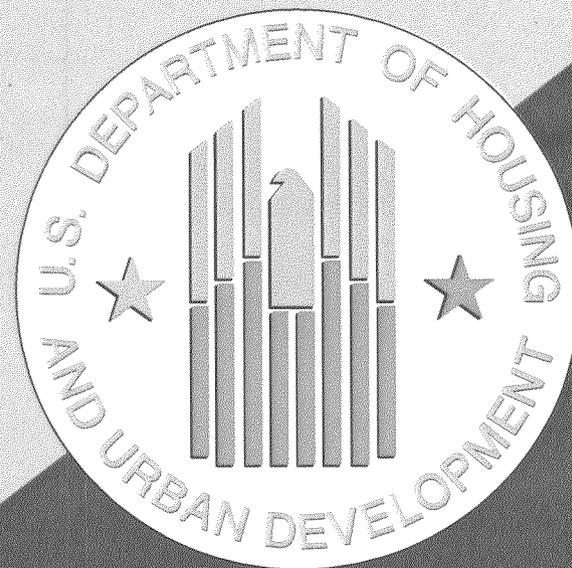


DU100C000018542

Office of the Secretary

**Review of HUD 2020 Management
Reform Critical Milestones**



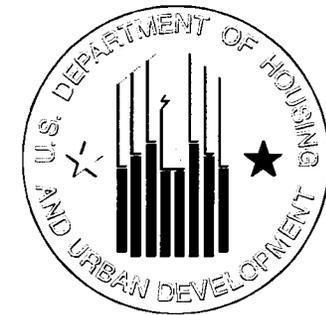
Final Report
December 1, 1998

PRICEWATERHOUSECOOPERS 

1616 North Fort Myer Drive
Arlington, VA 22209

Contract DU100C000018542

**Final Report to the
U.S. Department of Housing and Urban Development
Office of the Secretary**



Review of HUD 2020 Management Reform Critical Milestones

December 1, 1998

Prepared by
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Summary

HUD developed the *HUD 2020 Management Reform Plan* (the 2020 Plan) to correct longstanding management deficiencies. Released in June 1997, the 2020 Plan defines far-reaching management reforms to change the way HUD does business. The 2020 Plan seeks to refocus HUD mission, reorganize and consolidate HUD operations, improve customer service, infuse HUD with new talent, implement new management controls, install new technology, and get tough on HUD customers who fail to comply with HUD's policies and regulations.

Early in 1998 HUD sought outside reviews of the 2020 Plan to help HUD ensure that Plan outcomes were focused on results and that planned changes were implemented. HUD contracted with the Public Strategies Group (PSG) and Booz-Allen & Hamilton, Inc. (Booz-Allen) to review the 2020 Plan. PSG assessed the strength of the 2020 Plan. Booz-Allen reviewed 2020 Plan implementation.

Both reviews gave the 2020 Plan and its implementation high marks. PSG concludes that the 2020 Plan represents one of the most ambitious, fundamental, and exciting reinvention plans in the recent history of the federal government. Booz-Allen states that the HUD 2020 Plan lays out a solid framework for a sweeping reinvention of HUD and proposes a number of reforms that should help HUD restore the public trust in the agency. Booz-Allen also states that HUD made significant progress in implementing many of the management reforms outlined in the 2020 Plan.

The *HUD 2020 Management Reform Plan* identifies seven projects critical to implementing needed reforms. To measure progress toward completing these seven critical projects, HUD defined milestones for activities that it planned to complete by September 1, 1998.

On October 30, 1998 HUD asked PricewaterhouseCoopers (PwC) to assess completion status of milestones for the seven critical projects. This report records the results of our review.

We found that implementation of the Community Builders, Enforcement Center, Procurement Reform, Real Estate Assessment Center, Storefronts, and Troubled Agency Recovery Center is well under way. Each project met all or substantially all of the critical milestones that HUD established for completion as of September 1. The Financial Systems Integration project completed some critical milestones, however development of the FHA general ledger interface is still in process.

- HUD's Community Builders, a new corps of 217 urban and rural development specialists, have been trained at Harvard University, and are on the job in communities across the nation. The Community Builders aim to improve customer service by serving as a single point of contact to help customers gain access to the full range of HUD programs and services. A new class of 230 Community Builders is scheduled for the first quarter of FY 1999.
- The new HUD Enforcement Center has begun operations. Under the direction of an FBI Special Agent and four Assistant U.S. Attorneys, the Enforcement Center promotes greater accountability and standardization of HUD's enforcement activities. Enforcement offices have been opened in Atlanta, Chicago, Fort Worth, New York, and Los Angeles.
- The Real Estate Assessment Center is designed to perform physical and financial assessments of HUD's public and multifamily housing stock. The new system marks the first time a uniform inspection of federally subsidized housing has been conducted. Nearly 5,000 physical inspections have been completed since March of 1998.
- HUD has taken action to reform its procurement system. A Contract Management Review Board comprised of senior personnel has been

established to promote more effective use of HUD's contracting dollars. Government technical representatives have been trained in each of the program areas to more effectively monitor HUD's contracts.

- The first Storefront opened in May, 1998 in Washington D.C. HUD Storefronts are designed as consumer oriented service centers to provide friendly, accessible service to the community. Five more HUD Storefronts are scheduled to open across the country early next year.
- Troubled Agency Recovery Centers opened in Memphis and Cleveland. These centers provide technical assistance to troubled public housing agencies.
- The Financial Systems Integration project is underway with the creation of a General Ledger that will consolidate data from 89 separate systems into a single system.

Section I of this report is an overview of the *HUD 2020 Management Reform Plan*, the seven critical projects, and the results of the PSG and Booz-Allen reviews. Section II describes our review scope and methodology and findings specific to the critical project milestones.

