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TO: Vickers B. Meadows, Assistant Secretary for Administration, A
De W. Ritchie, Deputy Chief Financial Officer, F

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FROM: Saundra G. Elion, Director, Headquarters Audits Division, GAH

SUBJECT: Review of the Department of Housing and Urban Development's Staffing
9/30 Initiative

INTRODUCTION

We have completed a review of the Department of Housing and Urban Development's (HUD) hiring decisions that led to the Department hiring significantly more employees than requested in its Fiscal Year (FY) 2003 Budget Justification. HUD's excessive hiring caused Congress to request that we review HUD's hiring decisions to determine whether those decisions were consistent with program requirements, staffing needs, and applicable personnel practices.¹

To accomplish our objectives on program requirements and staffing needs, we reviewed relevant documents pertaining to HUD's Staffing 9/30 hiring initiative and the strategy for identifying and filling mission critical vacancies. We compared lists of mission critical vacancies with approved FY 2003 Full-Time Equivalent (FTE) levels, and with actual hires to determine whether the new hires were consistent with program requirements and staffing needs. We also interviewed key officials within the offices of Administration, Chief Financial Officer (OCFO), Housing, Public and Indian Housing, and Community Planning and Development.

We did not review personnel practices because the Office of Personnel Management conducted reviews of personnel practices at HUD Headquarters and HUD's Administrative Service Center 3 located in Denver, Colorado. OPM's reviews evaluated

¹ House of Representatives Conference Report 108-10 "Making Further Continuing Appropriations for the Fiscal Year 2003, and for Other Purposes" (pages 1426 and 1427)

how well HUD's delegated examining program supported mission accomplishment and operated in accordance with the merit staffing principles. Each review encompassed the period of the Staffing 9/30 Initiative.

We conducted our work in Washington, DC and covered the period July 15, 2002, through October 21, 2002. Our audit was performed in accordance with Generally Accepted Government Auditing Standards.

In accordance with HUD Handbook 2000.06 REV-3, within 60 days please provide us, for each recommendation without a management decision, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is considered unnecessary. Additional status reports are required at 90 days and 120 days after report issuance for any recommendation without a management decision. Also, please furnish us copies of any correspondence or directives issued because of the audit.

Should you or your staff have any questions, please contact me at (202) 708-1342.

SUMMARY

Between July and September 2002, HUD undertook Staffing 9/30, a large-scale recruiting and hiring effort. The goal of Staffing 9/30 was to maximize the staffing levels of the Department before the end of FY 2002, by filling mission critical positions. Because Staffing 9/30 was inadequately planned and directed, and information used to track hiring levels was unreliable, HUD ended up hiring too many people. In particular, HUD exceeded its staffing level set forth in the FY 2003 budget by about 300. As a result, a significant number of the positions filled were not mission critical positions as intended and HUD had to reprogram over \$20 million to cover additional personnel costs. In other words, the results of Staffing 9/30 were inconsistent with program requirements and staffing needs. Moreover, the hiring actions were not based on the Resource Estimation and Allocation Process (REAP), which was to be the means to estimate, justify and allocate staffing resources. We recommend that HUD implement the corrective action plan submitted to Congress to ensure compliance with FTE ceilings in the future.

As of August 11, 2003, OPM had not issued its report on HUD Headquarters. However, the review on Administrative Service Center 3 was issued on June 26, 2003. That report included several required and recommended actions but overall determined that the service center's competitive examining process generally supported merit system principles.

BACKGROUND

Disturbed by HUD's failure to adhere to staffing levels set forth in the FY 2003 budget and HUD's inability to manage the allocation of staff resources, Congress requested the Office of Inspector General to review the Department's hiring decisions associated with

Staffing 9/30. Specifically, we were to determine consistency with program requirements, staffing needs, and applicable personnel practices. The following chronology describes significant actions connected with Staffing 9/30.

HUD implemented REAP as its resource management program to assess staffing requirements and the OCFO staff stated they used REAP baseline data to develop FTE levels for the FY 2003 budget request and justification to Congress. For the FY 2003 budget request, HUD requested 9,100 FTEs to be funded through the Salaries and Expenses Account. The following table shows the number of FTEs by program office included in HUD's request.

