



United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-279717

June 5, 1998

The Honorable Rick Lazio
Chairman, Subcommittee on Housing
and Community Opportunity
Committee on Banking and Financial Services
House of Representatives

Subject: Results Act: Observations on the Department of Housing and Urban
Development's Fiscal Year 1999 Annual Performance Plan

Dear Mr. Chairman:

On March 2, 1998, the Department of Housing and Urban Development (HUD) released its first annual performance plan, as required under the Government Performance and Results Act (the Results Act).¹ As agreed with your office, we reviewed HUD's fiscal year 1999 annual performance plan. This report provides our observations on whether the plan fulfills the requirements of the Results Act.

RESULTS IN BRIEF

Although HUD's annual performance plan includes information in each of the areas required by the Results Act, it does not present a clear picture of what HUD expects to achieve with the funds it receives for its program activities. The plan does not cover all the program activities in HUD's budget, and consolidations and aggregations of program activities are not clearly explained within the plan. While the plan refers to some of HUD's crosscutting activities, it does not fully discuss how HUD will coordinate with other agencies having related goals or define its contributions to the crosscutting activities. The plan discusses the programs that fall under each of HUD's strategic objectives but

¹31 U.S.C. 1115, Government Performance and Results Act of 1993, sec. 4, Annual Performance Plans and Reports.

does not fully discuss the strategies the agency intends to pursue to achieve its performance goals and indicators. It also does not provide a complete discussion of the resources needed to achieve the performance goals. Although discussing some of HUD's verification and validation procedures, the plan does not relate the Department's systems to specific indicators or discuss all of the systems from which performance data will be extracted. The performance plan generally does not discuss the data's limitations or their possible effects on the performance indicators.

BACKGROUND

The Results Act is part of a statutory framework put in place during the 1990s to help resolve the long-standing management problems that have undermined the federal government's effectiveness and efficiency and to provide a greater accountability for results. The Results Act requires federal agencies to develop 5-year strategic plans, the first of which were due to the Congress by September 30, 1997. Then, beginning with the fiscal year 1999 budget, the agencies are required to develop annual performance plans that cover each program activity in their budgets. The annual performance plan is to (1) establish performance goals to define the level of performance to be achieved by a program activity; (2) express such goals in an objective, quantifiable, and measurable form unless an alternative form has been authorized; (3) briefly describe the operational processes, the skills and technology, and the human capital, information, or other resources required to meet the performance goals; (4) establish performance indicators to measure the relevant outputs, service levels, and outcomes of each program activity; (5) provide a basis to compare actual program results with the established performance goals; and (6) describe the means to verify and validate measured values. The Office of Management and Budget's (OMB) Circular A-11, part 2, provides additional guidance and more detailed directions for preparing a strategic plan.²

HUD submitted its strategic plan to the Congress on September 30, 1997. According to the plan, HUD's mission is as follows:

"Empower communities and their residents, particularly the poor and disadvantaged, so that, together with HUD, they can develop viable urban communities, provide decent housing and suitable living environment for all

²Preparation and Submission of Strategic Plans and Annual Performance Plans, June 1997.

citizens, without discrimination, in order to improve themselves, both as individuals and as a community, to succeed in today's time of transition."

In the strategic plan, HUD identified seven strategic objectives and discussed its strategies for achieving the goals, its management reform activities, and the external factors that may affect its ability to achieve its objectives. In our review of HUD's September 1997 strategic plan, we noted that HUD had made some improvements in the plan over an earlier draft and that other actions should be taken as the plan evolves.³

HUD submitted its annual performance plan to the Congress on March 2, 1998. The plan is structured similarly to the September 30, 1997, strategic plan and includes a summary of HUD's mission, as well as a discussion of the strategies, the external factors, and the management reform activities for each of the seven strategic objectives. The performance goals and indicators are reported under each strategic objective. In a separate section, HUD includes performance goals and indicators specifically for its management reforms.

**ADDITIONAL WORK REMAINS TO BE DONE
ON HUD'S ANNUAL PERFORMANCE PLAN**

HUD's annual performance plan includes information for each of the required components of the Results Act; however, the performance plan does not provide goals and indicators to cover each program activity set forth in HUD's budget, and the goals and indicators are not sufficient to provide a clear picture of HUD's intended performance in fiscal year 1999. The plan covers most of the program activities set out in the budget by consolidating and aggregating them at the program and financing (P&F) level. However, the goals and indicators do not clearly define the level of performance to be achieved, do not appear to be assessable in all cases, and may not provide a basis for comparing results with the goals. The plan does not fully discuss HUD's strategies or describe the resources necessary to achieve its goals. Moreover, the performance plan does not provide confidence that HUD's verification and validation procedures will be sufficient to ensure the reliability of the performance data.

³Results Act: Observations on the Department of Housing and Urban Development's Draft Strategic Plan (GAO/RCED-97-224R, Aug. 8, 1997) and Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges (GAO/GGD-98-44, Jan. 30, 1998).

