

President's Management Agenda Results Report for HUD July 2004

I. Introduction

For nearly two decades, the Government Accountability Office (GAO) and HUD Office of Inspector General have been reporting that HUD faced significant challenges in management of its human resources, acquired services, and financial and information systems. As a result of these weaknesses:

- Many subsidized landlords were being paid for substandard housing.
- An estimated \$2 billion in HUD rental assistance was overpaid due to program administrator errors and unreported tenant income.
- Predatory lending practices were increasing and adversely impacting the FHA fund and the citizens it serves.
- Bureaucratic processes were hindering, rather than supporting, the timely and effective use of available funds to meet the many needs of our communities.

These challenges hindered the Department's ability to meet key management objectives:

1. Rental assistance payments provide quality housing to eligible households in the proper amounts.
2. Adequate internal controls are provided for the Federal Housing Administration's (FHA) mortgage insurance programs to increase homeownership, protect the financial health of the FHA fund, and prevent fraud, waste and abuse in the programs.
3. Community development grant program resources are properly used to meet community needs.

Addressing these and other program performance problems was complicated by the fact that HUD experienced a nearly 30 percent reduction in staffing during the decade of the 1990s, at a time when it also experienced growth in the number and size of its programs. While the situation called for strong management processes to effectively use HUD's remaining administrative resources, HUD's systemic management processes were lacking or otherwise poorly functioning.

HUD's focus on the President's Management Agenda (PMA) and achieving results has turned this around.

The PMA was established in fiscal year (FY) 2001 to improve Federal agency "results" through five government-wide and nine program specific initiatives. HUD participates in the five government-wide and two program specific initiatives:

1. Strategic Management of Human Capital.
2. Competitive Sourcing.
3. Improved Financial Performance.
4. Expanded Electronic Government.
5. Budget and Performance Integration.
6. HUD Management and Performance:
 - a. Improving Housing Quality and Intermediary Performance.
 - b. Reducing Overpaid Rental Assistance.
 - c. Mitigating FHA Risk.
 - d. Improving the Consolidated Community Planning Process.
 - e. Strengthening Acquisitions Management Information.
7. Faith-based and Community Initiative.

II. What Significant “Results” Has HUD Achieved Under the PMA To Date?

HUD’s success in improving results through the President’s Management Agenda is already evident in the following examples of significant accomplishments in each of HUD’s three largest program areas:

1. Rental Housing Assistance

To date, HUD exceeded interim goals for reducing erroneous rental assistance payments and surpassed initial goals for improving the quality of public and assisted housing. In FY 2003, over \$24 billion was expended to house more than 4.8 million households through HUD’s various public housing, tenant-based assistance and project-based assistance programs, which are administered locally by over 4,500 Public Housing Agencies and 22,000 private housing owners. HUD set and communicated clear goals and tasks for error reduction and housing quality improvements and worked collaboratively with the housing industry and local housing program administrators to accomplish initial goals, as follows:

Erroneous Payment Reduction – An error measurement study conducted by HUD in FY 2000 found that 60 percent of all subsidy calculations had some type of error contributing to an estimated \$1.0 billion in net erroneous subsidy overpayments. In addition, through computer matching activities with the Internal Revenue Service, HUD found an additional \$1.0 billion in subsidy overpayments due to tenant unreported income.

The PMA set a goal for a 50 percent reduction in both the incidence of error and the corresponding erroneous payments by the end of FY 2005, with interim reduction goals of 15 percent for FY 2003 and 30 percent for FY 2004. HUD established the Rental Housing Integrity Improvement Project (RHIP) in FY 2001 to analyze the underlying causes of all types of payment error in HUD’s various rental assistance programs – including errors in program administrator subsidy calculations as well as erroneous payments due to tenant

underreporting of income – and to establish and carryout comprehensive strategies and plans to reduce those errors to reasonable levels.

HUD completed actions to improve program guidance and training for both program administrators and HUD monitoring staff, and to better target HUD’s limited monitoring and technical assistance resources on this issue. For example, the Office of Public and Indian Housing (PIH) placed a priority emphasis on completing a “Rental Integrity Monitoring” (RIM) review initiative that provided comprehensive on-site compliance reviews at the 480 largest PHAs that receive 80 percent of PIH’s rental assistance funding. The objective of the RIM reviews is to identify and correct processing deficiencies that contribute to erroneous payments. As an incentive for proper future processing, PIH also published a sanctions notice that provides for the recovery of erroneous subsidies attributed to PHA errors from the PHA and imposes penalties for the failure to implement corrective actions. The Office of Multifamily Housing has improved oversight of its rental assistance programs through increased use of Performance-Based Contract Administrators for its project-based assistance contracts in the Section 8 Program.

An updated error measurement study conducted in FY 2003 found a 63.5 percent reduction in the \$1.0 billion of estimated net erroneous subsidy overpayments attributed to program administrator errors in subsidy calculations.

On August 16, 2004, HUD will begin the nationwide implementation of the Up-Front Income Verification (UIV) system to address the approximately \$1.0 billion in subsidy overpayments due to tenant unreported income. The UIV system, scheduled to be rolled out in 20 states by September 30, 2004, is expected to have a substantial impact in the reduction of this type of error. HUD’s efforts are continuing to further reduce these administrative errors to reach the 2005 goal of reducing processing errors by 50 percent, from a 60 percent error rate to a 30 percent error rate.