Full-Time Equivalents Requested FY 2003 Salaries and Expenses Account	
Program	FTEs
Housing	3,377
Public and Indian Housing	1,616
Community Planning and Development	805
Administration	707
General Counsel	682
Fair Housing and Equal Opportunity	643
Field Policy and Management	516
Chief Financial Officer	235
Departmental Management	184
Policy Development and Research	152
Intern Program	70
Government National Mortgage Association	68
Healthy Homes & Lead Hazard Control	37
Faith Based & Community Development Initiatives	8
Total	9,100

On July 15, 2002, HUD's Deputy Secretary tasked the Office of Administration, Office of Human Resources (OHR) with bringing the Department up to 9,100 (its FY 2003 requested ceiling) by September 30, 2002. To reach the target ceiling, program offices were allowed to hire above their authorized FTE ceilings in anticipation of staff losses.

On July 18, 2002, OHR initiated Staffing 9/30 and advised all program offices to produce a list identifying positions that were needed to carry out their missions. After the lists were developed and sent to OHR, program offices were instructed to have the OCFO certify that enough funds were available in the current year's budget to cover the new positions. Program offices used HUD-2224, Senior Management Approval Fact Sheet (SMA) to request certification for all external hires. SMAs for GS 14s and 15s also required the approval of the Deputy Assistant Secretary of Human Resource Management and the Assistant Secretary for Administration. The OCFO forwarded the approved SMA to OHR.

On July 24, 2002, OHR discontinued using SMAs for external hires at the GS 13 and below levels. Instead, OHR intended to put together a plan that incorporated the Department's top hiring priorities that was to be forwarded to the OCFO for certification. We were unable to validate that OHR ever put this plan together.

On August 9, 2002, OHR instructed program offices to prioritize their lists into four categories, two of which were:

- Priority 1 – Departmental Priorities Defined by the Secretary/Deputy Secretary
Mission-essential positions identified as requirements by the Secretary or through third-party (General Accounting Office or Congress) mandate, and
- Priority 2 – Assistant Secretary or Equivalent Requests
Mission-essential positions identified by organization heads (Assistant Secretaries or equivalent) for immediate workforce succession planning due to anticipated retirements or losses, and positions that have an immediate impact on front-line service delivery that could impact the mission.

For Staffing 9/30, OHR staff handled hiring activities through a centralized headquarters process. The process included a workload coordinator who assigned program offices' hiring requests to headquarters and field Human Resource (HR) specialists. Headquarters HR staff handled hiring activities through the Staffing 9/30 Command Center where applications were centrally received, logged, and processed. Field HR Division Directors managed the activities for field vacancies such as receiving and processing applications, certifying applicants to managers, and handling quality control for selections.

HR specialists were responsible for making daily reports to Staffing 9/30 management on all job offers made and accepted. Staffing 9/30 management then prepared Consolidated Staffing 9/30 External Recruitment Reports (Consolidated Staffing Reports) to indicate the status of each position in the recruitment process.

HUD essentially reached its FY 2003 ceiling on October 5, 2002, when payroll records showed 9,082 FTEs onboard. Yet, by November 16, 2002, HUD ended up hiring too many people, approximately 300 FTEs over its authorized FY 2003 ceiling of 9,100. See Appendix A for onboard staffing levels.

INADEQUATE COORDINATION AND DIRECTION AND UNRELIABLE INFORMATION USED DURING STAFFING 9/30 INITIATIVE

Between July and September 2002, HUD undertook Staffing 9/30, a large-scale recruiting and hiring effort. The goal of Staffing 9/30 was to maximize the staffing levels of the Department before the end of FY 2002, by filling mission critical positions. OHR did not coordinate Staffing 9/30 with the OCFO, adequately direct program offices and HR Specialists during Staffing 9/30, or ensure that reliable information was fairly disclosed in reports. Consequently, too many people were hired and HUD exceeded its FY 2003 FTE ceiling by about 300. As a result, a significant number of the positions filled were not mission critical positions and HUD had to reprogram over \$20 million to cover additional personnel costs.

OHR did not coordinate with OCFO

Because OHR did not adequately coordinate Staffing 9/30 efforts with OCFO, OHR overestimated the number of people needed to reach its hiring goal, and assumed that OCFO was monitoring the number of job offers made and accepted against the Department's staffing ceiling.

