the parking needs of those same customers whom they do not consider "important" customers. Second, the Storefronts are located near public transportation, which is consistent with the policy of attempting to encourage the use of public transportation rather than encourage greater traffic congestion. We find it difficult to believe that expending additional taxpayer funds to secure better parking spaces near the Storefronts would have earned the approval of the OIG. Indeed, the audit report claims (incorrectly) that the costs of the Storefronts is already too high. Third, OIG has studiously avoided comparing the accessibility of the previous Field office locations with that of the new Field office/Storefront locations. In many cases, the new locations are far more accessible than the old ones. In fact, at another point in the audit, OIG admits that the Storefront in Reno, Nevada, despite being located in a "strip mall" with supposedly poor street visibility, is visited by 20 customers a week, which OIG characterizes as "a significant increase from the old office in which they had 10 customers in six months."

Similarly, OIG acknowledges that the D.C. Storefront receives at least 20 visitors per day. Finally, OIG's analysis fails to acknowledge that HUD's acquisition of new office space is conducted through the General Services Administration and is not a process over which HUD has complete control. HUD is presented with a list of available properties/sites after communicating its needs to GSA. As a result, compromises must sometimes be made based on the realities of the real estate market as it exists at the time the acquisition is made.

Storefront budgets were managed responsibly

OIG suggests that HUD had no real budget in designing the storefronts by relaying the comments of GSA staff that they were unaware of such budgets, but the chart included by the OIG in its report clearly shows that HUD had budgeted specific amounts for each storefront. Moreover, we disagree with the figures included by the OIG. The rest of this section of the report details difficulties GSA had with HUD's design firm, Gensler. These reported difficulties are not fairly attributable to HUD and the OIG offers no reason why they should be so attributed. GSA is the agency responsible for managing contractors like Gensler. HUD did not, and could not, authorize unallowable costs charged by Gensler about which GAO complained.

The Storefronts provide effective customer service

Management concurs that standardized methods for determining customer use and evaluating customer satisfaction are desirable. However, OIG's conclusion that no efforts are being made by the Storefront staff to measure customer satisfaction is simply incorrect. In making the same inquiry of Storefronts, management was provided with historical information and data that demonstrate that customer surveys are being performed and customer satisfaction is quite high.

The discussion of the individual customer comments highlighted by the draft audit report are exceedingly unfair and we have asked OIG to consider removing them. The fact is that two out of six of the comments are actually positive comments and one of the negative comments simply reflects no knowledge of the terms "Community Builders" or "Storefronts." These results are unfairly summarized by OIG in the following manner: "The limited responses we received, *for the most part*, supports the fact that *some* of HUD's customers were either unaware of the storefront or were not always satisfied with the services they received." (emphases added). First, contacting people on the Eastern Shore of Maryland or western Maryland to ask about "the Storefront" in downtown Baltimore, as the OIG did, demonstrates a basic lack of understanding of the purpose of the initiative. Second, Storefronts have been placed in the communities they are meant to serve. The effectiveness of "the Storefront" or "the Community Builder" is not measured by the degree of familiarity the community person has with the term "Storefront Office," but rather by the numbers of people housed, the number of houses built or rehabilitated, the basic business and community services provided to rural America, the new businesses that block grants assist, the quality of life HUD's programs enrich. We are convinced that the Storefront Offices and their employees are making valuable contributions toward these goals.

To take another example, the quote from the Community Development Coordinator for the University of Reno indicating a lack of satisfaction with HUD customer service was misleading and presented out of context. A simple inquiry to the Assistant Vice President for Community Services, to whom the coordinator quoted by the OIG reports, confirmed that the interactions with the Community Development Coordinator occurred during the NOFA application period, when statutory restrictions strictly limit the level of assistance and advice that can be provided to potential applicants. In this case, the Community Builder focused on encouraging the client to work collaboratively with other departments at the University, in light of the fact that the application process favors single, unified applications. The client did not understand the limitations placed upon staff during the NOFA application period and resisted the necessity of collaborating with other departments to submit a single application. The complainant never notified the local office of her concerns.

OIG also conducted a telephone survey of HUD customers and reports that 25% of those interviewed were dissatisfied with storefront responses to information. We are at a loss to understand why OIG would emphasize the 25% number instead of the obviously positive news that 75% of those interviewed did not respond negatively. In

addition, fully 85% of the respondents to the OIG's telephone survey said that they obtained information from the HUD answer machines or other resources available in the Storefront and did not need to speak with Storefront personnel. These numbers validate the success of the Storefront concept.

Even though the survey results reflect positively on HUD's customer service efforts, we have serious reservations about the significance and value of the telephone survey of HUD customers conducted by the auditors. To begin with, the 18% response rate (18 customers reached out of 100 called) automatically suggests that a larger sample size was needed in order to make defensible extrapolations from this data. Other reasonable questions that arise are whether the 18 customers who were contacted had reasonable expectations or actually had needs that could have been satisfied by HUD at all. HUD should not be faulted for reaching out to customers notwithstanding the risk that they may not be able to satisfy each individual expectation. In the final analysis, however, since only 4 (perhaps 5) people reported a negative experience with their interactions with HUD and these people were in the minority of the respondents, we do not think this data supports OIG's larger conclusion that customer services are ineffective.

HUD also rejects the implication that Storefront Offices are unnecessary and could be replaced by computer answer machines without a serious decline in the quality of customer service delivery. It is not surprising that 85% of the 18 people who actually responded to the OIG's survey were able to use the HUD answer machine to get the information they were seeking. People with telephone service and who are willing to respond to a government telephone survey are more likely to be people who are comfortable negotiating a computer screen. We suggest that the OIG's telephone survey could not have adequately canvassed the individuals who have benefited the most from the HUD Storefront's emphasis on customer service and delivery. We remain convinced that HUD's customers are better served by customer-friendly offices staffed by knowledgeable HUD personnel. Answer machines and computer kiosks are important supplements to HUD's customer service delivery efforts, but cannot effectively replace them. We think this is an obvious, common-sense proposition.

HUD's marketing efforts have been successful

The auditors incorrectly conclude that marketing and outreach efforts are inadequate and conclude that additional money is needed for this effort. We note that this directly conflicts with the OIG's recommendations in last year's Community Builder's audit criticizing HUD for supposedly placing too much emphasis on "public relations and outreach" in defining the responsibilities of Community Builders stationed in the Storefront Offices. *99-FW-177-0002, Recommendation 1.C (September 30, 1999)*. Moreover, that same audit concluded that "HUD has successfully implemented other tools to disseminate program information including the HUD Internet site, brochures and advertisements." *Id. at 51*.

Paradoxically, OIG also criticizes the marketing efforts that have been made to date, including the development of the phrase "HUD Next Door," which the draft audit report characterizes as "catchy." The audit report goes on to relate an anecdote that implies that some customers mistakenly believe that this phrase means that HUD is literally next door. In most cases, however, this understanding is substantially correct insofar as HUD Storefronts are located in close proximity to field office locations.

The marketing and outreach efforts of the Field Offices and the Storefronts that are associated with them have been the responsibility of the Senior Community Builder for each office. Creativity and resourcefulness, however, have always been a threshold requirement, and so staff have sought opportunities to participate in community events, secure public service announcements, issue press releases, obtain mention on local radio and television programming, garner a corner of the church bulletin, speak before community organizations, and participate in any group or organization that would further the Department's mission. The marketing the Storefront staff needs to do is accomplished through these more creative, meaningful efforts.

We are also extremely skeptical about the significance of a supposed "order" that the OIG describes as having been given by the Administrative Service Center to a Senior Community Builder not to market a Storefront until after the grand opening had been held. In light of the fact that the Administrative Service Center has no supervisory authority over Senior Community Builders, we consider it highly unlikely that any such "order" could have been given.