Housing Quality Improvements – While HUD had made great strides in establishing a physical inspection program to better assure that HUD-funded housing units are in projects that meet acceptable housing quality standards, the baseline inspections reported in FY 2000 showed that only 70 percent of public housing units and 85 percent of assisted multifamily housing units were in projects that met HUD’s physical condition standards. Under the PMA, goals were set to respectively increase those percentages to 84 percent for public housing and 92 percent for multifamily housing by the end of FY 2005. Through enhanced monitoring, assistance and enforcement actions, HUD and its housing partners exceeded these goals in FY 2002 by increasing the percentage of units in projects meeting physical condition standards to 87.1 percent for public housing and 93.2 percent for multifamily housing. HUD also has improved its related processes for the identification of exigent health and safety defects at HUD-funded housing projects, and is showing a favorable downward trend in the occurrence of such defects.

2. **FHA Single Family Housing Mortgage Insurance**

The Federal Housing Administration’s (FHA) Single Family Mortgage Insurance Programs exist to enable millions of first-time, minority, low-income elderly and other underserved

households to realize the dream and benefits of homeownership, but the populations served by FHA are particularly vulnerable to predatory lending practices that are harmful to those homebuyers and the self-sustaining FHA fund. HUD has taken a number of actions to reduce risks to homebuyers and the FHA fund, including the following:

- Doubled funding for “housing counseling” from \$20 million to \$40 million over the past three years, with further increases proposed for FY 2005, as an informed consumer is the best frontline protection against predatory lending.
- Banned the predatory lending practice of “property flipping” in FHA programs and established an automated systems control to preclude the practice on FHA insured loans.
- Issued a new “Appraiser Qualifications Rule” to establish stronger professional credentials for FHA-approved appraisers who play a key role in validating the values of FHA insured mortgages.
- Established a new “Appraiser Watch” process, wherein appraisers with poor performance records are automatically targeted for monitoring and disqualification from program participation if they have violated FHA standards.
- Established a new automated underwriting system, the Technology Open To Approved Lenders (TOTAL) Scorecard, and made it available to all lenders to increase lender efficiency and decrease losses to the FHA fund through more consistent, objective evaluations of the credit worthiness of borrowers, and better integration of the automated underwriting systems usage with FHA’s existing processes and workflow.
- Improved the risk-based targeting of FHA’s compliance monitoring of lenders and established a measure of the effectiveness of that monitoring. Based on monitoring reviews over the past three years, HUD’s Mortgagee Review Board took action against 137 lenders, withdrawing 36 from the program and assessing \$9.59 million in civil monetary penalties. Also, 8,980 indemnification agreements were executed on improperly insured loans for a total potential savings of \$209 million. In addition, HUD made over 1,100 referrals to the Inspector General for further investigation, and debarred 407 individuals and entities from participating in FHA’s Single Family programs.

3. **Community Development Grant Programs**

Formula grantees, states and units of local government, participating in Community Development Block Grants (CDBG), HOME, Emergency Shelter, and Housing Opportunities for Persons with AIDS grant programs are required to develop Consolidated Plans to guide their use of billions of dollars of annual funding. The PMA identified this planning process as a process to be streamlined and made more results oriented. Under the Consolidated Plan Improvement Initiative, HUD has worked closely with grantees, program stakeholders, and public interest groups to develop techniques for streamlining the Consolidated Plan process and making it useful to communities in assessing their own progress toward addressing their identified problems.

As part of the improvement initiative, three states, ten counties, and eleven cities were selected to carry out eight pilots designed to test ideas developed by six stakeholder working groups. The results of those pilot efforts have been used to improve guidance and tools in support of FY 2005 Consolidated Plan submissions. The guidance, tools and lessons learned from the pilots have been published on the HUD Consolidated Plan website. Of particular interest is the Consolidated Plan Management Process tool, a computer-based tool using Excel and Word that helps grantees prepare the strategic plan, each annual plan for up to five years, and the Consolidated Annual Performance and Evaluation Report (CAPER) for each of those years. This tool was developed entirely by CPD field staff with grantee input and is an outstanding example of innovative and creative thinking. HUD is also pursuing seven regulatory and two statutory changes to further streamline the process.

In the CDBG program, “use it or lose it” incentives established by HUD in 2001 resulted in a 76 percent reduction in the number of grantees failing to meet a timeliness standard of no more than 1.5 times the value of the most recent grant remaining in their line of credit 60 days before the next subsequent grant. Further incentives provided by HUD will bring all grantees into compliance with this timeliness standard in FY 2004.

III. How is HUD Using the PMA to Manage for Results?

The PMA provides a sound approach for addressing HUD’s high-risk program areas, material internal control weakness issues and major management challenges. To assure the PMA produces desired results and is not viewed as another passing management fad, the following structure was established to ingrain the PMA into HUD’s management environment:

- Each of the 5 government-wide and 2 HUD-specific PMA initiatives has specific goals and scoring criteria established by OMB (see Appendix A).
- PMA goals and activities have been ingrained in HUD’s on-going performance management process through their incorporation in the Department’s long-range Strategic Plan, Annual Performance Plan and Management Plan.
- The Deputy Secretary oversees and supports the PMA through coverage of PMA plans and progress at a monthly Executive Management Meeting (EMM) with HUD’s Assistant Secretaries and other Principal Staff.
- HUD has assigned PMA Initiative Owners at the Assistant Secretary or equivalent level, with responsibility for planning and coordinating necessary actions to achieve the goals of each initiative.
- An annual PMA plan of actions and milestones is developed to establish where HUD thinks it would be “Proud-To-Be” on PMA goals at the end of the annual period, with refinement of planned actions and milestones each quarter.
- OMB provides quarterly scorecards that assess where agencies are against the overall goals of each initiative (goal scores), as well as the progress made in carrying-out actions planned towards that goal each quarter (progress scores).