A responsibility of the OCFO was to oversee the Salaries and Expenses Account for the Department. For budget purposes, OCFO's Office of Budget, Administrative Expenses Division used payroll data to monitor levels of employment in terms of FTEs.² As of July 13, 2002, the Administrative Expenses Division calculated that 8,964 FTEs were onboard. Instead of using 8,964 as the basis to determine the number of hires needed to reach the Department's goal, OHR used 8,691. This was the number of full-time permanent employees. In other words, OHR excluded employees with temporary and part time appointments. By not coordinating with OCFO, OHR used an inappropriate baseline number in determining the total number of employees needed. Therefore, OHR overestimated the number of people to be hired to reach the ceiling.

In addition to overestimating the number of people to hire, OHR assumed that OCFO was monitoring the number of job offers made. Because of this assumption, it was not until August that OHR became aware of the potential for over hiring. According to OCFO staff, they notified OHR when payroll data began to show that FTE utilization could exceed allowable levels and allowable funding. Consequently, OHR started sending Consolidated Staffing Reports to OCFO. OHR intended these reports to provide notification of the number of job offers made and accepted. Yet, OCFO considered these reports to be notices of a need to hire outside the Department. While OCFO initially used the report to calculate FTE usage, OCFO determined that the information was not accurate.

² FTEs are calculated by dividing the total number of hours worked (information provided by payroll reports) by the number of compensable hours applicable to each fiscal year. The compensable hours for FYs 2002 and 2003 are 2,088 hours.

Planned corrective actions. On June 20, 2003, HUD submitted a corrective action plan to Congress. HUD plans to use the budget process to establish, allocate, implement, and monitor FTE ceilings. The action plan makes the OCFO responsible for ensuring that both the individual program FTE allocations and total FTE usage by the Department do not exceed approved limits and stay within approved funding levels. (Appendix B contains the action plan.) If the actions are implemented as designed, HUD will comply with FTE ceilings in the future.

OHR did not adequately direct program offices and HR specialists during Staffing 9/30

OHR did not provide adequate direction to program offices and HR specialists during Staffing 9/30. Consequently, a significant number of the people hired did not fill mission critical positions as intended.

OHR curtailed many of the planning functions needed to successfully execute an initiative of this magnitude. OHR acknowledged that it typically takes at least 10 days to develop an adequate plan for such a venture; however, they decided they did not have time to develop a strategic plan for Staffing 9/30. In addition, OHR did not assess program offices' staffing needs to determine how many positions to allocate to each office. Instead, OHR advised program offices to identify all vacant positions that were needed to carryout their mission and to prioritize those positions into two mission critical categories, Priority 1 and 2. As shown in the following table, program offices identified 461 Priority 1 positions and 286 Priority 2 positions.

Priority Positions Identified By Program Offices		
Program	Priority 1	Priority 2
Public and Indian Housing	101	101
Fair Housing and Equal Opportunity	43	103
Housing	75	12
Administration	58	5
Departmental Management/ODOC	46	0
Chief Financial Officer	26	17
Field Policy and Management	43	0
Community Planning and Development	19	18
Policy Development and Research	8	24
General Counsel	26	4
Government National Mortgage Association	7	2
Healthy Homes & Lead Hazard Control	6	0
Faith Based & Community Development Initiatives	3	0
Total	461	286

REAP and Staffing 9/30. Although the OCFO stated that HUD's FY 2003 budgeted FTEs were based on REAP data, Staffing 9/30 hiring actions were not based on REAP.

In conjunction with using an incorrect assumption to calculate the total number of vacancies that needed to be filled, OHR did not require the program offices to relate their priority listings to REAP.

OHR determined that 500 external hires were needed to reach the FY 2003 ceiling of 9100 FTEs. This was determined by taking the difference between the FTE ceiling and the full-time permanent employees on board as of July 13, 2002 (9,100 – 8,691 = 409). To this difference OHR added an estimated attrition of 100 (20 positions over each of the remaining 5 pay periods in 2002). With 500 FTEs as the goal, OHR instructed the program offices to identify their mission critical vacant positions in priority order. We found no evidence showing that the positions on the priority lists correlated to REAP.

According to OHR, HR specialists were required to use the prioritized positions lists as the basis for “working” Staffing 9/30 cases. However, the hiring results provided to us showed that this was not the case. Based on a comparison of the people hired with program offices’ priority lists, a significant number of the people hired were not “priority” hires as intended. The following table shows that over 50 percent of the 528 people hired during Staffing 9/30 did not fill (priority) mission critical positions.