Section I: HUD 2020 Plan Overview and Prior Review Results

A. Historical Management Shortcomings at HUD

Many social and economic changes have occurred over the three decades since HUD's inception in 1965. Factors that forced change include the economic shift of the U.S. from an industrial society to a service and information provider; welfare reform; and the public

shift away from top-heavy, Washington-driven government. HUD acknowledges that it has not kept pace with these changes.

HUD's inability to keep pace with change culminated in a period of public scandals during the late 1980s, with reports of widespread corruption and mismanagement. HUD's slow progress in correcting its problems was evident in the criticism it continued to receive from Congress, the General Accounting Office (GAO) and its own Inspector General. Congress began to seriously question HUD's ability to provide "reasonable stewardship" over the billions of taxpayer dollars it administered. GAO currently cites HUD as the only federal agency at "high risk" for fraud, waste and abuse.

HUD recognized the importance of reform to address change drivers and growing criticism. Under Secretary Cisneros, HUD responded with a comprehensive legislative reform package. The purpose of the legislative reform was to streamline the Department's programs and overall operations. Congress, however, failed to pass these legislative reforms, setting HUD back to begin again to develop and implement a plan to change from a "high risk" to a high performing federal agency. Unable to rely on purely legislative reform, Secretary Cuomo looked to more internally-focused organizational and performance-based reforms to bring about change. Secretary Cuomo's efforts resulted in the development of the *HUD 2020 Management Reform Plan*.

B. HUD's 2020 Management Reform Plan

In June 1997 HUD released its 2020 Plan, the focus of which is to change the way HUD does business. The 2020 Plan implementation is the culmination of organizational and legislative changes that HUD has developed to ensure success in achieving business change. The 2020 Plan identifies six principle management reforms:

- Organize by function to serve distinct customer groups

- Replace the top-down organizational structure with a more customer focused structure
- Modernize the outdated financial management system
- Create an enforcement authority with the objective of restoring public trust
- Train the workforce to carry out the changes
- Develop new performance-based systems to measure success

HUD identified seven projects critical to implementing these management reforms. These we summarize in the seven sections that follow.

1. Community Builders

As part of HUD's new focus on outreach and customer service, the Community Builder position was created. The role of the Community Builder is to be a proactive, cooperative, and knowledgeable first point of contact with HUD's customers.

Community Builders interact with homebuyers, tenants, community leaders, non-profits, foundations, mayors, and county executives. In contrast to program-specific liaisons, Community Builders are positioned as generalists. The community builder role is to be HUD's single point of contact to help customers gain access to the full range of HUD program services and resources. To prepare for this role, the Community Builders are trained in agency and public policy at HUD and at the Harvard University, John F. Kennedy School of Government. When training is complete, they work at HUD field offices and storefronts in major cities across the country.

2. Enforcement Center (EC)

The Enforcement Center was created to restore public trust. Its goal is to promote greater accountability and standardization of HUD enforcement activities. Enforcement Center was designed with objectives to:

- Reduce the HUD troubled multifamily housing inventory to a level comparable to or lower than the private sector, and
- Provide decent, safe and sanitary housing.

The Enforcement Center is the umbrella organization for all enforcement efforts at HUD. It coordinates with program offices, field offices, the Real Estate Assessment Center, Troubled Agency Recovery Center, Multifamily Hubs, and Property Disposition Hubs. It monitors the management of high-risk multifamily properties, public housing judicial/administrative enforcement cases, Community and Planning Development and Fair Housing grantees in non-compliance or suspension. The Enforcement Center also refers debarments and civil cases to the Department of Justice, and criminal cases to the HUD Inspector General.

3. Financial System Integration (FSI)

The objectives of the Financial System Integration project are to put HUD management systems in order and to restore effective management and financial accountability at HUD. Key to FSI success is creation of a single, integrated financial management system from its 89 separate systems. HUD bought an off-the-shelf system with general ledger functionality. HUD plans to use the general ledger to consolidate accounting data for all its programs and for its salaries and expenses. This general ledger will be used to prepare all external financial reports and support internal management reporting. Existing HUD accounting systems will be fully replaced by, or interface with the new system.

4. Procurement Reform

HUD is implementing procurement reform to correct obsolete and inefficient procurement processes. In 1997 the National Academy of Public Administrators (NAPA) assessed the FHA procurement system. The study found that the current system fails to respond to Departmental needs and fails to adequately ensure accountability. Procurement Reform began with the appointment of a Chief Procurement Officer responsible for procurement planning and policy and implementation of recommendations adopted from the NAPA study. Key procurement reforms include:

- Establish a Contract Management Review Board to review program office procurement plans
- Train Government Technical Representatives and Monitor to ensure more effective contract oversight
- Use General Services Administration contracts to reduce procurement process time and effort
- Establish high-level procurement priorities consistent with the Government Performance and Results Act of 1993
- Clarify lines of responsibility and authority
- Respond quickly to program needs

5. Real Estate Assessment Center (REAC)

HUD created the Real Estate Assessment Center to respond to a backlog in monitoring FHA multifamily and public housing properties and inconsistent HUD monitoring standards. Monitoring approach differences made it difficult for HUD to draw consistent conclusions about the state of public and multifamily housing. REAC is a centralized capability to monitor the physical and financial condition of PIH and FHA multifamily properties. It relies

on extensive automation and new protocols to deliver consistent and quantitative determinations.

In REAC, annual property assessments focus on:

- Tenant quality of life
- Property management
- Condition of physical stock
- Early detection of waste, fraud and abuse

REAC works with staff from the Multifamily Hubs, program centers and PIH field offices to collect and analyze data.