HUD's Plan Does Not Provide Performance Indicators for All Program Activities

The Results Act requires an agency's annual performance plan to cover each program activity set forth in its budget. The Results Act allows an agency to aggregate, disaggregate, or consolidate the program activities in its budget, as long as the performance plan does not omit or minimize the significance of any major agency function or operation. For each performance indicator, HUD's plan identifies one or more P&F categories that generally correspond to one of its budget accounts and appears to aggregate the program activities under the account. However, HUD's annual performance plan does not cover all of the program activities in its fiscal year 1999 budget. For example, the annual performance plan does not indicate which goals or indicators relate to the proposed funding for its \$310 million drug elimination grants for low-income housing, \$3.7 billion Section 8 Reserve Preservation program activities, or \$1 billion salaries and expenses accounts. Therefore, it is not clear how the proposed funding for these program activities will contribute to HUD's performance in fiscal year 1999.

In addition to associating the performance indicators with P&F categories, HUD provides a resource allocation table as an attachment to its performance plan. The table identifies discretionary funding and staffing levels for "relevant programs" and relates those programs to HUD's strategic goals. However, some of the "relevant programs" are not clearly related to HUD's budget accounts or program activities, and HUD does not explain the consolidation of activities. Moreover, some of those programs are not associated with any strategic goals and, consequently, performance goals. For example:

- HUD's resource allocation table reports a "housing certificate fund" under both Public and Indian Housing and Housing and divides the funding between the two categories. However, according to the President's budget, Housing does not have a "housing certificate fund" P&F schedule, and HUD's performance plan does not explain how this item relates to its budget.
- The resource allocation table indicates that several Community Planning and Development and Public and Indian Housing program activities were consolidated into the "other" program. However, the \$1.5 billion of proposed funding for the "other" programs is not linked to any of the strategic objectives, and only one of the program activities consolidated in the "other" programs is linked to a performance indicator elsewhere in the plan.

Additionally, the table lists the management reforms as relevant programs but does not associate them with any of the strategic objectives, and they are not clearly tied to any specific program activities or funding.

Defining Expected Performance

The Results Act requires that the annual performance plan establish objective and measurable goals to define the level of performance to be achieved by a program activity and establish indicators to measure the outputs, service levels, and outcomes related to those goals. If the agency determines it is not feasible to express the performance goals for a particular activity in a quantifiable, measurable form, OMB may authorize an alternative form. While OMB's guidance states that the plan does not need to include all the performance indicators likely to be used in managing an agency's programs, it states that the plan should provide enough indicators to show substantively how well the agency is meeting its goals and objectives. HUD's performance plan provides goals and performance indicators under each of its seven strategic objectives; however, the goals and indicators are not sufficient to provide a clear picture of what HUD intends to achieve in fiscal year 1999, although HUD has had a performance measurement process in place for several years. The performance plan does not provide alternative explanations of how HUD will measure its progress toward achieving its goals for fiscal year 1999.

The performance plan reports a total of 30 performance goals and 63 performance indicators; however, 25 of those indicators do not provide quantifiable measures that will allow for comparing the actual performance in fiscal year 1999 against the projected performance:

- Three performance indicators for one goal are shown, but the targets are not specified. A comment explains that they are still being developed.
- For five of the indicators, fiscal year 1999 targets are shown as "Not Applicable."
- Nine indicators do not report a target level of achievement for fiscal year 1999, but they show that the target level will be determined after a baseline is set from fiscal year 1997 or 1998 information.
- For three of the performance indicators, HUD shows that the target for fiscal year 1999 is a baseline.

- For five indicators, the plan states specifically that HUD is to develop a goal or a baseline by the target date of September 30, 1999.

In addition, two of the goals and four of the indicators specifically relate to developing a planning procedure or system. For example, the Community Development Block Grant (CDBG) program that requested funding of over \$4.7 billion for fiscal year 1999 is represented by a total of six indicators, three of which are related to developing a standardized assessment tool for communities' consolidated plans. However, the performance plan does not explain how developing an assessment tool will help HUD know if it has achieved its goals for the CDBG program.

The performance plan could be more useful if HUD presented sufficient quantifiable goals and indicators that directly relate to program operations and the results that HUD intends to achieve for the funding it receives for fiscal year 1999.

Recognizing Crosscutting Efforts

While the Results Act does not specifically require that the annual performance plan address crosscutting issues, it implies that federal programs contributing to similar outcomes should be closely coordinated. Additionally, OMB states that the annual performance plan should indicate those goals and indicators that are being mutually undertaken in support of programs or activities of an interagency, crosscutting nature. Recognizing that an agency may have a national and crosscutting goal, OMB also states that the annual performance plan should show the agency's role in its achievement. HUD's performance plan partially addresses the need to coordinate with other agencies having related strategic or performance goals. HUD's annual performance plan refers to its ongoing coordination with the departments of Health and Human Services, Transportation, and Labor on its activities related to welfare reform; refers to the need to work with other entities on its fair housing goals; and mentions its coordination with the Environmental Protection Agency on environmental initiatives. The plan also discusses HUD's vital role as a partner with various agencies attempting to raise the national homeownership rate to a target level and identifies two indicators that cut across HUD's own homeownership programs.