Number of External Hires by Program Area Priority and Non-Priority				
Program	Total Hired	Priority 1 and 2 Positions	Non-Priority Positions	Uncertain*
Fair Housing and Equal Opportunity	94	56	28	10
Public and Indian Housing	88	49	33	6
Administration	86	19	41	26
General Counsel	76	10	61	5
Community Planning and Development	64	9	52	3
Housing	58	28	22	8
Departmental Management	23	0	23	0
Chief Financial Officer	14	7	4	3
Policy Development and Research	11	2	8	1
Government National Mortgage Association	8	5	0	3
Field Policy and Management	5	1	3	1
Healthy Homes & Lead Hazard Control	1	0	1	0
Total	528	186	276	66

*We could not determine whether the positions were priority because the priority lists did not show grade and/or location.

Program offices considered the Staffing 9/30 initiative to be unorganized. They did not receive any written guidance (which led to misinterpretation), and the instructions they received were not clear. Further, program office staff said that it was their understanding that the number of positions that could be filled was unlimited, and jobs would be filled on a first-come, first-serve basis.

Unreliable information used

During Staffing 9/30, OHR relied heavily on HR specialists to timely report the number of offers and acceptances. Designated headquarters and field HR specialists were responsible for reporting all job offers and commitments on a daily basis to Staffing 9/30 managers. Based on this information, Consolidated Staffing Reports were prepared to indicate at what point positions were in the recruitment process.

The Human Resource Action Tracking System (HATS) is the HUD-wide system for managing human resource information, but because OHR believed that the Consolidated Staffing Reports would provide a timelier source of information than data from HATS, OHR relied on HR specialists to track Staffing 9/30 external recruitment efforts. OHR requested program offices to input Requests for Personnel Action (SF-52s) into HATS. Assigned HR specialists created spreadsheets showing the number of (1) vacancy announcements posted, closed, and ready for paneling, (2) certificates issued, and (3) selections made and accepted. HR specialists provided these numbers to management, which consolidated them into Consolidated Staffing Reports.

According to the Staffing 9/30 project manager, staff was processing so many applications they were unable to keep up with their data entry responsibilities. This resulted in a "data entry" lag. For example, even though offers were made before September 30, 2002, this information was not provided to Staffing 9/30 management timely. As a result, OHR had not accounted for all onboard individuals and pending hires. OHR was not aware that they were actually over ceiling. OHR's initial "as of" September 30, 2002, Consolidated Staffing Report data regarding new employees was not in agreement with payroll data. Consequently, hiring was not stopped until OHR conducted a more comprehensive analysis of the data. At that time, OHR determined that HUD's FY 2003 staffing level had reached 9,395 or about 300 over ceiling.

Reprogramming. In order to provide funding for personnel costs associated with the additional FTEs over the original budget estimate of 9,100 FTEs, HUD reprogrammed over \$20 million from non-personal services to personal services. Reducing funding for travel, contracts, printing, and performance awards is paying for the additional staff.

CONCLUSION

Staffing 9/30 was inadequately planned and directed. Further, information used to monitor hiring levels was unreliable. As a result, the Department ended up hiring significantly more employees than requested in its FY 2003 Budget Justification. Moreover, a significant number of the positions filled were not mission critical positions

as intended. Therefore, Staffing 9/30 results were inconsistent with program requirements and staffing needs. HUD should be able to ensure compliance with FTE ceilings in the future, if it successfully implements procedures outlined in the corrective action plan.

AUDITEE COMMENTS

The Assistant Secretary for Administration and Deputy Chief Financial Officer concurred with the finding and recommendation. The complete text of the comments is included in Appendix C.

RECOMMENDATION

We recommend the Assistant Secretary for Administration and the Chief Financial Officer:

- 1A. Implement the corrective action plan submitted to Congress on June 20, 2003, to ensure compliance with approved FTE ceilings.

MANAGEMENT CONTROLS

Management controls 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. Management controls fall into four general groups: (a) controls over program operations, (b) controls over the validity and reliability of data, (c) controls over compliance with laws and regulations and, (d) controls over the safeguarding of resources.

In planning and performing our review, we considered the management controls relevant to providing assurances that Staffing 9/30's goals would be achieved, and maintaining accountability for the initiative. This included the systems for measuring, reporting, and monitoring performance.