6. Storefront

HUD Storefront Offices are designed as consumer-oriented service centers to meet HUD's reform objective to empower people and communities. The storefronts provide friendly, accessible service to the community. Citizens, community groups, businesses and local governments can use the centers to access information on a variety of HUD topics such as:

- How to buy and build housing
- How to apply for a housing loan
- How to file a discrimination complaint
- How to better utilize HUD programs

Storefronts use expert staff and new technology to deliver information to customers. Centers are staffed with Community Builders, who provide guidance on all HUD programs and technical assistance. Kiosks at the Storefronts allow customers to access housing and community information 24 hours a day. The first Storefront, in Washington DC, opened in May 1998. Ten other Storefronts are scheduled to open across the country in 1999.

7. Troubled Agency Recovery Center (TARC)

Historically Public and Indian Housing program staff have been unable to provide quality assistance to medium and high performing housing authorities because the pressing demands of the troubled housing authorities diverted their attention. HUD created Troubled Agency Recovery Centers to serve two critical functions. First, they will ensure that troubled housing authorities have access to technical assistance needed to improve delivery of their services. Second, they will relieve the burden on HUD staff who now help troubled housing authorities.

A TARC assumes responsibility for all monitoring activities associated with a “troubled” housing authority. The TARC will provide technical assistance and financial expertise to help bring the troubled performers into compliance with HUD policies and regulations. Housing authorities that consistently fail to comply will be channeled to the new Enforcement Center for debarment or other legal action. HUD established TARCs in Memphis and Cleveland.

C. Strategic Assessment of HUD 2020 Management Reform Plan

To help HUD ensure that Plan outcomes are focused on results and changes are implemented, HUD requested an outside review of the 2020 Plan. HUD contracted with PSG and Booz-Allen to conduct a review of the 2020 Plan. The review consisted of two parts. PSG focused on the strength of the 2020 Plan. Booz-Allen reviewed 2020 Plan implementation.

The overall results from both reviews gave the 2020 Plan and its implementation high marks. PSG describes the 2020 Plan as a sound, well thought-out document. Booz Allen concludes that HUD

made significant progress in implementing many of the management reforms outlined in the 2020 Plan.

The Strategic Assessment by PSG identifies six key findings as proof that HUD is meeting its 2020 Plan objectives. It also provides three recommendations to improve the 2020 Plan and ensure continued success.

The six key PSG findings are:

- 1. HUD 2020 provides clarity to its mission.** It separates service from compliance functions as stated in the twin mission statements of empowerment and restoring public trust. To meet this goal, the organization is divided into two distinct groups: “Community Builders,” who will seek to empower communities; and “Public Trust Officers,” responsible for guarding against waste, fraud and abuse.
- 2. When implemented, the 2020 Plan will provide improved customer service.** To do this HUD will reorganize into “back-office” processing centers to take advantage of internal processing activities that cut across program lines and “store-fronts” to provide improved face-to-face customer service.
- 3. When implemented, it will enhance the Department’s ability to protect public trust.** The centralized Enforcement Center and development of Public Trust Officers emphasizes HUD’s new policy of zero tolerance of waste, fraud and abuse. Public perception focuses on HUD’s ability and the increased likelihood that it will take legal action against those not in compliance with HUD policies and regulations. HUD’s development of the Real Estate Assessment Center centralizes critical functions, reduces redundancy and seeks to improve the quality and consistency of its outputs.
- 4. System and internal control improvements will restore its financial and management credibility.** It addresses basic systems problems such as data cleanup, integration of financial systems and internal controls. The plan also recognizes the importance of outsourcing functions that can be performed more efficiently and effectively by the private sector.

5. HUD 2020 fosters a sense of innovation and entrepreneurship. It leads the way in developing software for use by its internal and external customers to improve its ability to share and analyze information.

6. HUD 2020 is a plan that can be used by other agencies. It gives a rational and humane approach to downsizing. It creates a national staffing plan and works to involve the unions in the decision making. It is also a good example of the benefits of cross-department partnerships. HUD recognized that it did not have all the answers to solving its problems and actively sought input from others.

PSG also made three recommendations to improve the 2020 Plan:

- Ensure that Community Builders are fully empowered to achieve their mission. HUD will need to invest in clarifying performance expectations and reinforcing new working relationships and patterns of behavior between Community Builders and colleagues in the program offices.
- Enhance performance management efforts by consistently selecting customer-oriented performance measures. Regularly tracking results and ensuring that performance is based on the measures is critical to success of the organization and its customers.
- Maintain constant and open communications. HUD leadership must continue to invest in sustaining internal communications and seek innovative ways to solicit input.

Based on its experience with similar public sector organizations attempting to implement comprehensive transformational change, PSG concluded that HUD's 2020 Management Reform Plan represents a "well conceived and aggressive set of reforms."

Between December 1997 and February 1998, Booz-Allen reviewed the implementation plans and assessed the adequacy and reasonableness of staff levels proposed in each of the business line plans. In its report of February 1998, Booz-Allen states that:

- The HUD 2020 organization is in place and being staffed
- Considerable progress has been made in implementing the revised organizations, structures, processes, systems, and staffing shifts needed for HUD's transformation
- As implementation has proceeded there have been numerous issues and problems to overcome and much work must still be completed

Booz-Allen notes that issues and problems are common in major change efforts and are to be expected. They conclude that HUD appears to be committed to achieving its goals and is committed to seeing the effort through.

Section II: Review Methodology and Results

A. HUD's Critical Projects Tracking System (CPTS)

HUD developed the Critical Projects Tracking System, a Lotus Notes database, to track the completion status of its seven critical management reform projects. CPTS is designed to capture critical milestones, milestone descriptions, completion deadlines, assigned responsibilities, and status information for each project. Project leaders and the Deputy Secretary defined the milestones that were to be completed on or before September 1, 1998.