- HUD has a Management Meeting with OMB each month to discuss PMA progress, plans and scores.
- The Deputy Secretary has designated a Special Assistant to conduct weekly meetings with HUD's PMA Initiative Owners to discuss plans and actions needed to sustain progress and achieve results on the PMA.
- Progress on PMA actions and attainment of PMA goals are critical factors in HUD's performance evaluation and awards processes for managers, supervisors and staff.
- Communication of information on PMA goals, criteria, plans, progress and accomplishments are shared with HUD staff, affected program industry participants, and the public through a variety of means, including print media, satellite broadcasts, and the Internet web site.

IV. How is the PMA Improving HUD's Management Infrastructure to Increase Results?

To date, HUD has made or initiated needed improvements to its management infrastructure with corresponding results in each of the seven PMA initiatives, as follows:

1. Strategic Human Capital Management

The Department lacked the human capital management processes to strategically plan and fulfill the staffing and skills needed to sustain mission critical functions in the near-term and long-term. With a large percentage of its workforce nearing retirement eligibility, HUD needs to quickly improve its human capital management to avoid a potential "brain drain." Under the PMA, HUD has made the following human capital management infrastructure improvements and demonstrated the following results to date:

- Appointed an "Executive Steering Committee" and developed a "5-Year Strategic Human Capital Management Plan and Implementation Plan" to guide the development, implementation and use of effective human capital management processes to meet HUD's future workforce needs.
- Completed development and implementation of a new staffing resource estimation, allocation and verification system -- REAP/TEAM -- and used data to allocate existing staff and develop staffing plans for the fiscal year 2004, 2005 and 2006 cycles.
- Revitalized Intern Programs and recruitment efforts to bring much needed new talent to the Department, with an initial hiring of 268 interns, of which 257 or over 95 percent were trained and retained as of the end of FY 2003, with plans for more intern hiring.

- Formed the HUD Training Academy Board of Governors and addressed critical staff development and training needs on a budget, through activities that included:
 - Enhancing the HUD Virtual University.
 - Increasing Supervisory and Management Training and Development Programs.
 - The “Supervisory Survival Seminar” was completed by 440 managers and supervisors.
 - Increasing in-house knowledge transfer through the “HUD Mentoring” Program, which provides an opportunity for mentors to share experiences, insights, professional wisdom and guidance to mentees, and the “Operation Brain Trust” Program, which is designed to capture the critical knowledge of experienced HUD professionals before they retire and deliver that knowledge to new or less experienced employees.
 - “HUD Mentoring” includes 85 mentors and 100 mentees.
 - “Operation Brain Trust” trained 497 participants.
- Established a workforce analysis and planning process to identify and address staffing skill gaps and support effective succession planning, and applied the process to begin to address staffing and skill gaps in each of HUD’s four major program organizations -- Housing/FHA, PIH, CPD and FHEO.
 - The CPD and PIH workforce plans are completed and PIH is filling vacancies to address competency/skill gaps.
- Established web-based systems tools to better manage HUD’s authorized full-time equivalent (FTE) staffing levels and provided training on FTE management to prepare HUD program organizations to manage their own FTE within authorized limits.
- Aligned employee performance plans with HUD’s Strategic Plan goals to hold staff accountable for desired results.
- Developed a new Human Capital Accountability System Plan and successfully implemented the third release of our HUD Integrated HR Tracking System (HIHRTS) development project, which includes personnel action processing for retirement actions, departmental organizational codes, and personal emergency contact information functionalities. These efforts will strengthen and improve HUD’s future management of its human capital.
- Enhanced recruitment and retention tools by establishing a Student Loan Repayment Program, piloting a 6-month “6 a.m. start time,” and establishing a New Employee Orientation Program.

2. **Competitive Sourcing**

In the decade of the 1990s, HUD experienced a 30 percent reduction in staffing during a period of program growth, leading to increased reliance on outsourced services without the benefit of public-private competitions to determine if outsourcing was more cost-efficient

and effective than in-house performance of many HUD program and administrative functions. In the spring of 2001, HUD had no capacity to conduct public-private competitions as a means of improving performance and realizing cost-efficiency savings under OMB Circular No. A-76. Under the PMA to date, HUD has:

- Hired several competitive sourcing staff to begin developing capacity to support competitive sourcing efforts, and contracted with 5 qualified small business vendors that can provide necessary advisory and assistance services for the performance work statement and most efficient organization/in-house bid phases of HUD competitions.
- Provided management briefings on the nature of the A-76 process and conducted outreach to solicit ideas on possible competition candidates, which resulted in identification of 22 initial suggestions for competitive sourcing.
- Analyzed the feasibility and potential benefits of the initial 22 suggestions for competitive sourcing, and targeted 4 areas for further consideration.
- Announced HUD's first competition, which is scheduled for completion by September 30, 2005, as a means to improve performance in the administration and monitoring of 4,000 rental assistance contracts that pay out an estimated \$2 billion a year under the Section 202, Section 811, Rent Supplement and Rental Assistance Programs.
- Integrated the consideration of competitive sourcing with HUD's workforce planning process, as a possible means of addressing existing or anticipated staffing and skill gaps in HUD's workforce.

HUD continues to aggressively consider the feasibility and potential benefits of possible future competitions, where competition might be used to realize cost-efficiencies and improve performance results, as mandated in HUD's competitive sourcing plan.