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

- controls over program operations,
- controls over the validity and reliability of data, and
- compliance with laws and regulations

Controls over program operations include policies and procedures that management has implemented to reasonably ensure that a program meets its objectives. Controls over the validity and reliability of data include policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports. These controls help assure management that it is getting valid and reliable information. Controls over compliance with laws and regulations include policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

It is a significant weakness if management controls do not provide reasonable assurance that the process for planning, organizing, directing, and controlling program operations will meet an organization's objectives.

Based on our review, we believe the following weaknesses had a significant impact on HUD exceeding its FY 2003 FTE ceiling:

- inadequate planning and direction for Staffing 9/30's recruiting and hiring efforts, and
- inadequate controls over the reliability of data.

PRIOR REVIEWS

Following are highlights from recently issued reports concerning HUD's management of human capital resources.

Like other federal agencies, HUD has historically not strategically managed its human capital. In January 2001, the General Accounting Office noted that the reorganizations that took place as part of HUD's 2020 Management Reform Plan had resulted in imbalances in workload at several specialty centers and in some of the field offices. In July 2002, the General Accounting Office recommended that HUD develop a comprehensive strategic workforce plan aligned with the department's strategic plan. HUD officials report that they were in the process of developing a statement of work to hire a contractor to complete a comprehensive workforce planning study. (GAO-03-103, "Major Management Challenges and Program Risks: Department of Housing and Urban Development," January 1, 2003)

The Department has made significant progress in developing and implementing the key components of its human resource management system since September 2000. The Department now needs to develop a comprehensive strategic workforce plan that includes elements as to how the data from the REAP studies and TEAM system will be used to plan and allocate its human resources among its various operating components. (OIG - 2003-PH-0801, "Assessment of HUD's Progress in Implementing the Resource Estimation and Allocation Process (REAP) and Total Estimation and Allocation Process (REAP) and Total Estimation and Allocation Mechanism (TEAM) Components of its Human Resource Management System," December 3, 2002)

Looming retirements during the next 5 years at HUD have brought the need for workforce planning to the forefront. HUD has done some workforce planning and has determined how many staff it needs to meet its current workload, but it does not have a comprehensive strategic workforce plan to guide its recruiting, hiring, and other key human capital efforts. Recommendations for Executive Action: The Secretary of HUD should develop a comprehensive strategic workforce plan that is aligned with its overall strategic plan and identifies the knowledge, skills, and abilities HUD needs and the actions that it plans to take to build its workforce for the future. STATUS: Open -- As of April 29, 2003. (GAO-02-839, "HUD Human Capital Management: Comprehensive Strategic Workforce Planning Needed," July 24, 2002)

Before implementing the Community Builder concept, HUD did not properly establish a need for Community Builders, determine how many people it needed, or identify the necessary skills a Community Builder would need. (OIG-99-FW-177-002, "Nationwide Audit, Community Builders," September 30, 1999)

Onboard Full-Time Equivalents Funded Through Salaries and Expenses Account					
Program	7/13/02	10/5/02	10/19/02	11/02/02	11/16/02
Housing	3,291	3,273	3,279	3,285	3,269
Public and Indian Housing	1,568	1,614	1,654	1,709	1,736
Community Planning and Development	863	925	939	951	965
Administration	709	730	749	758	746
General Counsel	646	684	700	713	713
Fair Housing and Equal Opportunity	654	701	721	772	783
Field Policy and Management	604	494	505	502	493
Chief Financial Officer	207	207	216	220	221
Departmental Management	184	201	197	200	210
Policy Development and Research	143	151	151	152	152
Government National Mortgage Association	63	64	68	69	70
Healthy Homes & Lead Hazard Control	28	33	33	32	31
Faith Based & Community Development Initiatives	4	5	5	6	6
Total	8,964	9,082	9,217	9,369	9,395

Source: Office of the Chief Financial Officer

U.S. Department of Housing and Urban Development
CORRECTIVE ACTION PLAN
June 3, 2003

Purpose

The purpose of the Corrective Action Plan is twofold:

1. To establish procedures that will allocate immediate and near-term workload (Full-Time Equivalent (FTE)) ceilings among the program offices in accordance with the Department's workload model and other priorities established by the Secretary for FY 2003 and FY 2004; and,
2. To ensure that the Department of Housing and Urban Development (HUD) has a process in place to establish meaningful workload estimates and long-term workforce plans in accordance with the goals and objectives set forth in the HUD Strategic Plan.