HUD kiosk's provide valuable service to the customer

The auditors seem to have a basic misunderstanding of the distinctions between the role of the HUD kiosks and the HUD Answer Machine. The HUD kiosk is meant to provide basic information, geared to the local community, and meant to provide access to information without a rudimentary understanding of how to use a computer or keyboard. The HUD Answer Machine, located within the Storefront as well as in every HUD field office, is a much more sophisticated piece of equipment that serves a wide variety of customers seeking information in depth. The kiosk is available to the public 24 hours a day, seven days a week, and can easily be used to address immediate needs as well as provide resources in times of crisis. One does not need to have prior computer experience to successfully use a kiosk. HUD has two kinds of kiosks - the Storefront kiosks, which are integral to the Storefront site, and the free-standing kiosks, which are located in shopping malls, grocery stores, public libraries, and other public spaces around the country. Both use the same content, are linked to our award-winning web site, and are operated at the touch of a finger. Kiosk information that is available to the public can be found on http://www.hud.gov/bshelf15.html.

OIG's suggestion that the kiosks do not add value because "Internet services are available at most public libraries at no cost" is simply insupportable. First, OIG conducted no review to determine whether public libraries are, in fact, located near the HUD kiosks and whether Internet service is provided at those locations. Second, most libraries require visitors to apply for a library card or present some sort of identification in order to use library resources – requirements which tend to discourage many people from availing themselves of publicly available information. Third, as noted above, kiosks are much more customer-friendly than computers and can be easily used by persons without prior computer experience. OIG's perception that the bulk of clients who use the kiosk could just as easily visit a library to use the Internet confirms a lack of understanding of the Department's clients and their immediate needs.

Kiosk usage is adequately monitored

OIG's conclusion that HUD has failed to adequately monitor kiosk usage is incorrect and reflects a lack of understanding of the multi-faceted nature of HUD's customer service monitoring efforts and the complexity of the issues surrounding monitoring kiosk usage. Departmental staff consulted with three reputable contractors who specialize in various aspects of kiosk development - North Communications, Summit Research, and Eagle Collaborative Computing Systems - about the best way to monitor kiosks. Obviously, one measure staff hoped to use was the number of discreet users of the kiosks. Unfortunately, no vendor was able to offer a method for achieving that objective that was both cost effective and 100 percent reliable. If one person leaves the kiosk and another person immediately takes his/her place, there is no way for the machine to distinguish between the two people. Therefore, three other statistical indicators to measure progress were developed:

- Number of sessions per kiosk (a session begins when the first screen is touched and ends when 8 minutes have elapsed since the screen was last touched), which helps estimate the number of kiosk users;

- Number of pages printed, which helps to know whether or not kiosk users are finding information they want;

- Number of times each individual page was requested, to help identify which information is most useful and which information might need to be re-evaluated.

Francine Mendolsohn of Summit Research - an internationally known kiosk authority with whom HUD has worked throughout this effort - tells development staff that she believes the Department's efforts at counting users is the best she has seen.

At present, the contractor who generates these reports for the Department is resolving a technical problem that affects the accuracy of the first statistical indicator listed above -- the "number of sessions." However, reliable data on measures two and three are being received. All of this data is posted on the HUD web, so that the HUD staff in

the offices with kiosks can see how well their kiosks are being used. The reports may be accessed on the HUD web through the following URL: http://hudweb.hud.gov/webinc/kiosks.htm.

Even though the "number of users" counts are not reliable at the present time, the reports still provide accurate information about the number of times a particular page is used. For many purposes this information is actually more specific and more useful than a simple "head count." For example, a review of the report for a kiosk in Atlanta for January 2000, accurately conveys that the "Homes For Sale" page was accessed 231 times, the "Find Housing" page was accessed 95 times, and the "Buy a Home" page was accessed 125 times. Knowing exactly which resources are being accessed most frequently by HUD customers is extremely valuable information. Nevertheless, OIG concludes that unless HUD can accurately count the number of users – which is the most technically difficult number to obtain – then "the information available on customer usage is unreliable." We believe it was incumbent on OIG to review the other statistical indicators on kiosk usage before summarily concluding that it "could not determine the cost effectiveness of the kiosks." In any event, the contractor is supplying data that is accurate for pages counted and for hits on a page and is working with us to correct the calculation of user sessions.

HUD's kiosk usage monitoring efforts are also being supplemented by a contractor who has been hired to do periodic onsite observations and interviews with kiosk users. The contractor began doing reviews late in 1998; and has visited the kiosks in Washington D.C., Richmond, Salt Lake City, Tulsa, Baltimore, Little Rock, Chicago, Boston, Los Angeles, Denver, and San Antonio. In a 1999 report on 50 interviews conducted in 5 cities, the contractor reports that 86 percent of the kiosk users just "stumbled upon" the kiosk - in other words, they had no plan to seek information from HUD - and that 56 percent of the users said that they either would act on the information they got from the kiosk immediately (44 percent) or save it for the future (12.5 percent). These findings prove that this initiative has succeeded in reaching customers that HUD might not normally reach.

After visiting the D.C. Storefront three separate times, the contractor concluded: "The kiosks and especially the HUD Answer Machines are working out very well and are being received enthusiastically by the public. It is truly achieving the goals of bringing Government services to the people in their neighborhoods in a friendly and non-intimidating environment." The contractor's report on Baltimore's Storefront includes the following finding: "The Storefront succeeds on all levels...People have been pleased with the kiosk and many passersby stop and obtain useful information." The contractor has also offered analyses of the kiosks, which staff have used to make improvements to the content, design, and placement of kiosks.

In short, not only have sound methods been established for monitoring and evaluating the kiosks, but those monitoring efforts confirm that the kiosks are meeting their intended goal. This being the case, the Department does not feel that OIG's conclusions regarding the usefulness of the kiosks and HUD's monitoring of kiosk usage are correct.

Response to Finding 2: HUD's Implementation of the Storefronts Was Appropriate

The OIG contends that because HUD was too aggressive it did not adequately establish management controls over storefront operation; plan or support storefront staffing levels; and plan or establish national HUD goals for Community Builders. The report goes on to state that this has resulted in not realizing uniform standards for measuring performance to increase productivity and accountability and refining HUD goals through customer feedback.

We disagree. The draft OIG report does not provide adequate evidence to support these conclusions. Therefore, although the four very general recommendations associated with this finding are indeed laudable, we do not believe that the audit report has provided adequate evidence that HUD is not already adequately addressing the issues outlined in this section of the report.

The Storefront Offices do not lack adequate management controls

The section subtitled "Lack of management controls" incorrectly states that, "…the Office of Administration was responsible for planning and developing a strategy for carrying out HUD's 2020 Management Reform Plan." In fact, it is HUD top management who make policy decisions about the cities and communities where storefront offices will be located. The Office of Administration supports these decisions by overseeing and coordinating the establishment of the offices, including: working with GSA to lease appropriate space; developing the specifications for the scope of work for GSA to contract for design, construction and space renovations; installing furniture, telephones, and ADP equipment; and moving HUD employees into the new office space. OIG's conclusion that, "…HUD senior management often had difficulty determining who actually had control of or responsibility for implementing various segments of the Storefront operations." is again a generalization which provides no detail on specifically what segments of the Storefront operations were in question or for whom they were in question. In addition, the organizational chart on page 23 is incorrect in that the General Deputy Assistant Secretary for Administration is shown as responsible for reform planning and the Director, Office of Departmental Operations and Coordination is shown as responsible for BOP-PAS. We also question the relevance of the BOP-PAS (now the HUD Integrated Performance Reporting System (HIPRS) responsibility to an audit of Storefronts.

The statement that the Office of Field Policy and Management has not established policies and procedures for storefront operations is incorrect since the report acknowledges that policies have been established on roles and responsibilities, activities performed by storefront staff have been identified, position descriptions and performance standards have been established, logs are kept in various locations of visitors, etc. These are all examples of not only established policies and procedures, but also management controls. As a general matter, however, separate policies and procedures have not been implemented for the Storefront because Storefront employees are HUD employees, subject to the same standards and operating procedures that are applicable to all HUD employees.