3. Improved Financial Performance

In the spring of 2001, it was a challenge for HUD to issue audited annual financial statements within 6 months after the end of the fiscal year, the annual audit disclosed 5 material weakness and 10 reportable condition issues, 17 of HUD's 48 financial systems were non-compliant with federal financial management systems requirements, and HUD's funds control policies and procedures were 20 years out of date with inadequate provisions for the handling of possible violations of the Antideficiency Act. Under the PMA, HUD has continuously improved its accounting discipline, processes and systems to demonstrate to the American taxpayer that the Department is properly managing the resources entrusted to it. HUD has:

- Received an unqualified audit opinion on its consolidated annual financial statements for four consecutive fiscal years.
- Eliminated 3 auditor reported material weakness issues and 4 reportable condition issues.

- Reduced the number of non-compliant financial management systems from 17 to 4, with implementation of a new FHA general ledger system and plans for full systems compliance by the end of 2006.
- Progressively accelerated the issuance of annual audited consolidated financial statements on March 29, 2001 for FY 2000, February 28, 2002 for FY 2001, January 31, 2003 for FY 2002, and December 19, 2003 for FY 2003.
- Produced quarterly consolidated financial statements within 21 days after the end of the quarter.
- Updated funds control policies and procedures, with an increased emphasis on funds control training for HUD staff, documentation and testing of funds control processes for all accounts and activities, and proper processing and action on possible violations of the Antideficiency Act.
- Reduced HUD travel card delinquencies to the lowest level in the Federal government, with improved controls over purchase card activity too.

4. **Expanded Electronic Government**

While HUD is heavily reliant on automated information systems to control and manage the large volume of program and financial activities of the Department, the Department lacks basic management processes to assure that HUD's information technology (IT) systems portfolio is properly planned, developed, maintained and secured to efficiently and effectively meet HUD's mission critical needs. HUD budgets an estimated \$300 million a year to support an IT systems portfolio comprised of 197 systems. While HUD recognizes that more work needs to be done to overcome delays associated with contract awards in support of IT, and with regard to its security program, under the PMA, HUD has made or initiated a number of improvements to the management of its IT portfolio, as evidenced by the following:

- Enterprise Architecture (EA) - The EA Practice is guiding HUD's short- and long-term investment decisions and defines HUD's IT Lifecycle Framework. HUD's EA is already paying dividends by revealing systems redundancies and performance gaps. As a result, HUD is eliminating redundant and obsolete systems. During FY 2004, HUD redirected tasks representing \$5,586,000 to be compliant with HUD's Single Family Mortgage Insurance and Rental Housing Assistance blueprints, as a result of identifying and halting redundant system development efforts. HUD's EA Program has completed the final blueprints (target architectures) for Rental Housing Assistance, Single Family Housing, and Enterprise Architecture Information Management.

- IT Capital Planning - In December 2003, HUD reached Level 3 on GAO's IT Investment Maturity Model. This achievement contributed to OMB finding all of HUD's FY 2005 business cases submitted in September 2003 to be acceptable. The FY 2006 IT Select process fully incorporated evaluation of: 1) the Target Enterprise Architecture; 2) IT Security; 3) cost and schedule; and, 4) Project Management, as prerequisites and key decision and success factors for IT investments.
- Project Management - Thirty-four out of HUD's 35 major IT systems projects are within 30 percent of their cost, schedule and performance objectives, and 89 percent of these projects are within 10 percent of the objectives. In December 2003, HUD completed the rollout of Microsoft Office Project 2002 and project managers are required to report project status information using MS Project. Additionally, each IT Project business case identified the qualifications and competency of the individual serving as Project Manager, as defined by OMB. HUD is taking steps to establish a central IT Project Management Office, which will provide system sponsors with central project management guidance and support.
- E-Government - HUD has improved business processes that directly support its mission and as a result, citizens and HUD business partners can easily transact on-line or obtain current information, including:
 - Searching for HUD homes on-line.
 - Determining eligibility/status for an FHA refund.
 - Locating local, privately-owned subsidized apartments.
 - Originating and servicing FHA loans.
 - Obtaining Income Limits and Section 8 Fair Market Rents information.
 - Submitting Fair Housing discrimination claims and obtaining housing and mortgage lending discrimination information.
 - Obtaining information for individual public housing agencies.
 - Identifying HUD approved lenders, appraisers, Housing Counselors.

HUD's E-Government Program focuses on delivering higher standards of performance that drive the development and implementation of new innovations, business processes, and professional skills. HUD's participation on the PMA E-Gov initiatives are providing the following results:

- *E-loans* - HUD's web-enabled Credit Alert Interactive Voice Response System (CAIVRS) is providing the centralized sharing of default data across agencies to improve risk management for federal credit programs.
- *Grants.gov* - Grants.gov makes it easier for local government entities, non-profits, and faith-based organizations to find and apply for HUD grants.
- *Online Rulemaking* - HUD staff can now quickly receive public comments electronically using EPA's eDockets system.

- *USA Services* - Citizen inquiries about HUD programs are responded to and handled more quickly and effectively.
- *GovBenefits* - GovBenefits now makes it easier for citizens to locate HUD's benefit programs.
- *HomeSales.gov* - HUD is leading this multi-agency E-Government project by partnering with Rural Housing Service and Department of Veterans Affairs to develop a web-based portal for the sale of government-owned single-family properties. The portal will be launched for public use during FY 2004.

5. Budget and Performance Integration

This initiative has heightened awareness of the need for clear, measurable program goals as a basis for making budget and resource decisions on performance results. To date, HUD has:

- Streamlined strategic goals and performance indicators 1) to better focus on the Department's core mission, and 2) to better align budgeted resources with those strategic goals.
- Continued to bridge Strategic and Annual Plan goals with HUD operations through an annual Management Plan process, which tracks the implementation of discrete plans of action and milestones needed to achieve HUD's Strategic goals, Mission, and the President's Management Agenda.
- Completed the application of the Program Assessment Rating Tool (PART) on 12 programs representing over 75 percent of HUD's budget, and embarked on improvement actions to strengthen performance and efficiency measures in specific areas where "results were not demonstrated" or ratings were low. (An example is provided in the following paragraph.)
- Initiated application of the PART to 7 additional program areas in conjunction with the FY 2006 budget formulation.