However, HUD's plan does not contain performance goals or indicators for its crosscutting programs and does not define the contributions HUD's programs and funding will make in addressing the crosscutting activities. For example, under the strategic objective to increase homeownership opportunities, the

performance plan includes a performance goal to increase the national homeownership rate from the current 65.9 percent to 67.5 percent of all households by fiscal year 2000. Although HUD states in its discussion of external factors that it is not the dominant player in the homeownership market, the performance plan does not develop goals or indicators that would specifically show the contributions HUD's programs are expected to have on the overall national homeownership rate. Also, under the strategic objective to promote equal housing opportunity, HUD states that promoting greater housing choice with other departments and agencies is key to the success or the failure of HUD's entire strategic plan. However, HUD does not fully discuss how it will coordinate its programs with related goals or how it will coordinate with other agencies having related goals or define its contributions to the crosscutting activities.

The Performance Plan May Not Provide a Clear Basis to Compare Actual Results With Performance Goals

The Results Act requires that the annual performance plan provide a basis to compare actual program results with the established performance goals. Some of the goals and indicators in the performance plan do not seem to be sufficient to indicate whether progress has been made toward achieving a specific goal, and consequently toward achieving the related strategic objective. For example, under HUD's strategic objective to empower communities, the plan has the following goal:

"Strengthen planning and development capacity of State and local governments to revitalize distressed neighborhoods and communities, including increasing the number of jurisdictions whose Consolidated Plans are rated more highly, utilizing a standard assessment."

The three indicators under this goal relate to developing a standardized assessment and then developing goals for the number of consolidated plans that use the assessment process. While HUD's indicators address the last part of the statement—to develop an assessment—they do not address the first two parts (which would seem the more meaningful)—to increase the number of highly rated plans and to strengthen the planning and development capacity of local governments. Consequently, it is unclear how HUD's developing an assessment process will result in the empowerment of communities.

We have a similar concern under HUD's strategic objective to provide empowerment and self-sufficiency opportunities for low-income individuals and families. The performance plan provides four goals, one of which is to increase

the number of families becoming self-sufficient. The only indicator for that goal is to increase the number of Neighborhood Network Centers with business plans. However, it is unclear that establishing these business plans will, by itself, result in increased self-sufficiency for low- and moderate-income individuals and families. One of the indicators for another goal—to increase the percentage of families becoming more self-sufficient while residing in public housing—is to measure the percentage of families provided tenant-based Section 8 assistance who move from welfare to work. However, it is unclear how the progress of families receiving this assistance could affect HUD's achieving its goal for families residing in public housing.

HUD could make its annual performance plan more informative to the Congress by doing the following:

- Clearly explain how the performance goals and indicators relate to the strategic objectives and to one another. For example, the strategic objective to increase the availability of affordable housing has the goal to improve the quality of life for residents of public housing. The performance indicators under this goal include demolishing public housing units and increasing the percentage of project-based Section 8 units that are in standard physical and financial condition. However, HUD does not make it clear how either of these indicators will improve the quality of life for residents of public housing and achieve the strategic objective of increasing the availability of affordable housing.
- Ensure that sufficient indicators of good quality are used for all the plan's performance goals. As discussed, it is not clear how increasing the percentage of project-based Section 8 units that are in standard condition will improve the quality of life for residents of public housing. A program that could help achieve this goal—the Drug Elimination Program—is not represented in any of the goals or indicators in HUD's performance plan.

The Performance Plan Partially Discusses the Strategies and Resources to Achieve Its Goals

The Results Act requires a federal agency's annual performance plan to briefly describe the operational processes, skills and technology, as well as the human, capital, information, or other resources required to meet its performance goals. OMB states that an agency's strategic plan should describe the strategies to be used to achieve the general objectives and that the annual performance plan should describe in greater detail the specific processes, technologies, and types of resources that are needed to achieve the performance goals. OMB also states

that the performance plan should include performance goals for corrective steps for major management problems whose resolution is mission-critical or which could materially impede the achievement of the agency's goals.⁴ While HUD's plan discusses some of the Department's operational changes and the impact of its management reform activities on its programs, the plan does not clearly discuss HUD's strategies to achieve its goals or the human, capital, information, or other resources required to meet its performance goals.

Under each strategic objective, HUD's performance plan discusses the operational approaches to increase efficiency, the general strategies to achieve that objective, the external factors that may influence HUD's ability to achieve the goals for that objective, and the related management reform activities. The plan also includes a separate section on performance goals and indicators for the management reform activities, including indicators for being removed from GAO's high-risk list and for obtaining a clean financial statement audit opinion.