To update the completion status of project milestones, the project leaders presented oral reports at biweekly status meetings with the Deputy Secretary. The Deputy Secretary approved all changes to the database.

B. Scope and Methodology

HUD had previously engaged other contractors to complete reviews of its reform objectives and plans. The issued reports were the *Strategic Assessment of HUD 2020 Management Reform Plan*, prepared by the Public Strategies Group, Inc. and *Review of HUD 2020 Management Reform Implementation Plans, Workload, and Staffing*, prepared by Booz-Allen & Hamilton, Inc. These documents were issued May 1998 and March 1998, respectively.

Under contract DU100C000018542, Task Order 14, HUD hired us to review the completion status of the HUD management reform critical milestones. We reviewed completion status during the four-week period from November 3 to December 1, 1998.

To evaluate whether project milestones and tasks were complete, we:

Reviewed the CPTS printout to identify the project milestones and tasks defined by HUD for completion as of September 1, 1998. We also reviewed HUD's self reporting of whether milestones were complete or still in process.

Interviewed project managers and staff in each of the project areas to understand: (1) the milestones and tasks that were to be completed on or before September 1, 1998 and (2) their basis for reporting that milestones had been completed or were still in process.

Reviewed task outputs, i.e., documents that support whether tasks had been completed or were still in process. Key documents included functional requirements documents, systems testing results, contracts, certificates of training, property inspection reports, and evaluation reports.

Observed operations in action at headquarters and selected field sites for the newly established Enforcement Center, Real Estate Assessment Center, Troubled Agency Recovery Center, and Storefronts. Our observations focused on whether:

- Dedicated space existed to support processing
- Functions were staffed
- Staff had equipment items such as desks, phones and personal computers
- Operations had begun

Based on these procedures we evaluated if tasks identified by HUD as necessary for milestone completion were complete as of December 1, 1998. A status of complete or in-process is assigned to each task. To assess milestone completion we evaluated the significance of any in-process tasks to achieving the milestone's objectives. If all significant tasks were complete, we report the milestone as complete. Otherwise the milestone is reported as in-process.

C. Review Results

The Project Milestones Completion Status Tables in this section show our assessment of milestone completion status for the seven critical HUD reform projects. The columns in the tables are as follows:

1. **Status** reports our assessment of completion for the tasks identified in the CPTS. A task is reported as complete (C) if it was complete as of issuance of this report on December 1, 1998. A task is reported as in process (IP) if it was not complete as of December 1, 1998. If all significant milestone tasks were found to be complete, the milestone was assessed to be complete.
2. **CPTS Milestones/Tasks** lists the milestones and tasks defined by HUD in the CPTS that were to be completed as of September 1, 1998.

3. **Verification Steps** lists the steps that we took to verify completion status for each milestone and task. These steps are in addition to interviews of project managers and staff that we did for all milestones.

We found that HUD had completed 42 of 50 milestones by December 1, 1998. The FY 1998 Milestone Status table provides a summary status of milestones by project. The Project Milestones Completion Status Tables starting on page 11 provide more detailed information on milestone and task status.

FY 1998 Milestone Status Table

Community Builder

Completion of Minimum and High Qualification List	C
Training for Rating and Ranking Panels Complete	C
Regional Interviews End	C
Selecting Official Gets BQ List	C
Offers Will Begin	C
HUD Training	C
Harvard Training	C

Enforcement Center

IG Protocol	IP
Atlanta Office operational	C
Chicago Office operational	C
Fort Worth Office operational	C
New York Offices operational	C
Los Angeles Office operational	C
EC HQ Office at Portals operational	C
EC Staff Training	C
EC Multifamily Real Estate Assessment and Analysis	C
Contract Award	C

Front End Risk Assessment Process	C
Merit Staffing	C
Information Technology	C
Delegations of Authority	C
Key Procurements	C

FSI

Consolidated General Ledger Proof of Concept	C
Completion of the HUD General Ledger requirements document	C
Completion of the FHA General Ledger Posting Models	IP
Completion of the FHA FRD and development of the General Ledger	IP
Completion of the HUD General Ledger Posting Models	C
Development of the GNMA interface process	IP
Department-wide GL pilot approved and system ready for implementation	C
FHA General Ledger and interface ready for implementation	IP

Procurement Reform

CMRB commences review of HUD procurements over \$5M	C
EPPES for GTRs/GTMs are incorporated in performance plans	C
CMRB completes review of FY99 Procurement Plans	IP
Initial GTM/GTR Training complete	C
Major Program Offices establish full-time monitoring staff (PMs, GTRs, GTMs)	C



REAC

Physical Inspection Center	C
Financial Assessment System: PIH	C
Financial Assessment System: FHA	C
Key Procurements	C
Key Rules	C

Storefront

Lease awarded for Sacramento Storefront space	C
Lease awarded for Reno Storefront space	C
Lease awarded for Buffalo Storefront space	C
Begin buildout/construction for Albuquerque Storefront	C
Lease awarded for Baltimore Storefront space	C
Equipment/Furniture ordered for Storefronts	C
Lease awarded for Grand Rapids Storefront space	IP

TARC

Secure Permanent Space	C
Staffing	C
Training	C
Systems	IP
Migration of Work	C

COMMUNITY BUILDER

Status/CPTS Milestone/Task/Verification Steps

C Completion of Minimum and High Qualification List

- Reviewed list of minimum qualifications documentation dated June 5, 1998
- Reviewed criteria and ranking/rating system for high qualification dated June 5, 1998

C Training for Rating and Ranking Panels Complete

- Reviewed training materials (questions and scoring instrument)

C Regional Interviews End

- Reviewed list of interviewees with interview dates (1,400 interviewees). All interviews were conducted prior to August 1, 1998