As an example of the impact of OMB's PART process, the HUD Community Development Block Grant PART assessment recommended "implementing a system that measures results and ensures accountability by working with stakeholders to develop local and national outcome measures." The current measures are not adequate to demonstrate the results of the program. The public nature of the PART rating, and the "ineffective" rating the program received, provided additional motivation for stakeholder and public interest groups to become proactive in developing solutions with HUD. HUD is currently engaged with program industry groups and outside experts to develop an "integrated outcome framework" that will provide measurable outcomes for four HUD formula programs. HUD is also working on a system that begins to measure changes in improvements in neighborhood quality of life indices based upon levels of CDBG investment.

6. **HUD Management and Performance**

The overall goal of this HUD-specific initiative is to address the high risk program areas and major management challenge issues identified by the GAO, that are not otherwise covered by other PMA initiatives. There are five sub-initiatives covered in this initiative, consisting of:

- a. Improving Housing Quality and Intermediary Performance.
- b. Reducing Overpaid Rental Assistance.
- c. Mitigating FHA Risk.
- d. Improving the Consolidated Community Planning Process.
- e. Strengthening Acquisitions Management Information.

The significant results of the first four sub-initiatives were already discussed in Section II of this report, and results to date in improving HUD's acquisitions management information follow:

Acquisitions Management

HUD acquires over \$1 billion in contracted services and goods each year, and the GAO has reported that HUD needs to improve its information systems support for more effective acquisitions management. Under the PMA, HUD has pursued an overall strategy to improve its acquisition management information, including actions to ensure that:

- 1) HUD's centralized contracting management information system contains reliable data on the number of active contracts, the expected cost of the contracts, and the types of goods and services acquired, and
- 2) HUD's financial management information systems provide complete and reliable obligation and expenditure information on HUD's contracting activities.

To date, HUD has:

- Upgraded the HUD Procurement System (HPS) with new data verification edits and initiated training for program staff on the use of HPS for contract management and oversight.
- Issued policies and procedures on the use of the National Institutes of Health's Contractor Performance System (CPS) and trained 117 HQ and Field contracting and program staff on the use of the system to strengthen HUD's contract administration.
- Developed contract obligation and expenditure reports for all contracts maintained in HUD Central Accounting and Program System (HUDCAPS) through the Financial Data Mart, with electronic dissemination of those reports to contract oversight staff and managers.

- Used performance-based contract techniques during FY 2004 that resulted in contracts totaling \$98.5 million, or 78.8 percent, of HUD's FY 2004 Annual Performance Plan goal of \$124 million. This will result in services that are more timely, cost-effective, and producing the desired results.
- HUD has implemented corrective actions addressing 5 of the 10 audit recommendations in the GAO Audit 03-281, *Acquisition Management, Agencies Can Improve Training on New Initiatives* to improve contract monitoring, improve acquisition skills, and to establish a top level commitment by establishing the HUD Acquisition Workforce Council (AWC).
- Established HUD's AWC comprised of senior officials in HUD's major program areas. The AWC will set annual training plans for contract oversight staff and ensure training meets federal requirements. In FY 2004, HUD set aside \$100,000 for training as part of HUD's Acquisition Career Management Program, with 33 acquisition professionals expected to receive 1,224 hours of training by the end of the fiscal year.

Other aspects of HUD's acquisitions management improvement strategy are being addressed through the human capital strategic implementation plan, which incorporates actions to enhance HUD's procurement staff capacity and improve guidance and training for HUD's acquisition workforce.

7. **Faith-based and Community Initiative**

The goals of this initiative include: identifying and eliminating barriers to equal treatment in federal funding processes for Faith-based and Community Organizations (FBCOs); increasing outreach and technical assistance to enhance opportunities for FBCO participation; targeting pilot program efforts where FBCOs stand to make a substantive contribution; and collecting data and evaluating FBCO participation and results.

HUD has been a leader in the Federal government on this initiative, with the following results to date:

- Established and trained a network of Faith-Based and Community Initiative Liaisons in HUD's 81 regional and field offices.
- Compiled an outreach list of approximately 8,000 FBCOs.
- Completed a data collection design.
- Issued a final rule that revises HUD regulations to remove barriers to the full participation of FBCOs in major grant programs.
- Conducted grant writing workshops for FBCOs.
- Initiated plans to increase FBCO participation in the HUD SuperNOFA (Notice of Funding Availability) and as sub-recipients of block grant programs.

- Presented the strategic goals and objectives of the President’s initiative at over 92 national, regional, and local conferences and workshops.
- Finalized the concept for the “Reaching the Dream” homeownership pilot, and completed actions such as conducting a 5-city technical assistance initiative to train FBCOs in homeownership counseling, and recruiting 598 FBCOs interested in becoming HUD-approved housing counseling agencies.
- Increased the number of competitively awarded grants to FBCOs in HUD’s last funding cycle from 659 to 765, an increase of 16 percent.

These and other efforts are continuing to further HUD’s mission through increased participation by Faith-Based and Community Organizations.

V. What are HUD’s Remaining PMA Goals and Plans to Attain Desired Results?




HUD has made significant progress in implementing the PMA, but much remains to be done to attain the high standards and goals of the PMA. Appendix A provides the PMA goals and scoring criteria for each of the seven initiatives applicable to HUD. Detailed information on the PMA Scorecard can be accessed at: <http://www.results.gov/agenda/scorecard>.