Immediate Corrective Actions

To minimize the costs associated with the over hiring of staff and place the Department back on a path that corresponds to its own workload analysis, the Chief Financial Officer (CFO), working in close coordination with the Assistant Secretary for Administration (ASA), is responsible for ensuring that the following course of action is completed:

1. Baseline Ceilings. The initial FTE ceiling established as part of the total HUD budget for FY 2003 was 9,100 FTEs. The specific allocation based on the REAP studies provided to each program office is that which was included in the FY 2004 budget submitted to OMB on September 10, 2002, showing the FTE allocation for FY 2003. This represents the latest approved estimates for each program at a level of 9,100 FTEs based on REAP. In addition, 30 FTEs were added to the Housing ceiling for RESPA enforcement and credit watch activities.
2. Projected Ceilings. The newly approved projected staffing level for the Department is 9,278 FTEs for FY 2003. Based on this projection, each program office will be provided a new specific allocation based on an extrapolation of the original baseline ceiling of 9,100 FTEs.
3. Revised Departmental Staffing Plan. The ASA, in close coordination with the CFO and program offices, will revise HUD's FY 2003 Departmental Staffing Plan to comport with the new FTE ceiling of 9,278. Likewise, each program office that is over its new FTE ceiling allocation must revise its portion of the FY 2003 Departmental Staffing Plan to redistribute as many employees as necessary to bring their office's staffing levels to authorized FTE ceilings, as well as into alignment with their established REAP allocation. Redistribution may include training and/or reassignment within and outside the program office. The Office of Human Resources (OHR) will assist the program offices in the preparation and execution of their staffing plans; however, the program offices are accountable for the final results. The CFO shall certify that each program's staffing plan will lead to a near-term realignment of staff that will closely comport with the REAP studies and approved REAP ceilings associated with a total FTE usage of 9,278 FTEs for FY 2003.

4. **Hiring Freeze.** All program offices that are over their FTE ceiling allocation provided to each program office shall cease hiring immediately for the remainder of FY 2003 or until further notice.

5. **Align with REAP.** Programs that are over ceiling shall also demonstrate that their redistribution staffing plan will ensure the achievement of the FY2003 ceilings for each office within the program area. The CFO must certify that the proposed staffing plan will ensure that the realignment of staffing, in conjunction with reduced hiring, will result in the achievement of the 2003 REAP-based ceiling levels as soon as possible but no later than September 30, 2004. The FY2003 ceilings (based on a prorating of 9,278 FTEs) for each program Office is in effect unless Congress changes that level in the FY2004 Appropriations Act.

6. **Control Future Hiring.** Each program that is over ceiling may not begin the replacement of attrition in FY 2004 until the CFO certifies that program offices' staffing plan will result in the alignment of staff and subsequent hiring will ensure that the Department will stay within its FTE ceiling for FY 2004.

7. **Reduce Summer Interns.** The Department will greatly reduce its summer hiring plans except for established programs that already assume the summer employees in the Department's FTE allocation. The total allocation shall be no greater than 15 FTEs and the CFO will determine the methodology for allocating those FTEs only to those programs that are under ceiling in 2003. This will remain in effect for 2003 and 2004 unless the CFO certifies that a program currently over ceiling for 2004 has taken the necessary actions to ensure that it will achieve the 2004 approved ceiling.

8. **Help Programs Under Ceiling.** Programs that are under ceiling will continue to replace attrition and be able to hire based on the pool of attrition that is created by freezing the programs over ceiling. The hires will be based on the relative FTE utilization rates among programs that are currently under ceiling. The CFO will certify that each hire is consistent with the designated REAP based allocation or is not in accord with REAP but is essential to the mission of the Program.

9. **Exceptions.** All exceptions to this corrective action plan will be submitted through the ASA and CFO for their recommendations to the Deputy Secretary and the Secretary who makes all final decisions.

Long-Term Compliance Strategy

To ensure that the Department establishes appropriate workload requirements and complies with FTE ceilings in the future, the following plan shall be implemented. For FY 2005 and thereafter, the Budget process will be used to establish, allocate and implement and monitor FTE utilization for the Department.

1. **Establishing FTE Ceilings.** The budget call letter issued in the Spring of each year shall set the guidance for establishing the FTE ceiling. This guidance shall reflect the current status of the REAP studies and analyses and the latest aggregate data from TEAM showing the level of use for each program. This guidance will also include any other Department-wide or program specific guidance such as limitations on grade or per employee costs.