C Selecting Official Gets BQ List

- Viewed BQ list received by selecting officer

C Offers Will Begin

- Reviewed Community Builders Offers Plan with timeline from August 3, 1998 through September 1, 1998

C HUD Training

- Reviewed training materials dated September 14 – 19, 1998
- Reviewed attendance lists for September and October sessions

Status/CPTS Milestone/Task/Verification Steps

C Harvard Training

- Reviewed training materials dated August 17 – 28, 1998
- Reviewed attendance lists from August, October, and November sessions

ENFORCEMENT CENTER

Status/CPTS Milestone/Task/Verification Steps

IP Program Protocols

- Reviewed Housing, CPD, PIH and FHEO Protocols, all dated prior to April 25, 1998

IP Memorandum of Understanding between Departmental Enforcement Center and the Inspector General

- Reviewed the Enforcement Center Operations Workflow. The workflow was created to document EC's evaluation, initial report, final report and enforcement plan and the roles of each party involved. MOU has not yet been agreed to by EC and the IG

IP Memorandum of Understanding between Departmental Enforcement Center and the Office of General Counsel

- Reviewed Draft MOU #4, prepared November 6, 1998. A final MOU has not been signed

C Atlanta, Chicago, Fort Worth, and New York Offices operational

C Space identified, lease signed and furniture delivered and installed

- Conducted site visit to Chicago EC on November 13, 1998 and observed office in operation
- Reviewed documentation provided by the Director of the Space Management Division, Office of Administrative and Management Services (OAMS) listing offices and dates of operation:

Status/CPTS Milestone/Task/Verification Steps

- Atlanta office operational on June 1, 1998
- Chicago office operational on August 24, 1998
- Fort Worth office operational on August 3, 1998
- New York office operational on July 15, 1998

C IT installation

- Observed installed equipment in Chicago during site visit
- Reviewed inventory list and order dates for computer equipment
- Received verbal verification from EC that all equipment was installed by September 1, 1998 with the exception of two printers in New York and televisions and VCRs in Chicago and New York. There was enough equipment in place in each office to be operational by September 1, 1998

IP Imaging system in place

- Observed imaging system in Chicago office and received verbal verification that all imaging systems were installed in the other satellite offices by September 1, 1998. HUD is currently taking steps to make the system operational

C REMS system training

- Reviewed training agenda and EC requirements for REMS during Chicago site visit

ENFORCEMENT CENTER

Status/CPTS Milestone/Task/Verification Steps

- Reviewed training schedule dates for each satellite office:
 - Atlanta conducted training on August 3 - 5
 - Chicago conducted training on August 25 - 26
 - Fort Worth conducted training on August 17 - 19
 - New York conducted training on August 10 - 12

C Merit staffing completed

- Reviewed Organizational Structure and Staffing – Employee Placement, dated September 16, 1998 and Staff Summary as of September 1, 1998. There is sufficient staff in each office to cover the current work load

C Los Angeles Office operational

- Reviewed list of office completion dates provided by the Director of the Space Management Division, OAMS. This document lists September 8, 1998 as the date LA office became operational

C EC HQ Office at Portals operational

C Negotiate lease for space, perform space alterations, union negotiations and install equipment and furniture

- Reviewed list of office completion dates provided by the Director of the Space Management Division, OAMS. This document lists August 17, 1998 as the date the office became operational

Status/CPTS Milestone/Task/Verification Steps

- Observed office in operation

C Merit staffing

- Reviewed Organizational Structure and Staffing – Employee Placement, dated September 16, 1998 and Staff Summary as of September 1, 1998
- Observed that there is sufficient staff to cover HQ's current work load

C EC Staff Training

C Operation, REMS, Team Building, Imaging and Attorney Training

- Reviewed Training Plan and documentation of completed training for FY 98 and FY 99. Found:
 - Operations training completed July 17, 1998
 - REMS training completed August 24, 1998
 - Team building training completed June 26, 1998
 - Imaging training completed September 17, 1998
 - Attorney training completed August 14, 1998
- Reviewed training schedule for Chicago office and REMS training manual during site visit

C EC Multifamily Real Estate Assessment and Analysis Contract Award

- Reviewed contract awarded to Pinnacle Realty Management Company on August 21, 1998

ENFORCEMENT CENTER

Status/CPTS Milestone/Task/Verification Steps

C Front End Risk Assessment Process

C FERA performed

- Reviewed the Front End Risk Assessment Enforcement Center Preliminary Report, completed April 30, 1998
- Reviewed addendum to the FERA, dated November 3, 1998

C Merit Staffing

- Reviewed Organizational Structure and Staffing – Employee Placement, dated September 16, 1998 and Staff Summary as of September 1, 1998
- Observed that, although there are vacancies, the level of staffing at EC is sufficient to conduct the current level of cases. As of September 1, 1998, there were 138 staff on board and 68 vacancies.

C Information Technology

C REMS first system release

- Reviewed REMS User Guide, dated June 24, 1998
- Observed that REMS is operational to a point but does not meet all EC needs. Updated releases that incorporate new requirements are scheduled to be completed in February and June of 1999

C Imaging hardware in satellite offices and headquarters

- Observed imaging hardware in Chicago during site visit

Status/CPTS Milestone/Task/Verification Steps

- Reviewed inventory list and order dates for imaging systems in satellite and Portals offices

C Delivery of computer equipment to EC satellite sites and headquarters

- Observed installed equipment in Chicago during site visit
- Reviewed inventory list and order dates for all computer equipment
- Received verbal verification from EC that all equipment was installed by September 1, 1998 with the exception of two printers in New York and televisions and VCRs in Chicago and New York. There was enough equipment in place in each office to be operational by September 1, 1998

C Delegations of Authority

- Reviewed delegation of authority as outlined in a memo from General Counsel to CCEC, dated October 6, 1998
- Reviewed delegations of authority as outlined in Federal Register, October 26, 1998