Included in this response, in Attachment G, is a Memorandum from Deputy Secretary Ramirez, dated April 19, 1999, discussing FY2000 Business and Operating Plan (BOP) and other Quality Management Initiatives. These are very specific planning tools that set directions and priorities to ensure that staff goals and objectives are responsive to their individual communities. Very specific activities are enumerated in the FY2000 BOP, and the tool is purposefully designed to allow local offices to determine those specific activities that will best meet the needs of their communities in the context of the Department's goals. Therefore, to state that "Storefront activities relied on informal procedures for determining what activities Community Builders accomplished" is at best uninformed and indicative of the quality of research that went into the Storefront audit.

The report also alleges that Senior Community Builders have a dual role which makes oversight difficult. Evidence of this difficulty is provided by way of one statement by a Senior Community Builder and two other interviews which "alluded" to this issue. Management challenges are not, however, automatically indicative of a management control weakness. HUD does not believe that the dual role of managing the Storefront operation and the other Community Building staff constitutes an unusual management challenge. We are unconvinced that the isolated complaints recounted by the OIG report form a sufficient basis to conclude that a management control weakness exists. Indeed, we think it would be irresponsible to engage in substantial reorganization or the addition of more supervisory personnel solely to respond to the evidence adduced by the OIG in the draft report.

OIG also concludes that Storefront staff suffer from a lack of involvement and oversight from upper management. This conclusion appears to be based on a single statement by a Secretary's Representative in Philadelphia who advised that she only received information concerning a Storefront when there was a problem. In fact, as this same part of the audit report acknowledges, the Secretary's Representative also receives monthly copies of the Storefront Offices BOP-PAS report via e-mail. In short, the Secretary's Representative receives monthly reports from the Storefront office and also received information whenever there was a problem. These facts demonstrate regular and effective oversight from upper management.

As a general matter, however, it is not the role of the Secretary's Representative to be closely involved with the Storefront operation or provide oversight to that staff. In addition, the suggestion that the Secretary's

Representative should take on active oversight of the Storefront offices along with all of the existing other duties of the Sec Rep position directly contradicts the logic of the OIG's criticism that Senior Community Builders are overburdened by the dual responsibilities of overseeing the field offices and the Storefronts. If it is a management weakness to have Senior Community Builders divide their attention in this fashion, then surely it is an even greater management weaknesses to saddle the position of Secretary's Representative with such additional responsibilities. The OIG's criticisms in this regard are neither consistent nor coherent.

The report goes on to conclude that performance standards for the CB and CB Fellows did not differentiate between grade levels. Throughout the Federal government, however, generic performance standards are used for different grade levels of similar job series. The OIG cites the OPM position classification standards, but these standards do not relate to performance standards. Instead, they describe how positions are to be classified. HUD classified the position based on both responsibilities *and* the level of qualification requirements of the positions. This misapplication of criteria is troubling and indicative of a complete misunderstanding of the topic. Further, only one anecdotal example is provided.

HUD Storefront staffing levels are appropriate

In support of its conclusion that the Storefront staffing levels were not adequately planned or supported, OIG primarily relies on the fact that the staff structure, size, and composition of each storefront varied. HUD would expect staffing to be different at each location and would even argue that this is indicative that planning took place. The OIG's criticism that "workload" was not used is illogical since no historical experience existed on workload for the Storefronts, which were intended to reach out to new HUD customers and to provide new levels of customer service not previously offered.

As the OIG report acknowledges, we provided supporting documentation of the allocation process for the Community Builder merit staffing for FY 2000 which relied primarily on indicators of total federal resources being used in that region, e.g. total assisted housing rental units and average CDBG formula funding. OIG inexplicably rejects this document on the ground that these factors failed to represent their understanding of the workload of the Community Builders. HUD continues to believe that it is appropriate to consider the amount of federal housing resources flowing to particular jurisdictions in making determinations about where staff should be located. HUD does not understand the basis for OIG's objection to the use of this measure.

OIG points to the original staffing of the Syracuse Storefront with only two Community Builder Fellows as an example of poor staff planning. We question the appropriateness of even included any discussion of the Syracuse Storefront since this office was not included in the scope of the audit and it was opened relatively recently (a grand opening was held on December 15, 1999). Nevertheless, as the OIG report notes, HUD has augmented the Syracuse staffing by borrowing from other nearby field offices.

HUD's Community Builder goals were adequate

The last point made in the audit report is that the National Community Builder goals were not adequate. Since the report stated that this was previously addressed in another audit report, we are not sure why this is again being repeated in the present audit. In fact, the FY 1999 BOP contained nationwide goals to establish storefronts and kiosks, and HIPRS was used to track progress against these goals. In addition, HUD is piloting a new system called Community Builder Information (CoBI) to capture the work plans and accomplishments of the Community Builders. We believe that a discussion of these goals in the context of HIPRS would be more appropriate to the scope of this audit and the subject of Storefronts.

02/23/2000 23:26 FAX

ATTACHMENT A

002

Telephone: (202) 501-1330   http://www.hud.gov/oig/oigindex.html   Fax: (202) 501-1315

U.S. Department of Housing and Urban Development
Office of District Inspector General for Audit
Capital District
800 North Capitol Street, N. W.
Suite 500
Washington, DC 20002

Fax

To: MAXINE SAUNDERS   **From:** CINDY NELSON

Fax: (202) 401-3250   **Pages:** 2 TOTAL

Phone: **Date:** 2/23/00

Re: STOREFRONT BUDGETS   **CC:**

☐ Urgent   ☐ For Review   ☐ Please Comment   ☐ Please Reply   ☐ Please Recycle

● **Comments:**

—This info was provided by Kathy Brantley.

Audit Responses

The following information is provided in response to audit objectives 1 and 3 as outlined in the HUD Storefront Operations Nationwide Audit provided in the Department's introductory meeting on October 4, 1999.

1) To determine the amount and source of funding for the storefronts, including salaries, travel, training and renovation funds.

Construction Costs:

See attached breakdown of storefront costs for specific funding.

Funding for renovation/construction for storefront offices was allocated from Administration's Salaries and Expenses Account in FY 1998 and 1999. The amount expended for storefront construction each fiscal year is indicated below.

FY - 1998   -   5 storefronts @ $225,000 = $1,125,000
FY - 1999   -   5 storefronts @ $300,000 = $1,500,000

Salaries:

Travel:

Training:

3) The decision to develop the storefront concept and locate the pilot office in Washington, DC was specifically made to enable the HQ staff to work closely with OAMS, IT and the Secretary's staff during the development phase of the storefront concept and image proposed for the office. The DC location enabled HUD staff to have immediate contact with GSA representatives, architects and office planners working on the concept. Since DC was the site of the pilot, it would enable HQ staff and HUD field staff throughout the Department to visit the storefront and study the effectiveness of the concept on a first hand basis. The location of a storefront in the DC area also provided an added benefit to the community as the addition of the storefront in this community has served as a catalyst for growth and development in the area and is an anchor for attracting new businesses and stabilizing the business community.

           00-AO-177-0001

1/28/97

HUD'S NEIGHORHOOD "STORE-FRONT" SERVICE CENTER

A Local customer friendly "front door" for communities and customers to access HUD programs and services.
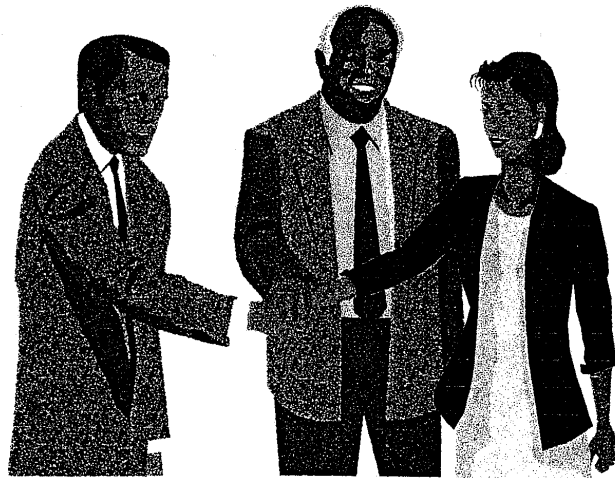
Design Principles
HUD "Store-front" Offices

    The following principles and technology concepts have been incorporated into the space design of HUD's "Store-front" office. The space layout, technology support and furniture planned for this office envision an innovative, flexible and efficient work place which encourages cross functional collaboration and communication. The Administrative & Management Services Division and the Information Technology Division collaborated to develop a functional design that supports both organizational and process effectiveness. The "store-front" office will be a safe, open, environmentally and ergonomically appropriate work place. A preliminary overview of proposed staffing numbers indicates there will be approximately 28 offices with personnel between 4-11 staff persons. The assumption, for this preliminary proposal, is that these offices will be converted to "store-front" operations.