The PMA scoring criteria is structured to move agencies through a three-tiered -- red ●, yellow ●, green ● -- rating process, with “green” representing ultimate goal accomplishment.

HUD has moved from a “red” to a “yellow” goal score on both the Human Capital and Faith-based initiatives. While HUD’s overall goal score is still “red” on the other 5 initiatives, Appendix A indicates that HUD has fulfilled (represented by an “X”) most of the yellow and some of the green scoring criteria for those initiatives.

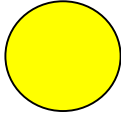
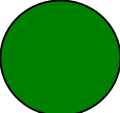
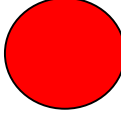
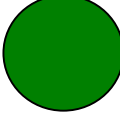
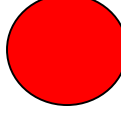
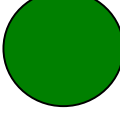
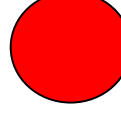
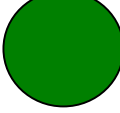
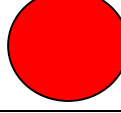
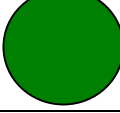
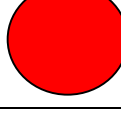
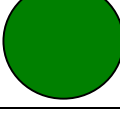
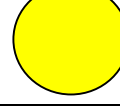
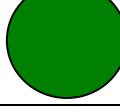
In addition to a goal score, OMB gives a “progress” score on each initiative at the end of every quarter, using the following criteria:

Definitions of OMB’s Progress Evaluation

- | | | |
|---------|---|---|
| Green: |  | Implementation is proceeding according to plans agreed upon with the agencies. |
| Yellow: |  | Slippage in implementation schedule, quality of deliverables, or other issues requiring adjustments by agency in order to achieve initiative on a timely basis. |
| Red: |  | Initiative in serious jeopardy. Unlikely to realize objectives without significant management intervention. |


The following chart shows HUD’s PMA scorecard results for the quarter ending June 30, 2004. This is the first time that HUD has received a “green” progress score on all seven initiatives.

**HUD Scoring Status On The
PRESIDENT'S MANAGEMENT AGENDA
June 30, 2004**

PMA Initiative Description	Goal Score	Progress Score
1. Strategic Management of Human Capital		
2. Competitive Sourcing		
3. Improved Financial Performance		
4. Expanded Electronic Government		
5. Budget and Performance Integration		
6. HUD Management and Performance		
7. Faith-based and Community Initiative		



PMA “Yellow” and “Green” Scoring Criteria

Human Capital

Yellow 	Green 
<p><u>X</u> Developed, documented and communicated throughout the agency a comprehensive Human Capital Plan that:</p> <ul style="list-style-type: none">• Clearly aligns with the agency’s mission, strategy and goals;• Fully addresses the Human Capital Standards for Success;• Incorporates metrics for each standard, including timelines for implementation; and• Designates accountable officials. <p><u>X</u> Analyzed and optimized existing organizational structures from a service delivery perspective, using redeployment and delayering as necessary.</p> <p><u>X</u> Implemented succession strategies, including structured executive development programs, to assure continuity of leadership.</p> <p><u>X</u> Implemented performance appraisal plans for SES and managers that link to agency mission, goals and outcomes, effectively differentiate between various levels of performance, and provide consequences based on performance.</p> <p><u>X</u> Implemented strategies to address under representation, particularly in mission-critical occupations and leadership ranks.</p> <p><u>X</u> Implemented a workforce planning system to identify and address gaps in mission critical occupations and competencies, and developed short- and long-term strategies and targeted investments in people to create a quality workplace that continues to attract and retain talent.</p> <p><u>X</u> Developed a planning and accountability system using metrics, including the Federal Human Capital Survey (FHCS) results, to evaluate performance on all of the Human Capital Standards.</p>	<p><u> </u> Implemented a comprehensive Human Capital Plan, analyzed the results, and integrated them into decision making processes to drive continuous improvement.</p> <p><u> </u> Analyzed and optimized existing organizational structures from service and cost perspectives, using redeployment and delayering as necessary and integrating competitive sourcing and E-Gov solutions; and have a process in place to address future changes in business needs.</p> <p><u> </u> Succession strategies, including structured executive development programs, result in a leadership talent pool available and continuously updated to achieve results.</p> <p><u>X</u> Performance appraisal plans for SES and managers that link to agency mission, goals and outcomes, effectively differentiate between various levels of performance, and provide consequences based on performance, are cascaded appropriately throughout more than 60% of the agency.</p> <p><u> </u> Reduced under representation, particularly in mission-critical occupations and leadership ranks; established processes to sustain diversity.</p> <p><u> </u> Significantly reduced skill gaps in mission critical occupations and competencies; integrated competitive sourcing and E-Gov solutions into gap reduction strategy.</p> <p><u> </u> Outcome measures are used to make Human Capital decisions, demonstrate results, make key program and budget decisions, and drive continuous improvement in the agency.</p>