However, HUD's plan does not discuss strategies that clearly describe how it will achieve its performance goals. The plan specifically states that the strategies discussed are to achieve HUD's strategic objectives, rather than the specific means the agency will employ to achieve its fiscal year 1999 performance goals. Furthermore, in several cases, the discussions appear to be descriptions of programs HUD administers. For example, while HUD discusses improving the Public Housing Management Assessment Program system, it does not explain its strategy to raise the average scores measured by that system.

While HUD includes a resource allocation table with the performance plan that provides some budgetary and staffing information, the plan does not explain the resources required to achieve HUD's performance goals. Under the plan's resource allocation section, HUD states that it currently has no mechanism to track resources as they are applied to performance measures but that it is planning to develop a resource management process. Because the resource allocation table shows only discretionary funding for fiscal year 1999, the performance plan does not convey all the budgetary resources, such as the mandatory funding and the resources remaining from previous years, which HUD will use to achieve its fiscal year 1999 goals.

⁴OMB memorandum M-98-04, Annual Performance Plans Required by the Government Performance and Results Act, Jan. 29, 1998. The guidance will be incorporated into a future revision of OMB Circular A-11.

HUD's performance plan also does not discuss—either directly or by reference to other documents—how information technology will be used to help achieve the performance goals or improve performance for any of the seven strategic objectives. The investment in and application of information technology is a critical part of HUD's strategy to achieve its objectives, streamline its operations, and correct its high-risk information and financial management systems.

Finally, although not required by the Results Act, the plan does not address some of the major management issues facing HUD. For example, the performance plan does not address the objectives, the strategies, or the efforts to resolve the Year 2000 computer problem. If this problem is not adequately resolved, it could seriously affect the conduct of business and the achievement of HUD's objectives and performance goals. Because this is a serious global issue, users of the plan could benefit from an explanation of HUD's goals and strategies to ensure that critical business processes and computer systems are being addressed and will function properly in the new millennium.

HUD's performance plan would be more useful to the Congress if the plan included discussions of how workforce knowledge, skills, and abilities could contribute to the achievement of performance goals, especially while HUD is developing its resource management process. Currently, HUD's performance plan provides evidence that these issues were considered to some extent during its development. For example, under the strategic objective to promote equal housing opportunity, HUD states that the Office of Fair Housing and Equal Opportunity will cross-train staff and provide training on fair housing issues to selected staff. Similarly, under the strategic objective to increase the availability of affordable housing, HUD notes that working with troubled public housing authorities will require more attention by the staff and that its staff resources are limited, but it does not explain how it will overcome that limitation.

Although not required by the Results Act, given HUD's downsizing and major management reform initiatives, the annual performance plan would also be more useful if it discussed the effects on the performance goals and on HUD's programs if the legislative proposals were not enacted. In commenting on our recent report on the 2020 Management Reform Plan, HUD stated that it would be able to meet its downsizing target of 7,500 employees only if the following two assumptions were met: (1) The Congress enacts legislation to consolidate HUD's program structure, and (2) the number of troubled multifamily assisted

properties and the number of troubled housing authorities are substantially reduced.⁵

Verifying and Validating Performance

The Results Act requires that an agency's annual performance plan describe the means to verify and validate measured values. Furthermore, OMB Circular A-11 states that this plan should include a description of how an agency intends to verify and validate the measurements for actual performance. The means used should be sufficiently credible and specific to support the general accuracy and reliability of the performance information that is recorded, collected, and reported.

HUD's annual performance plan contains a section that acknowledges that its data have been "suspect" and its "systems inadequate to generate the proper level of reporting and information." This section also discusses the major systems associated with each program area—Community Planning and Development, Public and Indian Housing, Fair Housing and Equal Opportunity, and Housing—and describes HUD's efforts to verify or validate information for some of its systems. However, the efforts discussed may be insufficient to ensure that performance data are reliable because the plan does not relate the information systems discussed in this section to specific indicators or address all of the systems from which performance data will be extracted.

For example, the discussion of systems used by Community Planning and Development describes verification and validation efforts related to the Integrated Disbursement and Information System (IDIS) and the Grants Management Process. While the plan associates 14 indicators with the four grant programs that are supported by IDIS, it does not specify the source of the data that will be used to measure those indicators. Therefore, it is not clear that the verification and validation efforts described are relevant for these indicators.

Similarly, the discussions of other program areas lack details that to relate verification and validation efforts to performance information. For example:

- The discussion of Public and Indian Housing states that, subject to funding, HUD plans to use an existing contract to implement the verification and validation process. The discussion also describes efforts to develop a Section

⁵HUD Management: Information on HUD's 2020 Management Reform Plan (GAO/RCED-98-86, Mar. 20, 1998).

