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RELEASED

RESOURCES, COMMUNITY,
AND ECONOMIC DEVELOPMENT
DIVISION

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The Honorable Donald W. Riegle
Ranking Minority Member
Subcommittee on Housing and
Urban Affairs
Committee on Banking, Housing
and Urban Affairs
United States Senate

The Honorable Paul S. Sarbanes
United States Senate

The Honorable Jim Sasser
United States Senate

The Honorable Charles McC. Mathias
United States Senate



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Subject: Further Information on the Department of Housing and Urban Development's Fiscal Year 1983 Reductions in Force (GAO/RCED-83-80)

Your October 15, 1982, joint letter requested that we answer 12 questions regarding the Department of Housing and Urban Development's (HUD's) planned reductions in force (RIF's) for fiscal year 1983. In our October 29, 1982, report, we provided answers to 5 of the 12 questions of interest to you. 1/

This report addresses the remaining seven questions. They generally deal with:

- Whether HUD officials considered alternatives to the RIF and how HUD estimated the costs and savings associated with the RIF.
- The impact of the RIF on various program and administrative offices.

As agreed with your representative, our response primarily covers the RIF that was to have taken place in October 1982 but was

1/"Department of Housing and Urban Development's Fiscal Year 1983 Reductions in Force" (GAO/RCED-83-47, Oct. 29, 1982).

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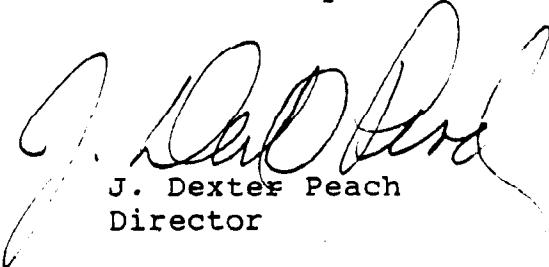
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delayed until December 10, 1982, due to a court order. 1/ As also agreed, we have included information, where available, on further fiscal year 1983 staff reductions HUD plans for headquarters and field offices.

We found that HUD did not conduct any formal studies on alternatives to a RIF. However, HUD internal memoranda show that it considered alternatives such as using attrition and continuing an existing hiring freeze as part of its staffing strategy for fiscal year 1982. HUD was able to reduce greatly the number of positions to be abolished because of the high attrition that occurred. We also found that HUD's cost and savings estimates omitted a number of factors such as administrative and legal costs, the costs associated with early retirement, and future years' salary savings. Further, HUD did not prepare any documented studies or analyses on the programmatic impact of the recent RIF. Most of the program officials we interviewed said that the RIF should not substantially impede their organizations' ability to carry out program and legislative responsibilities or that it was too early to tell. Officials added, however, that the RIF has lowered staff morale.

Our detailed response to the seven questions is contained in enclosure I, as is an explanation of the objectives, scope, and methodology we followed in performing this review.

We did not obtain agency comments on this report. As arranged with your offices, unless you publicly announce its contents earlier, we will not distribute this report until 3 days after its issue date. At that time, we will send copies to other interested parties.



J. Dexter Peach
Director

Enclosure

1/On Oct. 29, 1982, a Federal District Court issued a temporary restraining order preventing HUD from implementing the RIF. The court issued an injunction on Nov. 15, 1982, which would have prevented HUD's Secretary from carrying out the RIF until Jan. 1, 1983. On Dec. 8, 1982, the United States Court of Appeals reversed the injunction.

FURTHER INFORMATION ON DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT'S
FISCAL YEAR 1983 REDUCTIONS IN FORCE

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objective in this review was to assess selected procedures and impacts of HUD actions relating to fiscal year 1983 RIF's. We had earlier reported that HUD planned to abolish 83 headquarters positions on October 31, 1982. 1/ HUD's plans were delayed by an October 29, 1982, temporary restraining order and a November 15, 1982, United States Federal District Court injunction preventing the RIF. However, the injunction was overturned by a United States Court of Appeals on December 8, 1982, and the RIF took place on December 10, 1982. 2/ As agreed with the requestors' representative, this report concentrates on HUD actions pertaining to the December RIF and includes information on further fiscal year 1983 staff reductions HUD plans for headquarters and the field offices. The December RIF abolished 78 positions and separated 63 employees, of which 28 were given temporary appointments.