Approximate Square Footage Breakdown

```
6 Employees @ 170 SF              = 1,020
2 Conference Rooms @ 200 SF each  =   400
1 Conference/Training Room @ 600  =   600
1 Break Room @ 300 SF             =   300
1 Supply/storage area @ 200       =   200
1 Reception Area @ 400            =   400
1 Kiosk Area @ 200                =   200

                    Total    = 3,120 SF
```

    The storefront office can be designed to accommodate 4 to 10 employees. First floor space, preferably with street access, is desired to promote the storefront theme of the office. Glass doors, panels and walls will offer more visibility between the public and HUD staff to create an open environment that promotes greater accessibility by the public.

00-AO-177-0001

A glass protected kiosk area is immediately accessible from the street. The kiosk area will contain a touch screen monitor which offers simple instructions to the user for obtaining information on HUD programs. HUD brochures and information regarding other state and local government programs will also be available in the kiosk area. Additional questions or more information may be obtained by entering the HUD office at which point they will be greeted by a Community Resource Assistant.

Inside the office, the public enters a large aesthetically pleasant reception area. The office should be designed for large common areas and minimal private space. The open office design will enable HUD staff to view visitors as they enter the space and visitors to observe the entire workings of the office. In the reception area, docking stations will be provided to allow internet access for visitors.
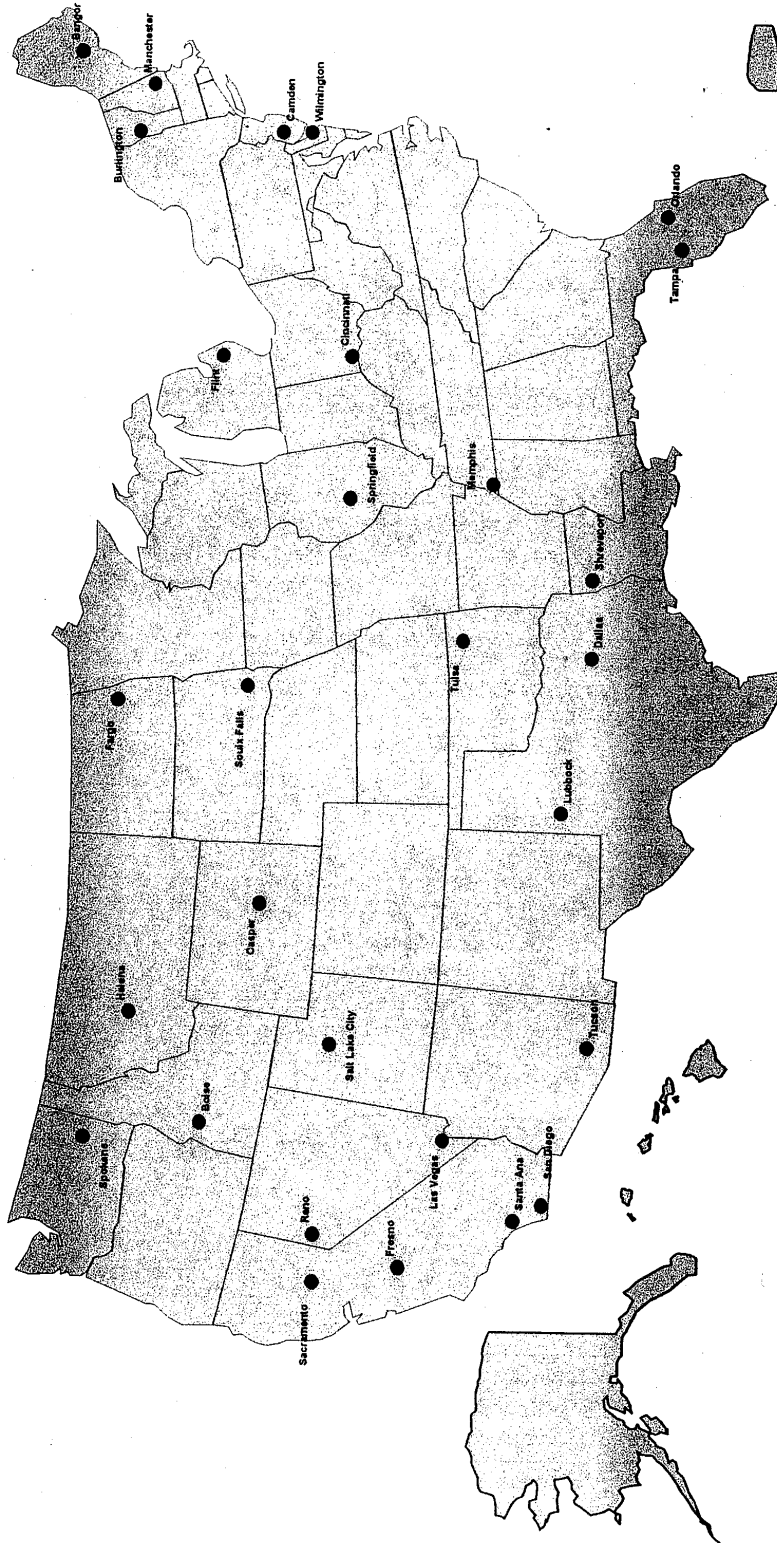
In the prototype storefront design, work stations are provided for 4 Community Resource Representatives (CRR). The work area should utilize no partitions or very low panels to promote opportunities for a variety of collaborative meetings to occur in aisles or designated teaming areas. CRR work stations are equipped with docking stations for notebook computer hook up, rather than a traditional desk top work station. CRR work stations will equipped with state-of-the-art equipment to enable the latest technology to be used in delivering services or accessing information. Telecommunication access will also be available for facsimile and modem transmission directly from the work station.