C Key Procurements

C Contract awarded

- Reviewed Request for Proposal R-OPC-21184, Multifamily Real Estate Assessment and Analysis Services, issued April 22, 1998

ENFORCEMENT CENTER

Status/CPTS Milestone/Task/Verification Steps

- Reviewed contract with Pinnacle Realty Mgt. Co. awarded on August 21, 1998

C Contractor training

- Reviewed documentation of contractor training conducted September 14 through 15. Original deadline of August 17, 1998 was extended due to delay in award

C First Assigned Case to Contractor

- Reviewed documentation stating contractor was assigned cases on October 20, 1998. Delay in assignment from September 1, 1998 attributed to referral delays from REAC

Status/CPTS Milestone/Task/Verification Steps

FINANCIAL SYSTEM INTEGRATION

Status/CPTS Milestone/Task/Verification Steps

C Consolidated General Ledger Proof of Concept

C Define the overall business concept model through the proof of concept. This test will use a subset of HUD transactions to run through a simulation of the business model and the resulting trial balance output

- Reviewed HUD FRD dated June 8, 1998
- Reviewed On-line Proof of Concept Document dated June 22, 1998
- Reviewed Production Simulation Document dated October 3, 1998

C Completion of the HUD General Ledger Requirements Document

C The FRD will document HUD's business processes and describe how HUD will use HUDCAPS to fulfill those needs

- Reviewed HUD FRD dated June 8, 1998

IP Completion of the FHA General Ledger Posting Models

IP Develop an SGL-compliant chart of accounts and posting models for FHA based on the departmental chart of accounts and posting models. This will include all transactions related to the implementation of credit reform

- Reviewed posting models completed by November 10, 1998. HUD estimates completion of all posting models by the first week of December 1999. On November 30,

Status/CPTS Milestone/Task/Verification Steps

HUD will have a memo from AMS stating the completion of all postings

IP Completion of the FHA FRD and Development of the General Ledger

C Document FHA's accounting events, source systems, data capture methods, and the methods by which the data will be summarized and input as entries into the FHA General Ledger with HUDCAPS

- Reviewed FHA FRD (Section B1, Tabs A – S) dated July 21, 1998

IP Develop and unit test the FHA to HUDCAPS interface based on the detailed design specifications. This includes the coding of software, preparation of unit test cases, performing unit testing and processing corrections needed as a result of the testing

C Completion of the HUD General Ledger Posting Models

C Develop an SGL-compliant chart of accounts and posting models for the departmental general ledger

- Reviewed final posting models
- Reviewed HUDCAPS Posting Models Document (OIG, S&E, Gifts and Bequests, Interstate Land Sales) dated November 10, 1998
- Reviewed HUDCAPS Posting Models Document (X-Funds) dated November 10, 1998

FINANCIAL SYSTEM INTEGRATION

Status/CPTS Milestone/Task/Verification Steps

- Reviewed HUDCAPS Posting Models Document (Grants, Subsidies and Loans) dated November 10, 1998
 - Reviewed HUDCAPS Posting Models Document (Chart of Accounts) dated November 10, 1998
- C Develop the required transactions for each type of program/fund and associate them with pro forma entries**
 - Reviewed Final PASS to HUDCAPS Interface Design Version 18
 - Reviewed Memo HUD 0444 “Results of FSI Budget/General Ledger Conversion Design Walkthrough Meetings” from Conversion: Strategy and Procedures Binder (Defines conversion transaction codes and what they translate to in baseline)
 - Reviewed final posting models
- IP Development of the GNMA Interface Process**
 - C Prepare and validate the interface strategy**
 - Reviewed interface strategy document dated October 1, 1998
 - Reviewed Memo HUD 0412 “Status of GNMA Implementation” from AMS
 - IP Prepare crosswalks based on the transactions to be entered**
 - IP Create procedures for the data loading and reconciliation**

Status/CPTS Milestone/Task/Verification Steps

- C Department-Wide GL Pilot Approved and System Ready for Implementation**
 - C After pilot of department-wide general ledger and making appropriate changes as a result of the pilot testing for all interfaces into HUDCAPS, the General Ledger will be ready for loading the FY99 budgets using the consolidated General Ledger**
 - Reviewed Production Simulation Document dated October 3, 1998
- IP FHA General Ledger and Interface Ready for Implementation**
 - IP After loading the FY97 balances and performing the pilot testing of the FHA interface, FHA will be ready to begin loading the FHA FY98 summary entries into the FHA SGL in HUDCAPS for FY99. FHA will begin processing FY99 financial transactions beginning October 1, 1998**
 - Interviewed HUD CFO and FHA personnel responsible for developing interface. HUD does not yet have an agreed upon strategy for developing interfaces needed to post FHA data to HUDCAPS

PROCUREMENT REFORM

Status/CPTS Milestone/Task/Verification Steps

- C CMRB commences review of HUD procurements over \$5M**
- C Establish a Contract Management Review Board (CMRB)**
 - Reviewed list of CMRB members in HUD and the Acquisition Process document
 - C CMRB has initial organizational meetings to adopt rules and schedule meetings with major program offices**
 - Reviewed CMRB rules and procedures in HUD and the Acquisition Process document
 - C CMRB holds first review meeting**
 - Reviewed dates identified in HUD and the Acquisition Process document
 - September 29, 1998 CPO meets with program office contacts and GTRs to describe review process
 - October 1-9, 1998 Staff and representatives from CFO, CIO, IT and OGC meet with each program office to conduct detailed examination of plans
 - October 13-20, 1998 CMRB meets with each program office to consider FY 1999 plans and staff recommendations
 - Confirmed meetings have begun with Procurement