8 Management Assessment Program to objectively measure the performance of public housing authorities in key Section 8 tenant-based assistance program areas. However, the plan does not describe the verification and validation procedures that would be used or explain which data, systems, or indicators would be covered by these efforts.

- The discussion of Fair Housing and Equal Opportunity lists the sources of data that HUD uses but does not link them to specific indicators. While the discussion refers to fiscal year 1997 quality assurance plans, it does not explain the verification and validation procedures that would be used in the quality assurance plans.
- The discussion of Housing refers to various systems used by the Federal Housing Administration (FHA) that contain data relating to single-family and multifamily housing programs. With the exception of the two asset management systems, each section briefly addresses verification or validation. However, the performance plan does not explain which performance indicators would rely on these sources of information.

Furthermore, some performance indicators appear to rely on sources of data that are not discussed in the verification and validation section of the annual performance plan. For example, the Empowerment Zone and Enterprise Community and the Homeless Assistance Grants programs, which are Community Planning and Development programs, are not supported by the IDIS or the Grants Management Process system. Consequently, HUD's performance plan does not fully describe how it will verify and validate measured values.

Finally, for some of the goals, HUD has yet to determine what information to use to measure whether they have been achieved; thus, it cannot describe verification and validation procedures. For example, the strategic objective to increase the availability of affordable housing includes a goal to increase the amount of HOME rental housing that remains affordable to low-income families during the "affordability" period required by the program. The two indicators for that goal are to establish a baseline and establish baseline goals for fiscal year 2000. A comment listed with that goal indicates that the data may come from a survey contracted for by HUD; however, there is no discussion of how HUD will ensure the reliability of the performance data.

HUD's annual performance plan could be more useful by explicitly stating the sources of performance data and the steps to verify and validate all the data that will be used to measure HUD's performance. In addition, HUD's plan could have noted which indicators had been verified through audits of HUD's financial

statements. For example, increasing the net recovery on real estate sales and selling 95 percent of the available single-family properties—two indicators for the goal of reducing FHA's cost of providing mortgage insurance—are currently verified through the financial statement audits. Other indicators are, or could be, verified through similar audits.

Recognizing Data Limitations

In its annual performance plan, HUD acknowledges that it needs to achieve better systems integration and that its systems do not comply with the Federal Managers' Financial Integrity Act. In regard to HUD's systems, the plan states that HUD (1) wants to complete phase I of the integration of the Federal Financial Systems software by October 1, 1998; (2) has begun a data cleanup project; and (3) has reduced the number of systems not in compliance with the Federal Managers' Financial Integrity Act from 85 to 38 systems.⁶ However, the plan generally does not discuss data limitations or the impact that systems' problems might have on developing accurate data for measuring performance, with the exception of a few statements regarding the housing data. The performance plan does not identify external data sources, as required by OMB.

For example, in the section discussing Public and Indian Housing's verification and validation efforts, the annual performance plan states that the Multifamily Tenant Characteristics System provides "valuable information" to Public and Indian Housing and other entities and also states that Public and Indian Housing has not experienced problems with the current systems. However, in another part of the annual performance plan, one of the proposed indicators for the Section 8 Financial Management Center is to achieve and maintain a 90-percent reporting level for tenant data in the Multifamily Tenant Characteristics System. Thus, while acknowledging that data in that system may be incomplete, HUD does not explain how it will mitigate the impact of incomplete data on its ability to measure performance and does not describe any limitations on using the data.

After HUD submitted its annual performance plan to the Congress, an audit report by HUD's Office of Inspector General cited, as a material weakness, the failure of some of FHA's automated systems to provide needed management

⁶Thirty-one systems were reclassified from nonconforming to conforming; 14 systems were discontinued and dropped from the list; 7 systems were designated as nonfinancial and dropped from the list; and 5 systems were added to the list.

information or to produce reliable information.⁷ Also, in its March 20, 1998, report on HUD's consolidated financial statements, the Office of Inspector General noted that 21 of the 31 systems that HUD reclassified as complying with the Federal Managers' Financial Integrity Act did not have detailed assessments and justifications available, as required by HUD's Chief Financial Officer.⁸ This report also stated that the incomplete reporting of data by housing authorities had continued and that the five HUD field offices visited had not implemented procedures to determine the accuracy of data in the Multifamily Tenant Characteristics System. The report noted that, at the five field offices visited, more than 100 housing authorities were not in compliance with the requirement to transmit Section 8 tenant data for the Multifamily Tenant Characteristics System and that, in some cases, 50 percent or more of the tenant data forms were not in the system.

According to OMB, when data are drawn from sources outside an agency, such sources should be identified in the plan. HUD's performance plan does not indicate whether performance data will come from external sources, although, in some cases, the indicators appear to require data from external sources. For example, the indicator "Increase the percent of Section 8 families with children living in low poverty census tracts" would seem to have to rely on census data as well as HUD's data.