Any program that believes that their REAP study is out-dated or otherwise not reflecting the program's current mission is responsible for requesting a new study and for the completion of the study by August. Programs are encouraged to request new studies at any time to ensure that the next Budget cycle will accurately reflect the Program's goals and objectives.

In August, and based on the latest REAP analysis and the Budget requests submitted by the program offices (inclusive of proposed FTE utilization), the Deputy Secretary will establish an overall ceiling request for the Department and allocate the ceiling to the program offices in accordance with the REAP analysis. Program Offices may appeal their individual allocation based on non-REAP criteria for consideration by the Deputy Secretary. Each request must detail the reasons for hiring outside of the REAP priorities and, if approved, the documentation will be included in subsequent OMB and Congressional justifications.

OMB's Passback and the subsequent negotiations will establish the final FTE ceiling request for the Department and the specific allocation will be included in the Budget justification to Congress. Based on final program budget estimates and totals provided for the Department's Salary and Expenses Account and based on the latest, estimates of projected employee costs and FTE utilization, the CFO shall revise the allocation of the FTEs to the individual offices for inclusion in the Department's Congressional justification.

Congressional action will establish the final funding levels for HUD staffing and may alter the levels and/or distribution of FTEs. The CFO will establish a final allocation for the year and submit that allocation to Congress in the Department's Operating Plan. This will reflect the final FTE ceilings for the year and the levels to which the program offices will be held responsible.

2. Monitoring the Staffing Levels. The CFO will be responsible for ensuring that both the individual program FTE allocations and the FTE utilization by the Department does not exceed approved limits and stays within approved funding levels. The CFO shall take the following actions to ensure that both the funding and FTE limitations are met:

- a. The Deputy Secretary will issue FTE allocations to each Program Office.
- b. Working jointly with the ASA, establish other relevant Department-wide criteria that will govern hiring for the next fiscal year, such as limitations on grade, average per unit costs or per employee costs, or requirements for internal realignments.
- c. Review all requests for changes in any program allocation or increase in allowable FTE utilization and certify to the Deputy Secretary that the request is in accord with the REAP studies and analyses or, if not based on REAP, but determined to be essential to meet a specific need and is supported by the TEAM data.
- d. Review and approve all individual hiring actions for consistency with the REAP established ceiling and certify that all hiring actions are in accord with the REAP studies or if not based on REAP but are determined to be essential to the program's mission and in accord with their Comprehensive Workforce Plan. The ASA has the responsibility to ensure that no hiring action is approved absent this certification.

- e. Monitor the status of all hiring actions for timeliness and consistency with established criteria such as grade level and job series.
- f. Work jointly with the ASA to report quarterly on the program's ability to hire the specific positions that are envisioned by the REAP studies and progress made achieving the goals set forth in approved staffing and human capital plans.
- g. Develop a new reporting system that projects FTE utilization (real time) for each Program Office, review and report to the Deputy Secretary on each Program Offices' FTE utilization quarterly and recommend changes based on projected utilization rates and workload requirements.
- h. Submit an Operating Plan change to Congress as needed to reflect significant changes in the FTE allocation among program offices and to ensure that the FTE limits are fully funded, or to alter the FTE utilization to meet unforeseen budgetary constraints.
- i. Establish Department wide FTE ceilings for non specific programs including the PMI, Summer Intern, Federal Intern and Summer Hires programs, based on projected FTE utilization for the Department.
- j. Issue FTE ceilings on each of the program's S&E Advice of Allotments. In addition, each allotment holder and program manager will be required to incorporate and monitor their FTE usage in their funds control plan.
- k. Develop a training course that explains FTE allocation methodologies and calculations of FTE utilization rates. This training will be mandatory for all program administrative officers and budget personnel in the Department. Training will begin in the fall of 2003 and must be completed by September 30, 2004.

Beginning with the enactment of the FY 2005 budget, the program offices will be fully accountable for the monitoring and reporting on FTE utilization and compliance with REAP and human capital plans. The OCFO will resume its role as an oversight office, will continue to monitor the FTE process, and will continue to implement the REAP and TEAM requirements for the Department.

The CFO's Office of Budget will be provided the additional resources, identified separately, to implement these additional responsibilities.