Status/CPTS Milestone/Task/Verification Steps

- C EPPES for GTRs/GTMs are incorporated in performance plans**
- C Proposed EPPES element transmitted to Principal Staff**
 - Reviewed August 10, 1998 memorandum issued to staff regarding EPPES element
 - C CPO meets with Program Offices to review the requirement and how evaluation process will work**
 - Reviewed "Role of GTR" presentation in HUD and the Acquisition Process
 - C Program Offices certify to CPO that performance plans have been modified to incorporate the required element**
 - Reviewed copies of complete performance plans/position descriptions from CPO
 - Reviewed list of GTR employees grouped by Program Office
 - IP CPO begins reviewing GTR performance**
 - Staff rating period ends January 31, 1999. Review of full time GTR staff is scheduled to begin following completion of rating period

PROCUREMENT REFORM

Status/CPTS Milestone/Task/Verification Steps

- IP **CMRB completes review of FY99 Procurement Plans**
- C **Call for FY 1999 procurement plans issued to programs offices**
 - Reviewed Call for Procurement Plans memorandum dated July 24, 1998
- C **Procurement Plans received**
 - Procurement Plans received by CMRB two weeks after issuance of memorandum
- IP **CMRB completes review of plans**
 - Interviewed Procurement staff. Delayed start. HUD Secretary directive to change scope of work, review FY 1998 plans first. Purpose of review to ensure FY 1998 spending did not exceed FY 1997 spending. FY1999 Procurement Plans review to begin following review of FY1998 plans
- C **Initial GTM/GTR Training Complete**
- C **GTR Certification Program announced**
 - Reviewed March 26, 1998 Memorandum announcing HUD 2020 Government Technical Representative Certification Program
 - Reviewed announcement in Contract Café Newsletter, September 1998

Status/CPTS Milestone/Task/Verification Steps

- C **CPO Meets with All Major Program Offices to Discuss a Strategy for Providing Basic Training to All Existing GTRs**
 - Interviewed procurement staff. CPO scheduled meetings via email to all program offices to discuss strategy. Meetings completed in June 1998
- C **Training Plan established and necessary funding reserved**
 - Reviewed GTR Certification Program Training Plan and Budget
- C **Training starts**
 - Interviewed procurement staff. Training begun July 1998.
 - Reviewed list of certified GTR staff with certification dates. Certification date equals date training completed. Certification issued July 23, 1998 to September 24, 1998
- C **Initial training for all GTRs completed**
 - Reviewed list of certified GTR staff with certification dates
- C **Major Program Offices Establish Full-Time Monitoring Staff (PMs, GTRs, GTMs)**
- C **CPO meets with major program offices to outline requirements**
 - Reviewed "Role of GTR" presentation
 - Reviewed copies of position descriptions for GTRs

PROCUREMENT REFORM

Status/CPTS Milestone/Task/Verification Steps

Status/CPTS Milestone/Task/Verification Steps

**C Program Offices complete necessary merit staffing/
reassignment action**

- Reviewed list of designated GTR employees grouped by Program Office
 - Admin., CPD, EC, GNMA, Housing, PIH, and REAC have designated full time GTRs
- Interviewed GTR for Enforcement Center. Hired in January 1998

REAC

Status/CPTS Milestone/Task/Verification Steps

- C **Physical Inspection Center**
 - C **Open the Physical Inspection Lab**
 - Observed physical inspection lab in operation
 - C **Complete training of system test/evaluation inspectors**
 - Reviewed contract awards to conduct physical inspections pilot testing dated June 3, 1998
 - Reviewed Physical Inspection Pilot Testing Report dated September 23, 1998
 - C **Commence test/evaluation inspections**
 - Reviewed contractor report on outcome of Physical Inspection Pilot Testing dated September 23, 1998
- C **Financial Assessment System: PIH**
 - C **Issue GAAP conversion guidance**
 - Reviewed GAAP Conversion Guidance dated July 15, 1998 and revised September 4, 1998
 - Reviewed GAAP Conversion Guidance Document on Internet: www.hud.gov/reac dated July 31, 1998
- C **Financial Assessment System: FHA**
 - C **Complete FHA electronic financial statement submission pilot**
 - Reviewed Pilot Evaluation Report, Release 1.0 July 2, 1998

Status/CPTS Milestone/Task/Verification Steps

- C **Present Proposed FHA financial indicator analysis**
 - Reviewed Proposed FHA Financial Indicator Analyses presentation dated July 15, 1998
- C **National implementation of FHA electronic submission system**
 - Reviewed Pilot Evaluation Report, Release 1.0, July 2, 1998
 - Electronic Submission System completed on August 31, 1998
 - In accordance with the Uniform Financial Reporting Rule the system was available for use at the request of participants.
 - The system was tested and certified Y2K compliant
 - HUD is scheduled to receive electronic formatted financial statements from owners on January 1, 1999
 - HUD plans to make upgrades to the system until December 31, 1998
- C **Key Procurements**
 - C **Award contract**
 - Reviewed MOBIS contracts awarded June 3 & 4, 1998
 - C **RFP Out**
 - Reviewed RFP issued on June 4, 1998
 - C **Initiate HUD employee training**

REAC

Status/CPTS Milestone/Task/Verification Steps

- Reviewed Physical Inspections Pilot Testing Report and interviewed REAC Management. HUD QA Inspectors trained, June 8-12, 1998
- C Pre-proposal conference**
 - Interviewed REAC Management. HUD REAC, conference held on June 12, 1998
- C HUD training complete**
 - Reviewed HUD Physical Inspection Program Inspector Training Instructor Guide, Conference room confirmations and interviewed REAC Management. Inspector training completed September 18, 1998
- C Initiate contractor training**
 - Observed contract inspectors training, June 16-26, 1998
- C RFP closing date**
 - Reviewed National Implementation Contract (NIC) RFP which identified closing date as July 23, 1998
- C TEP review period begins**
 - Reviewed TEP Panel initial report issued July 30, 1998
- C Best and Final Offers**
 - Interviewed REAC Management. NIC BAFO issued August 10, 1998
- C Awards announced**
 - Reviewed awarded NIC contracts dated August 18, 1998