HUD could improve its annual performance plan by explaining the impact of data limitations on its ability to measure performance and by clearly identifying external sources for data.

AGENCY COMMENTS

We provided HUD with a draft of this report for review and comment. In its comments (see enc. I), HUD noted the close relationship between its strategic plan and its annual performance plan. HUD stated that the strategic planning process is an evolutionary process and that some of the issues we raised would be addressed in the next iteration of the performance plan. HUD stated that the Department made a conscious choice to focus on "doing a good job of

⁷Federal Housing Administration Audit of Fiscal Year 1997 Financial Statements, prepared by KPMG Peat Marwick LLP for the Office of Inspector General (98-FO-131-0003, Mar. 9, 1998).

⁸U.S. Department of Housing and Urban Development Audit of Fiscal Year 1997 Financial Statements, Office of Audit, Office of Inspector General (98-FO-177-0004, Mar. 20, 1998).

developing indicators for the major programs, rather than developing some type of indicator for each program." According to HUD, the next iteration of the performance plan will include (1) additional indicators; (2) discussions regarding management reform's contribution to the stated objectives; and (3) a restructuring of the relationship among some indicators, goals, and strategic objectives. In addition, HUD acknowledged that it is not yet ready to set goals and indicators related to its crosscutting activities under the strategic objective to promote equal housing opportunity and stated that it is taking actions that will allow it to establish these goals and indicators in the future. In its comments, HUD provided additional information regarding the performance indicators. Specifically, HUD said that all of the fiscal year 1999 indicators will be measurable in terms of success or failure and will be covered in its subsequent performance report. They added that the indicators that rely on baseline data will be defined by the end of fiscal year 1998. We recognize that HUD may be able to measure those performance goals and measures included in the performance plan and acknowledge that the strategic planning process is an iterative one in which the goals and indicators may change in subsequent revisions of the performance plan. However, we did not change the summary of our analysis because, at this time, HUD's fiscal year 1999 performance plan includes indicators that are not yet fully defined, as described in this report.

In commenting on our statement that its annual performance plan does not adequately describe the strategies to achieve its performance goals, HUD stated that this plan is to be used in conjunction with its strategic plan and that the strategies were discussed in far greater detail in the strategic plan. While both the strategic and annual performance plans discuss many of HUD's management reform activities and programs, they do not consistently describe how HUD will achieve its performance goals and, consequently, its strategic objectives. For example, under the strategic objective to increase the availability of affordable housing, HUD includes a performance goal to raise the average public housing management assessment score. The strategies section in the annual performance plan does not discuss the strategies that HUD will use to cause these scores to increase, but the management reform discussion mentions that HUD is revising the assessment program. In the strategic plan, HUD states that it will aggressively intervene to improve troubled housing, but HUD does not explain how and does not mention the Public Housing Management Assessment Program as a tool to improve public housing. Consequently, we did not revise this portion of our analysis.

Finally, after referring to our discussion of Public and Indian Housing's verification and validation efforts, HUD stated that we have not reviewed the "Performance Measures Indicators" reports that were mentioned in its

performance plan. HUD also stated that the plan "clearly discusses that PIH [Public and Indian Housing] will rely, at this time, upon information found in the existing Integrated Business System" and that a referenced contract would be used to assist the verification and validation process. While we agree that we did not review those reports, our point, which remains unchanged, is that the discussion provided in the plan lacks details concerning the verification and validation of performance information for several parts of HUD—not just Public and Indian Housing—and does not clearly link the information that was provided to specific indicators.

OBJECTIVES, SCOPE, AND METHODOLOGY

To determine whether HUD's annual performance plan included the components required by the Results Act, we used the act itself. To assess the overall quality of the plan and its components, we used OMB's guidance on developing the plan (Circular A-11, part 2) and our guide for congressional review of the plans.⁹ To determine whether the plan covered all of HUD's program activities, we reviewed HUD's fiscal year 1999 budget justification and the President's Budget Appendix for fiscal year 1999. Because the performance plan referred to HUD's management reform activities, we also reviewed the relevant parts of the 2020 Management Reform plan. In reviewing the information presented in HUD's 1999 performance plan, we relied on our general knowledge of the Department's operations and programs, our reviews of the Department, and other information available at the time of our assessment. To obtain clarification on HUD's verification and validation efforts, we spoke with officials from HUD's Office of the Chief Financial Officer and Office of Policy Development and Research. We conducted our work in March and April 1998 in accordance with generally accepted government auditing standards.

We are sending copies of this report to the appropriate congressional committees; the Secretary of Housing and Urban Development; and the Director, Office of Management and Budget. We will make copies available to others on request.

⁹Agencies' Annual Performance Plans Under the Results Act: An Assessment Guide to Facilitate Congressional Decisionmaking (GGD/AIMD 10.1.18, Feb. 1998).