The space should be filled with light through the interjection of glass panels, walls and doors. Conference rooms and private offices should be located within internal space and away from windows to provide more light to the general office area. "The office should reflect a customer friendly, "front door" for communities and customers to access the full range of HUD programs and services".
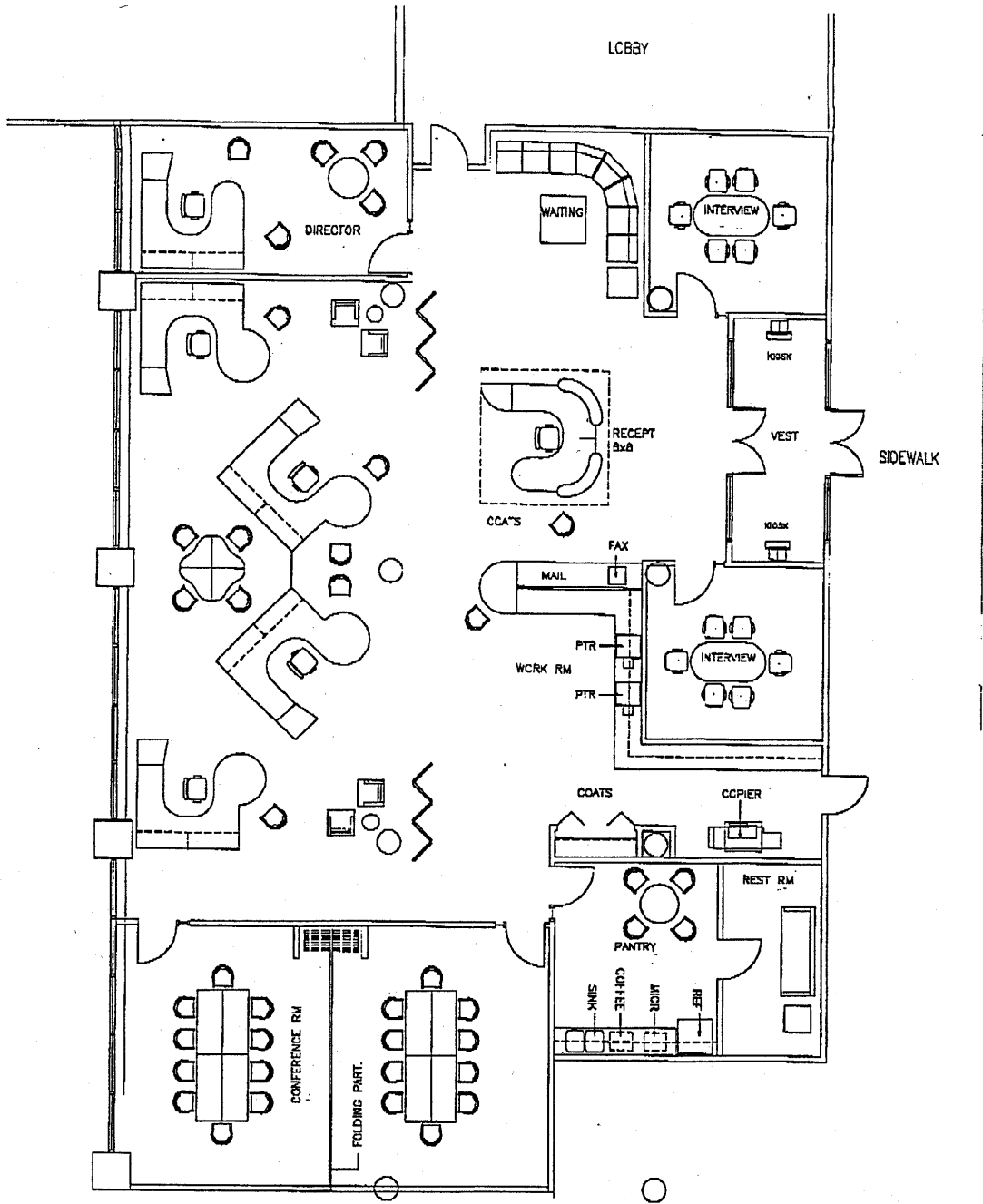
Conference rooms should be located adjacent to the reception area to minimize the traffic flow through the general office space. These rooms will also offer privacy for meetings with state and local officials meeting with the State Coordinator and CRRs on various project issues. In addition, a large conference/training room will be available to offer informational sessions to state and local government officials, local industry professionals, and the public via satellite or video broadcast. All conference rooms will be equipped with docking stations and satellite and telecommunication access, and the latest innovation in presentation equipment.

00-AO-177-0001

HUD Store Front Offices
(6 to 10 person)

Assumption:
- 6-10 staff

Bangor
Manchester
Burlington
Camden
Wilmington
Orlando
Tampa
Cincinnati
Flint
Springfield
Memphis
Shreveport
Dallas
Tulsa
Sioux Falls
Fargo
Lubbock
Casper
Helena
Salt Lake City
Tucson
Boise
Spokane
Reno
Las Vegas
Santa Ana
San Diego
Fresno
Sacramento

LOBBY

WAITING

INTERVIEW

DIRECTOR

KIOSK

RECEPT
8x8

VEST

SIDEWALK

CCATS

KIOSK

FAX

MAIL

INTERVIEW

PTR

WORK RM

PTR

COATS

COPIER

REST RM

PANTRY

CONFERENCE RM

FOLDING PART.

SINK

COFFEE

MICRO

REF

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
NOT TO SCALE

"Store-front Office"
Estimated Cost Breakdown

Initial Space, Furniture, Equipment, and Telecommunications set-up.
(Based on 6 person office)

Annual space rental 3,000 square feet @ $25	$75,000*
Above standard alterations	$75,000
6 furniture work stations @ $6,500 each (Work stations include computer docking infrastructure)	$39,000
Conference Room/Reception Area Furniture/Equipment	$50,000
Telephone Installation/Equipment/Voice Mail system	$20,000
Total Space and Furniture Requirements	$259,000
Information Technology Requirements	$232,288
Total Estimate Cost	$416,288

* Annual rental cost not included in initial capital cost to establish the storefront office.

Information Technology Requirements For HUD Storefronts

	MODEL #	UNIT COST	WILMINGTON		OTHER SITE		TOTAL	
			QTY	COST	QTY	COST	QTY	COST
CABLING								
Token Ring Infrastructure & Cabling			1	$6,230	1	$9,000	2	$15,230
LAN SERVERS								
AMAX 200, 64 mem, 8 gig H/D		$4,917	1	$4,917	1	$4,917	2	$9,834
NETWARE 3.12, 25 Users		$2,560			1	$2,560	1	$2,560
NETWARE 3.12, 10 Users		$1,500	1	$1,500			1	$1,500
Jazz Drive		$567	1	$567	1	$567	2	$1,134
UPS		$800	1	$800	1	$800	2	$1,600
WORKSTATIONS								
MMX DELL 200 CD		$2,100	1	$2,100	1	$2,100	2	$4,200
NIC Card (PCI)		$235	1	$235	1	$235	2	$470
Powerstrip, Cable		$20	1	$20	1	$20	2	$40
PRINTERS								
HP5si		$3,400			1	$3,400	1	$3,400
HP5M		$1,978	1	$1,978			1	$1,978
DEPCON		$250	5	$1,250	20	$5,000	25	$6,250
HP5 COLOR		$4,848	1	$4,848	1	$4,848	2	$9,696
Print Server		$2,100	2	$4,200	2	$4,200	4	$8,400
TELECOMMUNICATIONS								
Router	2502	$3,333	1	$3,333	1	$3,333	2	$6,666
Dial Backup Router	-	$1,021	1	$1,021	1	$1,021	2	$2,042
T1 Circuit, YR		$30,000	1	$30,000	1	$30,000	2	$60,000
T1 install		$1,500	1	$1,500	1	$1,500	2	$3,000

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Information Technology Requirements For HUD Storefronts

	MODEL #	UNIT COST	WILMINGTON QTY	WILMINGTON COST	OTHER SITE QTY	OTHER SITE COST	TOTAL QTY	TOTAL COST
GROUP CONFERENCING								
VENUE 2000 Model 30		$15,095	1	$15,095	1	$15,095	2	$30,190
Infrastructure Required								
For Headquarters:								
Multiple Control Unit								$62,422
VENUE 2000								$16,992
DESKTOP VIDEO								
Landesk Conferencing		$1,667	1	$1,667	1	$1,667	2	$3,334
SATELLITE (HTN)								
Equipment & Install		$17,695	1	$17,695	1	$17,695	2	$35,390
REMOTE ACCESS								
S/W Laplink		$140	5	$700	18	$2,520	23	$3,220
MMX DELL 200 CD		$2,100	1	$2,100	1	$2,100	2	$4,200
PROJECTORS								
INFOCUS System w/Screen		$9,000	1	$9,000	1	$9,000	2	$18,000
VCR		$350	1	$350	1	$350	2	$700
MOBILE COMPUTING								
Notebooks - Number								
Toshiba 460 CDT		$4,137	5	$20,685	19	$78,603	24	$99,288
XIRCOM Card		$270	5	$1,350	19	$5,130	24	$6,480
Port Replicator		$397	5	$1,985	19	$7,543	24	$9,528
Palmtops - Number								
Toshiba 50 CT MiniNotebook		$1,900	1	$1,900	2	$3,800	3	$5,700