Status/CPTS Milestone/Task/Verification Steps

- C Inspectors trained**
 - Reviewed HUD Physical Inspection Program Inspector Training Instructor Guide, Conference room confirmations and interviewed REAC Management. Inspector training completed September 18, 1998
- C Inspectors begin**
 - Interviewed REAC Management. Inspections began on September 28, 1998
- C REAC begins to receive inspections electronically**
 - Interviewed REAC Management. Inspection uploads received on September 29, 1998
- C Key Rules**
 - C Uniform Financial Reporting Standards for HUD housing programs**
 - Reviewed Federal Register Part VIII, 24 CFR Part 5, et al., Tuesday, September 1, 1998
 - C Uniform Physical Conditions and Physical Inspection Requirements for certain HUD housing**
 - Reviewed Federal Register Part VII, 24 CFR Parts 5, et al., Tuesday, September 1, 1998
 - C Public Housing Assessment System**
 - Reviewed Federal Register Part IX, 24 CFR Parts 901 and 902, Tuesday, September 1, 1998

STOREFRONTS

Status/CPTS Milestone/Task/Verification Steps

C Lease Awarded for Sacramento Storefront Space

- Reviewed U.S. Government Lease for Real Property, dated June 8, 1998. Storefront scheduled to open in February 1999

C Lease Awarded for Reno Storefront Space

- Reviewed U.S. Government Lease for Real Property, dated June 19, 1998. Storefront scheduled to open in February 1999

C Lease Awarded for Buffalo Storefront Space

- Reviewed Supplemental Lease Agreement, dated August 3, 1998. Storefront scheduled to open in January 1999

C Begin Buildout/Construction for Albuquerque Storefront

- Reviewed documentation from the Director of Space Management Division, OAMS which stated buildout/construction was started on October 13, 1998. Storefront scheduled to open in December 1998

C Lease Awarded for Baltimore Storefront Space

- Conducted site visit of Baltimore Storefront on November 23, 1998
- Conducted site visit of Washington Storefront on November 12, 1998 to observe a center in full operation
- Reviewed Supplemental Lease Agreement, dated October 19, 1998

Status/CPTS Milestone/Task/Verification Steps

C Equipment/Furniture Ordered for Storefronts

- Reviewed furniture orders for:
 - Sacramento, dated November 3, 1998
 - Albuquerque, dated August 19, 1998
 - Buffalo, dated September 4, 1998
 - Baltimore, dated August 21, 1998
- Furniture will be ordered for Reno and Grand Rapids in December 1998 as these stores prepare to open

IP Lease Awarded for Grand Rapids Storefront Space

- Reviewed documentation from the Director of Space Management Division, OAMS. Space has been identified and negotiations are in process. Estimated lease award date is January 1999

TROUBLED AGENCY RECOVERY CENTER

Status/CPTS Milestone/Task/Verification Steps

C Secure Permanent Space

C Secure Cleveland office space

- Reviewed lease for office that opened in June 1998
- Viewed pictures of office

C Secure Memphis office space

- Conducted site visit of Memphis TARC on November 20, 1998

C Staffing

C Cleveland

- Reviewed staffing list
 - Center: 18 of 34 positions filled. Discrepancy due to addition of new position, approval pending
 - Outstations: 35 of 39 positions filled

C Memphis

- Reviewed staffing list
 - Center: 30 of 33 positions filled
 - Outstations: 40 of 42 positions filled

C Training

C Cleveland Phase I training program

- Reviewed training curriculum and materials (conducted July 1998 in Cleveland)

Status/CPTS Milestone/Task/Verification Steps

- Reviewed training attendee list
- Reviewed TARC training evaluation survey
- Reviewed TARC Phase I course evaluation dated July 27 – 31, 1998

C Memphis Phase I training program

- Reviewed training curriculum and materials (conducted July 1998 in Cleveland)
- Reviewed training attendee list
- Reviewed TARC training evaluation survey
- Reviewed TARC Phase I course evaluation dated July 27 – 31, 1998

IP Systems

IP Cleveland IT staff secured PH program modules. Passwords and IDs have been secured for staff

- Reviewed copy of troubled agency list generated by IBS
 - Passwords and IDs secured for all staff for LAN
 - Passwords and IDs not secured for all staff for PH program modules (e.g., IBS, SOARS, SMURFS)

IP Memphis IT staff have secured PH program modules. Passwords and IDs have been secured for appropriate staff. MIS personnel networking laptops

- Observed PH program modules during site visit

TROUBLED AGENCY RECOVERY CENTER

Status/CPTS Milestone/Task/Verification Steps

- Not all staff can access modules because of network incompatibility
- Not all staff have been issued passwords and/or Ids
- Laptops issued and networked, but outstationed staff can not communicate with staff in Center via computer network

C Migration of Work

C **Cleveland transferred responsibility for all PHAs designated as troubled within the jurisdiction**

- Reviewed letter sent to all troubled PHAs and HUD Field Offices declaring the transfer of responsibility of troubled PHAs to TARCs. Letters sent May 15, 1998

C **Memphis transferred responsibility for all PHAs designated as troubled within the jurisdiction**

- Reviewed letter sent to all troubled PHAs and HUD Field Offices declaring the transfer of responsibility of troubled PHAs to TARCs. Letters sent June 29, 1998

Status/CPTS Milestone/Task/Verification Steps

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Review of HUD 2020 management
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