PMA “Yellow” and “Green” Scoring Criteria

Competitive Sourcing

Yellow 	Green 
<p><input checked="" type="checkbox"/> Agency has completed the implementation of an OMB approved competition plan for 2002-2003.</p> <p><input checked="" type="checkbox"/> Agency has completed one standard competition or has publicly announced standard competitions that exceed approved competition plans for 2002-2003.</p> <p><input type="checkbox"/> Agency completes 75% of streamlined competitions in 90-day timeframe.</p> <p><input type="checkbox"/> Agency cancels less than 20% of publicly announced standard and streamlined competitions.</p> <p><input type="checkbox"/> Agency has initiated plans to consistently identify commercial and inherently governmental inventories throughout the agency.</p>	<p><input type="checkbox"/> Agency has initiated plans to complete competitions on 50% of federal government’s commercial activities (appropriate percentage and timing determined for each agency individually).</p> <p><input type="checkbox"/> Agency has completed at least 10 standard competitions since January ’01.</p> <p><input type="checkbox"/> Agency completes 90% of all standard competitions in 12-month timeframe since June ’03.</p> <p><input type="checkbox"/> Agency completes 95% of all streamlined competitions in 90-day timeframe since June ’03.</p> <p><input type="checkbox"/> Agency cancels less than 10% of publicly announced standard and streamlined competitions since June ’03.</p> <p><input type="checkbox"/> Agency consistently identifies commercial and inherently governmental activities.</p> <p><input checked="" type="checkbox"/> All commercial activities exempt from competition have OMB-approved justifications.</p>



PMA “Yellow” and “Green” Scoring Criteria

Improved Financial Performance

Yellow 	Green 
<p><input checked="" type="checkbox"/> Agency produces accurate financial information on demand. OR</p> <p><input type="checkbox"/> Agency routinely assesses performance and financial information which its managers use to make day-to-day decisions.</p> <p><u>AND</u></p> <p><input type="checkbox"/> Agency reports in its audited annual financial statements that its systems are in compliance with the Federal Financial Management Improvement Act.</p> <p><input checked="" type="checkbox"/> Agency has no Anti-Deficiency Act Violations.</p> <p><input type="checkbox"/> Agency has no repeat material auditor-reported internal control weaknesses; auditor expresses an opinion on the annual financial statements; agency meets financial reporting deadlines; agency has no material non-compliance with laws or regulations.</p> <p><input type="checkbox"/> Agency head provides an unqualified statement of assurance in its annual accountability report.</p>	<p><input checked="" type="checkbox"/> Agency receives an unqualified audit opinion on its annual financial statements.</p> <p><input checked="" type="checkbox"/> Agency meets financial statement reporting deadlines.</p> <p><input type="checkbox"/> Agency reports in its audited annual financial statements that its systems are in compliance with the Federal Financial Management Improvement Act.</p> <p><input checked="" type="checkbox"/> Agency produces accurate financial information on demand.</p> <p><input type="checkbox"/> Agency routinely assesses performance and financial information which its managers use to make day-to-day decisions.</p> <p><input checked="" type="checkbox"/> Agency has no Anti-Deficiency Act Violations.</p> <p><input type="checkbox"/> Agency has no material auditor-reported internal control weaknesses.</p> <p><input type="checkbox"/> Agency has no material non-compliance with laws or regulations; agency head provides an unqualified statement of assurance in its annual accountability report.</p>



PMA “Yellow” and “Green” Scoring Criteria

Expanded Electronic Government

Yellow 	Green 
<p><input checked="" type="checkbox"/> More than 50% of major systems investments have an acceptable business case.</p> <p><input type="checkbox"/> Security Reports to OMB document consistent security improvement and either:</p> <ul style="list-style-type: none">• 80% of operational major IT systems are properly secured. <u>OR</u>• Inspector General verifies that there is a Department-wide IT Security <u>Plan of Action and Milestone</u> remediation Process. <p><input checked="" type="checkbox"/> For all major IT projects, cost and schedule overruns average less than 30% and performance shortfalls average less than 30%.</p> <p><input checked="" type="checkbox"/> Agency contributes to, and participates in, 2 of the 4 categories of E-Gov initiatives rather than creating redundant, or agency unique, IT projects.</p>	<p><input type="checkbox"/> The agency has a Modernization Blueprint that focuses IT investments on important agency functions and defines how those functions will be measurably improved.</p> <p><input type="checkbox"/> All major systems investments have an acceptable business case (security, measures of success linked to the Modernization Blueprint, program management, risk management, and cost, schedule, & performance goals).</p> <p><input type="checkbox"/> For all major IT projects, cost and schedule overruns average less than 10% and performance shortfalls average less than 10%. Inspector General verifies that there is a Department-wide IT Security <u>Plan of Action and Milestone</u> remediation Process.</p> <p><input type="checkbox"/> 90% of operational major IT systems are properly secured (certified and accredited, or otherwise authorized), including mission critical systems.</p> <p><input checked="" type="checkbox"/> Agency contributes to, and participates in, 3 of the 4 categories of E-Gov initiatives rather than creating redundant, or agency unique, IT projects.</p>