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Major contributors to this report were Jean Brady, Laura Castro, J. Davis, Helen Desaulniers, David Gill, Larry Goldsmith, John McGrail, Stan Ritchick, and Nancy Simmons. If you or your staffs have any questions concerning this report, please call me on (202) 512-7631.

Sincerely yours,



Judy A. England-Joseph
Director, Housing and Community
Development Issues

Enclosure

COMMENTS FROM THE DEPARTMENT
OF HOUSING AND URBAN DEVELOPMENT



U. S. Department of Housing and Urban Development
Washington, D.C. 20410-0100

APR 30 1998

OFFICE OF THE CHIEF FINANCIAL OFFICER

Ms. Judy England-Joseph
Director, Housing and Community
Development Issues
U. S. General Accounting Office
441 G Street, NW, Room 2T23
Washington, DC 20548

Dear Ms. England-Joseph:

The Department of Housing and Urban Development has the following comments and observations regarding GAO's April 14 draft of its observations on HUD's Annual Performance Plan for Fiscal Year (FY) 1999. The following suggested revisions are provided for your consideration:

- Pages 2-3, comments regarding expected performance.

Response: The strategic planning process is an evolutionary process. In beginning this process, the Department made a conscious choice to focus on doing a good job of developing indicators for the major programs, rather than developing some type of indicator for each program. In the next iteration, we will reflect the contributions of the smaller programs to the appropriate objective.

- Page 5, comments on Resource Allocation Table.

Response: See response above as to reflecting the contributions of these programs to the stated objectives. The Resource and Allocation Table will also reflect this information in the next iteration.

- Page 5, last paragraph regarding management reforms.

Response: The section on management reform, including performance indicators, was added at the direct request of the Office of Management and Budget (OMB). These efforts are designed to make HUD's operations more efficient and effective. For FY 1998 and FY 1999, they will remain separate within the plan so that HUD can monitor the success of the programs in their impact on operations. The next iteration of the plan, however, will contain discussions regarding their potential contribution to the stated objectives.

- Page 2, comments regarding the individual measures.

Response: There are actually 64 performance indicators. Five of them are FY 1998 indicators. They are in the FY 1999 plan to show the developmental steps needed to achieve the stated goal, and have the notation "NA" in the FY 1999 column because they will have been finished in FY 1998.

All 59 of the FY 1999 indicators will be quantifiable in terms of success or failure. Of the 59, 42 (71 percent) have numerical goals (includes the three with Lead Based Paint) and 10 have indicators based on the baseline data which will be available at the end of FY 1998. All of the FY 1999 indicators are measurable and will be reported on in the performance report.

The 10 indicators which need baseline development were agreed to with OMB with the understanding that we would need to develop accurate, reliable baseline data. Strategic planning is an ongoing process, and steps such as development of accurate baseline data is critical to its success.

- Page 3, second paragraph: "The plan does not explain how the average score will increase by 11.5 points within a single Fiscal Year."

Response: This was a typographical error. The actual percentage increase, as shown in the Departmental Strategic Plan, is 88.5 percent. This will be corrected in the next iteration of the plan.

- Page 4: "It is not clear how improving the quality of life for a public housing resident will increase the availability of affordable housing. Furthermore, the performance indicators under this goal include demolishing public housing units and increasing the percent of project-based section 8 units in standard physical and financial condition. HUD does not make it clear how either of these indicators will improve the quality of life for a public housing resident. It also is not clear how demolishing units will increase the availability of affordable housing since the target number of replacement units may be less than the total number of demolished units."

Response: There is not a link between the demolition of public housing units and increasing the percentage of project-based Section 8 units. It just happens that the project-based information appears under this specific performance goal.

With respect to other parts of the GAO comment, it would appear that the information cited in its example needs to simply be restructured. That is, Public and Indian Housing (PIH) maintains that through the demolition of obsolete and uninhabitable units, the quality of life for residents within a given public housing development would be enhanced (e.g., elimination of units subject to vandalism; safety and security issues). In addition, since most of the units targeted for demolition are deemed non-viable, new or replacement units would be brought on-line, making units currently unavailable now available for families in need.

- Pages 4 and 5: "A program that could help achieve this goal--the Drug Elimination Program--is not represented in any of the goals or indicators in HUD's performance plan.

Response: The Drug Elimination Program, while not a separate indicator, is addressed as part of the Public Housing Management Assessment under Indicator Number 8. Improvement of PHMAP scores is one of the PIH performance measures (see page 40 of the Annual Performance Plan).

- Pages 6-7: GAO comments regarding cross-cutting efforts, generally.

Response: These comments are very helpful and HUD will address projected specific contributions to the cross-cutting efforts in the next iteration of the plan. However, as to setting specific measures, see below.

Pages 6-7: Under the strategic objective to promote equal housing opportunity, HUD states that promoting greater housing choice with other departments and agencies is key to the success or failure of HUD's entire strategic plan. However, HUD does not define those other agencies or develop specific goals and indicators for the cross-cutting activity.