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Information Technology Requirements For HUD Storefronts

	MODEL #	UNIT COST	WILMINGTON		OTHER SITE		TOTAL	
			QTY	COST	QTY	COST	OTY	COST
Cellular Phones - Number								
SONY		$250	3	$750	10	$2,500	13	$3,250
Annual Service Cost		$0						
Portable Printers								
HP 340 W/COLOR		$281	1	$281	3	$843	4	$1,124
KIOSK								
MMX DELL 200 CD		$2,100	1	$2,100	1	$2,100	2	$4,200
20" Monitor Touch Screen		$2,662	1	$2,662	1	$2,662	2	$5,324
8MB PCI Video Card		$202	1	$202	1	$202	2	$404
Printer Xerox 4508		$1,351	1	$1,351	1	$1,351	2	$2,702
Kiosk Slimline (Cabinet)		$1,285	1	$1,285	1	$1,285	2	$2,570
Proshare Kit		$1,297	1	$1,297	1	$1,297	2	$2,594
Speaker		$272	1	$272	1	$272	2	$544
NIC Card (PCI)		$235	1	$235	1	$235	2	$470
w		$930	0	$0	1	$930	1	$930
Kiosk S/W		$324	1	$324	1	$324	2	$648
ELECTRONIC MAIL								
MMX DELL 200 CD		$1,978	1	$1,978	1	$1,978	2	$3,956
Modems		$250	2	$500	2	$500	4	$1,000
OTHER								
Digital Camera		$800	1	$800	1	$800	2	$1,600
Zip Drive		$125	1	$125	4	$500	5	$625
Scanner		$1,100	1	$1,100	1	$1,100	2	$2,200
GRAND TOTAL				$152,288		$235,883		$467,585

* _AGENDA_ *

Wednesday, August 20, 1997
HUD/Gensler Storefront Meeting

I.   "Community 2020" Software Demonstration
Dick Burk, Gene Hix (HUD)

II.   Layout and Design Presentation - HUD Storefront

Wilmington Office Prototype
Diane Hoskins, Richard Logan, Ernie Munoz
Gensler

III.   Graphic Design Discussion

Diane Hoskins, Lisa Vansant
Gensler

IV.   Proposed Schedule for Implementation
Washington / Wilmington Offices

Fred Green, HUD

V.   Next Meeting?

[handwritten notes:]

Gensler Arch.
Lisa Vansant, absence
John Bricker, absence
Diane
Richard

Mission/Goal HUD
· deinstitutionalize
· Open up to Public
· Throw out welcome Mat

Goal
· Front Door Approach
· Lawn Gardens
· Indoor Streets
· Use Signage for
  + Graphics
  info flow
· Open Space

Proposed Implementation Schedule
Washington, D.C. Office

Date	Action	Status
August 12, 1997	Market Survey	Completed
September 12, 1997	Lease Award	
September 17, 1997	Design Intent Drawings Completed *(Gensler)*	
October 6, 1997	Construction Drawings to Lessor *(Lessor/Gensler)*	
October 15, 1997	Notice to Proceed * *(GSA/Lessor)*	
October 20, 1997 to January 20, 1998	Build out of space	

* Building permits are obtained during this phase by the Lessor.

Proposed Implementation Schedule
Wilmington, DE Office

Date	Action	Status
July 31, 1997	Market Survey	Completed
August 29, 1997	Lease Award	
September 10, 1997	Design Intent Drawings Completed *(Gensler)*	
September 29, 1997	Construction Drawings to Lessor *(Lessor/Gensler)*	
October 6, 1997	Notice to Proceed * *(GSA/Lessor)*	
October 15, 1997 to December 15, 1997	Build out of space	

Wilmington - Package
Next Fri

sect'ns Secy's decisions

Materials Permits Buildout

* Building permits are obtained during this phase by the Lessor.

ATTACHMENT C

Thursday, May 7th, 1998

* Cuomo Opens New HUD Storefront Office, A "National Model
for More Responsive Government," and Releases Report by
Management Expert David Osborne on Progress of HUD Reforms

* HUD to Join in Public Service Recognition
Week Beginning Today on the National Mall

Secretary Andrew Cuomo has opened the first HUD Storefront Office, a new type of consumer-oriented service center designed to become a national model for more responsive government. The HUD Storefront Office -- called HUD Next Door -- is one of many changes the Department is making as part of the sweeping HUD 2020 management reform plan launched by Cuomo in June 1997.

"We will open HUD Next Door offices around the nation as part of our effort to do a better job serving the American people," Cuomo said. "These new consumer service centers will translate the lofty ideals of government reinvention into the down-to- earth reality of improved performance that can build better futures for America's families and America's communities."

In addition, Cuomo released a new evaluation by management expert David Osborne -- author of "Reinventing Government" -- which says that HUD's management reform plan "as it is being implemented today represents one of the most ambitious, fundamental, and exciting reinvention plans in the recent history of the federal government."

"At HUD, the 21st Century has arrived ahead of schedule," Cuomo said. "At the HUD Storefront, and throughout the Department, it's clear that we're not just talking about reform -- we're making it happen, with innovations that turn our hopes for a new, more responsive and effective HUD into reality." The Storefront offers assistance for a broad range of actions, including buying and building housing, getting home improvement loans, getting rental assistance, filing housing discrimination complaints, opening and expanding businesses, and revitalizing communities in other ways.

A 24-hour touch-screen computer in a sidewalk information kiosk outside the Storefront gives people round-the-clock access to information about HUD.

New computer mapping software, called Community 2020, will be available at the Storefronts and all HUD offices nationwide. The software provides the latest project and funding information on all HUD programs in thousands of cities across the country. The software displays project location, purpose, number of people served, and dollar amount.

The Storefront Offices will take a new type of HUD employee -- Community Builders -- out of high-rise office buildings where they are cut off from the public. The Storefronts will be in easily accessible consumer-friendly service centers in downtown business districts, where people can walk in to get information about HUD programs and activities.

New HUD Storefront Offices will be created around the country over the next few years. Albuquerque, NM; Buffalo, NY; Baltimore, MD; Sacramento, CA; and Grand Rapids, MI are scheduled to get Storefronts later this year. HUD plans to establish Storefronts in 1999 in Cincinnati, OH; Shreveport, LA; Reno, NV; Honolulu, HI; and Casper, WY. More offices will follow in later years.

* * *

HUD is proud to participate in the annual Public Service Recognition Week celebration, beginning today on Washington D.C.'s National Mall. This year's theme is "Public Service: Working for You, Working for America."

Sponsored by the Public Employees Roundtable, this event gives more than 100 participating federal agencies an opportunity to educate and inform the public about the many ways their government serves them. It is also a tribute to the thousands of people who make public service their life's work.

Last year's event drew more than 25,000 visitors to the exhibits and entertainment featured throughout the three-day celebration. HUD will be represented with an exhibit that highlights many of the vital services we provide communities across the nation. HUD employees also will be on hand to help visitors learn how to make HUD programs work for them. Exhibits are open 1-5 p.m. Thursday,

10 a.m. - 5 p.m. on Friday, and 9 a.m. - 4 p.m. on Saturday.

For more information on HUD programs and what's new at HUD, visit HUD's Home Page on the World Wide Web at http://www.hud.gov/

ATTACHMENT D

AUDIT RESPONSES

The following information is provided in response to audit objectives 1 and 3 as outlined in the HUD Storefront Operations Nationwide Audit provided in the Department's introductory meeting on October 4, 1999.

1) To determine the amount and source of funding for the storefronts, including salaries, travel, training and renovation funds.

Construction Costs:

See attached breakdown of storefront costs for specific funding.

Funding for renovation/construction for storefront offices was allocated from Administration's Salaries and Expenses Account in FY 1998 and 1999. The amount expended for storefront construction each fiscal year is indicated below.

FY - 1998 - 5 storefronts @ $225,000 = $1,125,000
FY - 1999 - 5 storefronts @ $300,000 = $1,500,000

Salaries: This information should be obtained from the Office of Field Coordination in conjunction with Human Resources and the Office of Budget.