PMA “Yellow” and “Green” Scoring Criteria

Budget and Performance Integration

Yellow 	Green 
<p><u>X</u> Senior agency managers meet at least quarterly to examine reports that integrate financial and performance information that covers some of the major responsibilities of the Department. The report is used to make decisions regarding the management of Agency programs.</p> <p><u>X</u> Strategic plans contain a limited number of outcome-oriented goals and objectives. Annual budget and performance documents incorporate all measures identified in the PART process.</p> <p><u>X</u> Performance appraisal plans for SES and managers link to agency mission, goals and outcomes, effectively differentiate between various levels of performance, and provide consequences based on performance.</p> <p><u>X</u> The full cost of achieving performance goals is accurately (+/- 10%) reported in budget and performance documents.</p> <p>___ At least 50% of agency programs rated by the PART have at least one efficiency measure.</p> <p>___ PART ratings are used to justify funding requests, management actions, and legislative proposals. No more than 50% of agency programs receive a Results Not Demonstrated rating for more than two years in a row.</p>	<p>___ Senior agency managers meet at least quarterly to examine reports that integrate financial and performance information that covers all major responsibilities of the Department. This information is used to make decisions regarding the management of agency programs.</p> <p><u>X</u> Strategic plans contain a limited number of outcome-oriented goals and objectives. Annual budget and performance documents incorporate all measures identified in the PART and focus on the information used in the senior management report described in the first criterion.</p> <p><u>X</u> Performance appraisal plans for 60% of agency positions link to agency mission, goals and outcomes, effectively differentiate between various levels of performance, and provide consequences based on performance.</p> <p>___ The full cost of achieving performance goals is accurately (+/- 10%) reported in budget and performance documents and the marginal cost of changing performance goals can be accurately estimated (+/- 10%).</p> <p>___ All agency programs have at least one efficiency measure.</p> <p>___ The agency uses PART evaluations to direct program improvements and PART ratings are used consistently to justify funding requests, management actions, and legislative proposals. Less than 10% of agency programs receive a Results Not Demonstrated rating for more than two years in a row.</p>



PMA “Yellow” and “Green” Scoring Criteria

HUD Management and Performance

Yellow 	Green 
<p><u> </u> The percentage of public housing and private subsidized multifamily units with exigent health and safety violations is reduced from the current 16 percent to 15 percent.</p> <p><u> X</u> The management of at least 45 percent of public housing authorities classified as "troubled" is turned around within one year of classification.</p> <p><u> X</u> Sixty-five percent of multifamily projects with physical scores below 60 are corrected or have had enforcement action completed within 12 months from the date of the second inspection.</p> <p><u> X</u> Rent subsidy overpayments are reduced 15 percent, from over \$2 billion to \$1.7 billion annually, and the rate of errors in calculating rents owed by subsidized tenants is cut by 15 percent.</p> <p><u> X</u> In the 12 months following the effective date of the new rule, no verified instances of property flipping have been detected in the FHA single-family mortgage program.</p> <p><u> X</u> FHA conducts four rounds of Credit Watch a year to reduce its business risk.</p> <p><u> X</u> Plans are developed and initiated to enhance data quality in the HUD Procurement System (HPS) and to provide contract obligation and payment reports from the data financial management Data Mart.</p> <p><u> X</u> Legislative and/or regulatory changes have been proposed, based on pilot results, that will provide a results-oriented planning and reporting system nationally for major grant programs.</p>	<p><u> </u> Achieve all yellow milestones, and in addition:</p> <p><u> </u> At least 90 percent of public housing units and at least 94 percent of private subsidized multifamily units pass HUD’s physical inspection standards.</p> <p><u> </u> The percentage of public housing and privately owned subsidized multifamily units with exigent health and safety violations is reduced from 15 percent to 12 percent.</p> <p><u> </u> Develop one or more proposals to expand housing choices for those who reside in Section 8 multifamily housing that fails to meet physical standards.</p> <p><u> </u> The rate of errors in calculating rents owed by subsidized households is cut in half, 60 percent to 30 percent, and HUD has processes in place to reduce the error rate further.</p> <p><u> </u> Rental-housing subsidy overpayments are reduced 50 percent from over \$2 billion to less than \$1 billion annually, and HUD has processes in place to reduce overpayments further.</p> <p><u> X</u> FHA implements Appraiser Watch to reduce its business risk.</p> <p><u> </u> HUD demonstrates that it meets GAO’s published criteria for the removal of its rental housing assistance and single-family mortgage insurance programs from the GAO’s high-risk list.</p> <p><u> </u> HUD completes actions to enhance data quality in the HUD Procurement System (HPS) and to provide contract obligation and payment reports from the financial management Data Mart.</p> <p><u> </u> A new consolidated planning process has been implemented nationwide that is results-oriented and rated as useful by 90 percent of grantee communities.</p>

PMA “Yellow” and “Green” Scoring Criteria

Faith-Based and Community Initiative

Yellow 	Green 
<p><u>X</u> Includes sessions on HUD’s programs for FBCOs at White House-sponsored conferences.</p> <p><u>X</u> Assigned liaisons at all regional offices.</p> <p><u>X</u> Identified a single operating division contact for grant applicants.</p> <p><u>X</u> Developed a plan for enhancing FBCO opportunities for receiving agency block/formula grant funds at the State and local levels.</p> <p><u>X</u> Developed/supports a comprehensive data base of potential grantees that is available to all programs.</p> <p><u>X</u> Developed a plan to fully implement EO 13279.</p> <p><u>X</u> Included an affirmative statement of FBCO eligibility in all competitive grant announcements, unless prohibited by law.</p> <p><u>X</u> Implemented steps to collect voluntary data on the FCBO status of applicants and to set and track goals for increased participation.</p> <p><u>X</u> Designed and initiated a pilot program to further FBCO partnerships.</p> <p><u>X</u> Initiated evaluation of a pilot program.</p>	<p><u>X</u> Implemented user-friendly web-based announcements for all competitive grant awards.</p> <p><u>X</u> Provided technical assistance initiative for key discretionary programs aimed at novice/grassroots groups.</p> <p><u>X</u> Implemented a plan for enhancing FBCO opportunities for receiving agency block/formula grant funds at the State and local levels.</p> <p><u>X</u> Demonstrates the removal of barriers and has fully implemented the principles of EO 13279 in regulatory and sub-regulatory materials.</p> <p><u> </u> Has met established goals for increasing participation (as measured by the number of applicants) in select programs.</p> <p><u>X</u> Has implemented pilot programs designed to further partnerships with FBCOs to deliver services.</p> <p><u>X</u> Initiated evaluations of pilot studies and established a completion date.</p>