Response: While HUD views equal housing opportunity as key to many other strategic goals and is working regularly with a number of other Federal agencies and departments toward that end, the Department is not yet ready to set goals and indicators in that area for FY 1999.

HUD meets on a monthly basis with all the federal financial regulators and the Department of Justice seeking a common understanding about what constitutes discrimination under federal fair lending laws and how complaints are to be processed.

HUD has recently signed a Memorandum of Understanding (MOU) with the Department of Agriculture that will greatly facilitate and improve the handling of fair housing complaints from rural areas and is presently working on a similar MOU with the Environmental Protection Agency dealing with environmental justice issues related to housing. Other such MOUs are planned for the Veterans Administration and the Department of Defense (DoD).

HUD is working with three of the 16 cities participating in the Regional Opportunity Counseling (ROC) demonstration to complete analyses of impediments to housing mobility and choice in and among federal housing and urban development-related programs. In its capacity as chair of the President's Fair Housing Council, HUD plans to convene meetings of the other domestic cabinet departments and DoD to work with those communities to identify impediments and work to remove them.

These interdepartmental actions, combined with stepped up enforcement of Title VIII, places the Department in a position to establish much more realistic goals and indicators for achieving greater mobility and housing choice for protected classes.

- Page 7: "For example, as we noted earlier, HUD talks about improving the Public Housing Management Assessment Program system, but does not explain its strategy for raising the average scores by over 11 percent in a single Fiscal Year."

Response: Also raised on page 3 (second paragraph) of the draft. See comment above.

- Pages 7-8: GAO comments regarding connecting strategies to results.

Response: HUD views the Annual Performance Plan as a document to be used in conjunction with the Departmental Strategic Plan. The two documents are intended for use together, not as free-standing pieces. The strategies were discussed in far greater detail in the Strategic Plan, and the Department does not see any advantage to repeating the information in the Annual Performance Plan.

- Pages 8-9: Comments regarding connecting resources to strategies.

Response: The Department recognizes the validity of this observation and is currently working with NAPA to address this issue.

- Page 11: "In the Public and Indian Housing discussion, HUD states that, subject to funding, it plans to use an existing indefinite quantity contract to implement the verification and validation process. However, the plan does not describe the procedures that will be used or explain which data, systems, or indicators would be covered under the contract. The discussion also describes efforts to develop a Section 8 tenant-based assistance program area. However, it is not clear how this information would relate to specific performance indicators or how HUD would verify or validate the information."

Response: GAO has not reviewed the "Performance Measures Indicators" reports mentioned in the plan (see page 12). This section clearly discusses that PIH will rely, at this time, upon information found in the existing Integrated Business System (IBS). In addition, our plan does state that the referenced PD&R contract would be used to assist in the refinement and development of the validation/verification process and in the development of future performance measures.

- Pages 11-12: Comments regarding validation and verification.

Response: As indicated above, strategic planning is an evolutionary process at HUD; and we will continue to address these issues in the coming year. However, GAO's suggestion on page 12 regarding noting indicators that are verified through financial statement audits is an excellent idea and HUD will do so in the next iteration.

- Pages 12-14: Comments regarding recognizing data limitations.

Response: The Department has initiated a task to clean up its critical program and financial data. This task is a multi-year effort to improve the timeliness, accuracy, and reliability of HUD's financial and program information. The scope of this task, beginning in FY 1998, is focused on the critical financial data identified by the Office of the Chief Financial Officer, as well as the critical data required by HUD's Community 2020 system. The Community 2020 system provides HUD's management and the public with information on the Department's budget and expenditures, using mapping software to graphically illustrate the geographic location of HUD's assistance. This data cleanup effort is a multi-year activity with cleanup continuing into FY 1999. Additional data elements will be "cleansed" based upon Departmental priorities.

HUD has developed a standard approach for cleaning these critical elements. This approach includes assessing the quality of the data and how it will be used by the Department in managing the programs. Critical data elements will be cleaned in accordance with this standard approach. Once the data has been cleaned by the system owner, the Department will conduct an independent review of the data quality to ensure that it is consistent with the intended use. In addition to cleaning the data, the Department will develop and implement controls and procedures to maintain data cleanliness.

HUD is also standardizing its data elements. Financial data will be standardized in accordance with the requirements of the Department's consolidated financial system, HUDCAPS. With HUDCAPS replacing existing legacy financial systems, all financial data will be maintained in a standard format. The Department is developing a data standards document which will contain key information regarding each element. This is an ongoing effort which will begin in FY 1998 and continue in 1999.

- Pages 13 and 14: Comments regarding Multifamily Tenant Characteristics System.

Response: This matter is being discussed by others from both GAO and HUD.

We appreciate the opportunity to provide comments to these draft observations.

Sincerely,



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Chief Financial Office

(385733)





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