Travel: This information should be obtained from the Office of Field Coordination and the Senior Community Builders.

Training: This information should be obtained from the Office of Field Coordination in conjunction with the HUD Training Academy.

3) The decision to develop the storefront concept and locate the pilot office in Washington, DC was specifically made to enable the HQ staff to work closely with OAMS, IT and the Secretary's staff during the development phase of the storefront concept and image proposed for the office. The DC location enabled HUD staff to have immediate contact with GSA representatives, architects and office planners working on the concept. Since DC was the site of the pilot, it would enable HQ staff and HUD field staff throughout the Department to visit the storefront and study the effectiveness of the concept on a first hand basis. The location of a storefront in the DC area also provided an added benefit to the community as the addition of the storefront in this community has served as a catalyst for growth and development in the area and is an anchor for attracting new businesses and stabilizing the business community.

Two rationales were used to determine additional sites for storefront offices are described below.

1) Opportunities to develop storefronts in conjunction with existing HUD offices and leased office locations where storefront offices could be constructed on the first floor of the building.

2) Locations where office leases were expiring or the department was at a 5 year option point. Where lease expirations or an option year existed, we used this as an opportunity to reduce the overall space holdings to achieve reduced lease costs to combine the storefront and field office operation (storefront/back office operation). In smaller offices, the storefront concept was used for the entire office layout.

3) The Office of the Secretary is currently discussing a new rationale for future storefront developments.

ATTACHMENT E

HOME   FAQ   SITE TOUR   SEARCH / INDEX   E-MAIL

hud's dc storefront saves on costs; efficient in design

In early 1997, Housing Secretary Andrew Cuomo directed HUD staff and the agency's consultants to design a new field office for HUD with two criteria in mind: it must be welcoming and inviting to the public, and it must be cost efficient.

The DC Storefront Office accomplishes both. By reducing space in the current DC HUD Office, the agency will save about $104,000 in rent every year.

As a result of some DC field staff moving to the Storefront, the current DC Office, located in the nearby CNN Building, will reduce its size from 35,600 square feet to 23,600 square feet -- a 12,000 square foot difference. HUD pays $27.39 per square feet in the CNN Building. The agency will pay about the same, $28, for 8,000 square feet of storefront space in the new office. Most storefront space in DC is substantially higher than $28 per square foot. The average cost for non-storefront, government space is $31 per square foot in the District.

Other costs have been kept to a minimum as well through selection of less costly materials, such as poplar wood. Furniture and work stations also are less expensive than in many government offices. For example: The workstations in the new Storefront Office cost about $3,500 each, compared with an average government workstation cost of $5,000.

Buildout costs also are substantially less -- $23.80 per square foot, compared to average storefront buildouts that often exceed $50 per square foot.

STOREFRONT COSTS

· 1) DC STOREFRONT COSTS

      DESIGN: $233,000 - This design applies to the DC Storefront and serves as the basic design for future storefronts. A GSA contract was used for design services using Gensler, a major architectural/design firm, helping to put a new face on HUD.

      SQ. FOOTAGE: 8,076
      NO. OF STAFF IN STOREFRONT: 19 WORKSTATIONS
      SQ. FT COST: $28
      SPACE ALTERATIONS: $192,200
      SIGNAGE: $135,600
      TELEPHONES: PROVIDED THROUGH HQ EXISTING INVENTORY
      FURNITURE: $136,500
      SECURITY SYSTEM: $30,000
      TOTAL: $464,300

2)   ALBUQUERQUE STOREFRONT COSTS

      SQ. FOOTAGE: 2,578
      NO. OF STAFF IN STOREFRONT: 7
      SQ. FT COST: $15.00
      SPACE ALTERATIONS: $272,522.56
      SIGNAGE: $107,469.46
      TELEPHONES: $20,714.72
      FURNITURE: Furniture costs for the storefront were combined with the general office.
      SECURITY SYSTEM: $3,157.00
      TOTAL: $403,863.74

3)   BUFFALO STOREFRONT

      SQ. FOOTAGE: 1,900
      NO. OF STAFF IN STOREFRONT: 6
      SQ. FT COST: $23.79
      SPACE ALTERATIONS: $90,881.52
      SIGNAGE: $40,661.75
      PHONES/COMPUTER CABLE: $8,962.00
      FURNITURE & EQUIPMENT: $36,371.58
      TOTAL: $176,876.85

4)   BALTIMORE STOREFRONT

SQ. FOOTAGE: 1,821
NO. OF STAFF IN STOREFRONT: 5
SQ. FT COST: $23.09
SPACE ALTERATIONS: $311,730.00
SIGNAGE: $89,418
TELEPHONES: $4,900.00
FURNITURE: $32,726.00
TOTAL: $349,356.00

5)   RENO STOREFRONT

SQ. FOOTAGE: 3,801
NO. OF STAFF IN STOREFRONT: 8
SQ. FT COST: $23.75
SPACE ALTERATIONS: $122,924.00
SIGNAGE: $79,746.00
TELEPHONES: $5,210.00
FURNITURE: $65,183.67
SECURITY SYSTEM: $9,222.00
CABLING: $2,145.00
TOTAL: $284,430.67

6)   SACRAMENTO STOREFRONT

SQ. FOOTAGE: 4,3130
NO. OF STAFF IN STOREFRONT: 9
SQ. FT COST: $26.88
SPACE ALTERATIONS: $223,199.50
SIGNAGE: $77,926.00
TELEPHONES: $5,023.00
FURNITURE: $46,034.76
SECURITY SYSTEM: $15,598.00
CABLING: $4,254.00
TOTAL: $372,035.26

ATTACHMENT G

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE DEPUTY SECRETARY
WASHINGTON, D.C. 20410-0050

APR 19 1999

MEMORANDUM FOR: See Attached List

FROM: Saul N. Ramirez, Jr., Deputy Secretary, SD

SUBJECT: FY 2000 Business and Operating Plan and Other Quality Management
Initiatives

This memorandum establishes responsibilities, timeframes, and next steps for an
integrated series of activities to:

- Develop a FY 2000 Business and Operating Plan (BOP) that will achieve the
  performance results identified in the FY 2000 Annual Performance Plan
  (APP) in a manner that has substantial positive impact on the communities
  and citizens we serve;

- Make mid-year adjustments in the FY 1999 Business and Operating Plan
  targets, if necessary based on experience, and

- Complete our other Quality Management Initiatives to solidify the cultural
  change and improved management of operations under HUD 2020
  Management Reform.

BACKGROUND

PD&R and CFO-Budget have done an excellent job in developing our FY 2000
Annual Performance Plan. They have coordinated with Principal Staff to make sure our
new APP is far more effective in focusing on results and outcomes. Our revised
performance indicators are clear, well integrated, quantified, and tied to the budget.
GAO staff and NAPA have commented that the plan addresses their past criticisms.
OMB and Congressional staff have also offered positive feedback.

The Department could not have achieved this impressive progress without your
leadership and commitment and the active, thoughtful contributions of your staff.

QUALITY MANAGEMENT AGENDA

With the APP completed, we will move ahead on the plans we laid out in the January 13, 1999 Headquarters Business and Operating Plan. Our major initiatives are:

- Developing an FY 2000 BOP that ensures achievement of the FY 2000 APP in ways that serve communities effectively,

- Improving our management planning components, including a revised Strategic Plan and means for monitoring and reporting on the FY 1999 APP,

- Making mid-year adjustments to FY 1999 BOP goals, if necessary based on experience so far,

- Resolving issues that surfaced at the March Management Meeting, including cross-program initiatives, and

- Implementing an effective Performance Appraisal System for executives, managers, and supervisors.

GUIDING PRINCIPLES

- The BOP continues to be the unifying vehicle for all HUD organizations, both in the Field and in Headquarters, to coordinate, develop, and implement strategies and action plans that produce measurable results, as envisioned in the APP.