3. Monitoring the Hiring Activity. The ASA, working through the HUD Office of Human Resources (OHR) will be responsible for operation and control of Departmental hiring and all associated activities. Note that OHR in this document refers to both Headquarters and HR Field Service staff. OHR will implement the following procedures to ensure that no hire is made that conflicts with the FTE guidelines established by the CFO:

- a. Prior to the beginning of the fiscal year, OHR working in conjunction with the OCFO will synchronize the Departmental Staffing Plan with the proposed FTE allocation. This will be detailed to the individual position level. Once the FTE allocation is final, the Staffing Plan will be adjusted accordingly. The ASA and CFO will jointly approve the staffing plan. All hiring, reassignment, and temporary detail activity will be in accordance with the staffing plan.
- b. OHR will ensure that only program offices that are at or below staffing plan levels with an identified and validated vacancy start the hiring process.
- c. OHR will keep a detailed accounting of staffing levels across the Department. OHR will maintain accurate and complete records for all authorized positions and the status of all activities associated with them. When the HUD Integrated Human Resources and Training System (HIHRTS) is implemented, OHR's accounting and tracking abilities will be substantially enhanced.
- d. OHR will fully implement the use of the Human Resources Action Tracking System (HATS). OHR will require all program offices to enter necessary information into HATS. If an action is not in HATS it will not be recognized.
- e. OHR will produce a weekly, detailed Hiring "Pipeline" Report that will account for all hiring activities and actions, what stage of the process they are in, and when the actions are planned for completion.
- f. OHR specialists will work with all program areas (both over and under FTE ceiling) to facilitate hires, reassignments, vacancies, and details in order to bring the Department into alignment with the current FTE ceiling and REAP allocations.

Implementation Schedule

<i>Task</i>	<i>Responsible</i>	<i>Due</i>
1. Implement Corrective Action Plan	CFO, ASA	6/16
2. Hiring Freeze/New Restrictions in Effect	ASA	6/16
3. Communication of New Procedures	CFO, ASA	6/25
4. Final 2003 FTE Ceilings Issued	CFO	6/30
5. Weekly Hiring Pipeline Reports Start	ASA	7/7
6. Synchronize 2003 Staffing Plan with FTE	ASA, CFO	7/14
7. Program Realignment Plans Finalized	Program Areas	8/15
8. Quarterly FTE Utilization Reports Start	CFO	8/15
9. Proposed 2004 FTE Ceilings Issued	CFO	9/15
10. FTE Training Course Developed /Launched	CFO	11/1
11. Synchronize 2004 Staffing Plan with FTE	ASA, CFO	11/15



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

AUG 8 2003

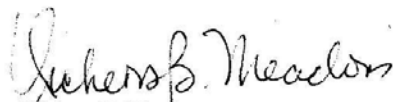
MEMORANDUM FOR: Sandra G. Elion, Director, Headquarters Audits Division, GAH

SUBJECT: Response to Draft Audit Report on the Department of Housing and
Urban Development's Staffing 9/30 Initiative

This memorandum is in response to the draft audit report, HUD's Staffing 9/30 Initiative, dated August 15, 2003. We have reviewed the report and concur with the finding and recommendation. Any remaining technical corrections or suggestions are included in the attachment.

HUD is in the process of implementing the Corrective Action Plan (CAP) submitted to Congress on June 20, 2003. The Office of Administration, Office of the Chief Financial Officer, and Program Offices share the responsibility in ensuring that the CAP objectives are met. The CAP's three primary objectives are to: (1) bring the Department into compliance with the new authorized full-time equivalent (FTE) ceilings; (2) align Departmental FTEs with the current Resource Estimation and Allocation Process (REAP) analysis; and (3) implement a long-term process that will establish meaningful workload estimates and long-term workforce plans.

Should you or your staff have any questions, please contact Glennel M. Cooper, Office of Budget and Administrative Support, on 708-1583 or James M. Martin, Deputy Assistant CFO for Financial Management, on 708-0638.


Vickers B. Meadows
Assistant Secretary for Administration/
Chief Information Officer, A


W. Ritchie
Deputy Chief Financial Officer, F

Attachment

Attachment

Draft Report page 1, (OIG editor's note regarding OPM's review findings) - As discussed at the exit conference, draft or tentative findings from the ongoing Office of Personnel Management review should not be included in the report, as draft findings are subject to significant revision or deletion.