- The FY 2000 BOP will directly support achievement of the FY 2000 APP. It will align local customer-focused initiatives and Headquarters plans with Departmental performance goals and objectives.

- The FY 2000 BOP will continue to be organized under the six strategic objectives with which Departmental staff have become familiar. For consistency with the terminology used in the APP and the budget, we will re-title them as "strategic goals."

- The FY 2000 BOP performance goals will be limited to the minimum number needed in order to ensure accomplishment of HUD's business consistent with the FY 2000 APP and community needs.

- The FY 2000 BOP process will improve on the FY 1999 process, including more effective integration of local action plans and of Headquarters plans.

- The second annual BOP conference (tentatively scheduled for the week of June 14) will be a critical step in developing practical, integrated, locally responsive goals and plans in the FY 2000 BOP.

- Mid-year adjustments to FY 1999 BOP goals are expected to be minor and will be made in a coordinated fashion.

ROLES AND RESPONSIBILITIES

As Deputy Secretary, I am leading and directing the entire process. With your assistance, I will shortly appoint a **FY 2000 BOP Working Group** that will support us in developing (1) the FY 2000 BOP goals and objectives that link to the FY 2000 APP as well as (2) models of local strategies and action plans that support both Departmental APP achievement and community needs. **ODOC** will coordinate the efforts of the Working Group.

PD&R and CFO-Budget jointly lead and coordinate development of HUD's Strategic Plan and Annual Performance Plan. The CFO establishes and maintains the APP reporting system. PD&R provides oversight, monitoring, and guidance during APP implementation.

Principal Staff administer programs consistent with Departmental APP goals and objectives. They also implement, monitor, and report on APP results in their areas.

Field Policy and Management and Secretary's Representatives ensure that BOP policies and guidance support local offices in coordinating across program lines to establish initiatives that meet customer and community needs.

Administration establishes and maintains a BOP reporting system that keeps HUD managers informed about BOP goal status and best practices. The system incorporates both Headquarters and Field BOP goals and plans.

CALENDAR

The attached calendar lays out our plans for the remainder of FY 1999.

NEXT STEPS

1. I will schedule a meeting for us to discuss these matters. At the meeting, I will appreciate your feedback about the degree of mid-year adjustment you foresee as needed in the FY 1999 BOP goals; I am hoping to keep these changes to a minimum. We will also take a look at the FY 2000 APP goals in preparation for developing a crosswalk to the FY 2000 BOP goals.

2. By Thursday, April 22, I ask that Principal Staff inform ODOC (708-2806) of the name of your designee to participate in the FY 2000 BOP Working Group. Your designee will participate in establishing APP-BOP linkages and in designing models and materials, and will coordinate the related activities in the rest of your organization.

3. ODOC will coordinate with Field Policy and Management and Assistant Secretaries regarding Field representation on the FY 2000 BOP Working Group.

All of us now have a wealth of experience with both APP and BOP that we will apply together in order to finish FY 1999 successfully and to make HUD's management processes smoother and even more effective in FY 2000. I look forward to collaborating with you in achieving that result.

Attachment

cc: The Secretary

00-AO-177-0001

ADDRESSEES:

William Apgar, Assistant Secretary for Housing/Federal Housing Commissioner
George Anderson, Government National Mortgage Association
V. Stephen Carberry, Chief Procurement Officer
Cardell Cooper, Assistant Secretary for Community Planning and Development
Hal C. DeCell III, Assistant Secretary for Congressional and Intergovernmental
     Relations
Patricia Enright, Deputy Assistant Secretary for Public Affairs
David Gibbons, Budget Director, Office of the Chief Financial Officer
Edward Kraus, Director, Enforcement Center
Gail Laster, General Counsel
Donald J. LaVoy, Director, Assessment Center
Harold Lucas, Assistant Secretary for Public and Indian Housing
Mary Madden, Assistant Deputy Secretary for Field Policy and Management
Gloria R. Parker, Chief Information Officer
Ira G. Peppercorn, Director, Multifamily Housing Assistance Restructuring
Eva Plaza, Assistant Secretary for Fair Housing and Equal Opportunity
Joseph Smith, Administration
Susan Wachter, Policy Development and Research
All Secretary's Representatives

CALENDAR FOR COMPLETION OF
HUD'S FY 1999 QUALITY MANAGEMENT INITIATIVES

TIME-FRAME	MANAGEMENT INITIATIVES AND MILESTONES
April	• Deputy Secretary meets with Performance Appraisal Task Force to design new appraisal system for executives and managers. (completed) • Principal Staff designate participants for FY 2000 BOP Working Group to work with ODOC to develop BOP goals that link to FY 2000 APP and community needs, review FY 1999 BOP experience, create models for action plans, and provide input on BOP guidance. • Principal Staff resolve remaining outstanding issues and address cross-program initiatives discussed during the March Management Meeting. • PD&R and CFO begin work with Principals and CIO/IT to oversee and ensure reporting capabilities on FY 1999 APP. Principal Staff develop plans for data collection, monitoring, and reporting on specific goals. • Deputy Secretary issues mid-year adjustments in FY 1999 BOP goals.
May	• PD&R and CFO begin work with Principal Staff to revise HUD Strategic Plan consistent with FY 2000 APP, for submission with 2001 budget. • Deputy Secretary reviews products of FY 2000 BOP Working Group. Working Group prepares materials for presentation by Assistant Secretaries at June conference. • Assistant Secretaries and FPM document resolution on issues and progress on cross-program initiatives from March Management Meeting. • Principal Staff, with ODOC, update the Program Services and Operations Manual.

June	• Deputy Secretary and Principals conduct second annual BOP Leadership Conference:
	   • Reports on issues & cross-program initiatives from March Management Meeting.
	   • Models for FY 2000 BOP goals and action plans in support of APP.
	   • Report on new Performance Appraisal System for executives and managers.
	• Appropriate Principal Staff develop BOP narrative guidance consistent with agreed-upon models.
	• Deputy Secretary issues BOP goals and guidance for development of FY 2000 BOP.
	• Principals & Secretary's Representatives provide input for FY 2001 budget on program policies and legislation.
	• Secretary approves new Performance Appraisal System for executives, managers, and supervisors.

00-AO-177-0001

TIME-FRAME	MANAGEMENT INITIATIVES AND MILESTONES
July	• Headquarters and Field Offices develop BOPs. • Administration coordinates the first Departmental Best Practices Conference. • PD&R conducts baseline surveys of customer and employee satisfaction. • ODOC begins work on new customer service standards and procedures. • Administration incorporates Headquarters BOPs in regular reporting processes.
August	• Secretary's Representatives and Principal Staff transmit BOPs to the Deputy Secretary. • Joint review of BOPs to ensure integrated support for FY 2000 APP and to address decisions on resource priorities.
Sept.	• Deputy Secretary resolves issues and approves FY 2000 Departmental BOP. • Department submits FY 2001 budget and initial FY 2001 Annual Performance Plan, and continues work on a revised Strategic Plan.

Distribution

Deputy Secretary, SD (Room 10100)
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State/Area Coordinators (1 each)
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Deputy Chief Financial Officer for Finance, FF, Room 2202
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The Honorable Fred Thompson, Chairman, Committee on Governmental Affairs
        340 Kirksen Senate Office Building, United States Senate, Washington, DC 20510
The Honorable Joseph Lieberman, Ranking Member, Committee on Governmental Affairs
        706 Hart Senate Office Bldg, United States Senate, Washington, DC 20510
The Honorable Dan Burton, Chairman, committee on Government Reform,
        2185 Rayburn Bldg., House of Representatives, Washington, DC 20515
Henry A. Waxman, Ranking Member, Committee on Government Reform,
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Ms. Cindy Fogleman, Subcommittee on Oversight and Investigations, Room 212
        O'Neil House Office Building, Washington, DC 20515
Director, Housing and Community Development Issue Area, USGAO
        441 G Street, NW, Room 2474, Washington, DC 20548 (Attn: Judy England-Joseph)
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