We obtained the information for this report primarily by interviewing officials throughout HUD's headquarters. To the extent they were available, we examined HUD documents and files related to the RIF and HUD's plans for future staff reductions. We performed our review in accordance with generally accepted government audit standards.

QUESTIONS AND OUR RESPONSE

1. Question:

The House Committee on Appropriations has expressed concern over the costs and benefits of the proposed HUD personnel action.

- (a) What studies, if any, did the administration conduct comparing RIF alternatives such as retraining, early optional retirement, job-sharing, continued attrition,

1/"Department of Housing and Urban Development's Fiscal Year 1983 Reductions in Force" (GAO/RCED-83-47, Oct. 29, 1982).

2/As a result of HUD's successful appeal, HUD made the RIF retroactive to the original Oct. 31 date. According to an official in HUD's Office of Personnel, the Department also plans to make a variety of personnel actions retroactive. For example, employees separated as a result of the RIF will not be credited for any sick or annual leave accrued during the court injunction.

etc.? What are the findings and what is the validity of such studies? Is there evidence that such alternatives would be more cost effective?

Response:

According to HUD officials in program and administrative offices, no formal studies were conducted analyzing alternatives to a RIF. However, HUD internal memoranda show that the Secretary used a strategy to ensure that all organizations within HUD reached their ceiling level by September 30, 1982. The major elements of this strategy included maximizing the use of attrition to achieve staff limitations, continuing an existing hiring freeze, operating an outplacement program for those employees occupying surplus jobs, and administering RIF's to reduce staff in offices having employees with skills that are no longer needed.

An official in the Headquarters Operations Division of HUD's Personnel Office told us that in January 1982 HUD had thought it would have to eliminate approximately 380 positions because it was over the personnel ceiling imposed by OMB for fiscal year 1982. During September HUD reduced the positions to be abolished to 95. HUD was able to further reduce the number of positions to be abolished to 78 by October 28, 1982, primarily through attrition and some restructuring of HUD's organization. According to the official, HUD's attrition rate was high because HUD encouraged early retirement and outplacement. HUD conducted retirement counseling seminars and outplacement workshops which resulted in 172 retirements and 67 job placements of surplus employees in fiscal year 1982. Further, attrition was facilitated through strengthening a previously imposed freeze on promotions, outside recruitment, and reassignments.

According to the Assistant Secretary for Administration, this strategy was successful in bringing HUD within its established overall personnel ceiling of 14,300 full-time permanent appointments for the end of fiscal year 1982. However, portions of HUD still had not met personnel ceilings for individual HUD headquarters offices. Further, a skills imbalance developed due to differing attrition rates. On the advice of the Assistant Secretary for Administration, the Secretary decided in June 1982 to conduct a RIF.

Regarding HUD plans for further staff reductions in fiscal year 1983, the Secretary proposed to OMB an end-of-year staff ceiling of 13,165 full-time permanent appointments. 1/ This

1/The Assistant Secretary for Administration said that HUD will request additional full-time staff to handle a recent increase in single-family mortgage insurance activity.

represents a reduction of 663 positions below the 13,828 full-time permanent appointments on board at the end of fiscal year 1982.

By applying HUD's fiscal year 1982 attrition rate of 8.6 percent to the number on board at the end of fiscal year 1982 (13,828), we estimate that attrition alone could reduce HUD's staff level by 1,189 positions in fiscal year 1983, assuming the same attrition level as in fiscal year 1982. Thus, attrition may be sufficient to bring HUD within the staff level ceiling it proposed to OMB. The actual attrition rate could vary considerably from this estimate, however, depending upon whether HUD discontinues its hiring freeze, the hiring outlook at other Federal agencies, and general economic conditions. Also, HUD may decide to conduct a RIF if a further skills imbalance develops.

The Assistant Secretary for Administration told us that HUD has not conducted any formal studies of whether or how it would reduce staff in headquarters or the field because it is awaiting the target staffing allocation to be provided by OMB in January 1983.

Question:

(b) What costs and savings does HUD management claim will result from the planned RIF? Are those claims fully substantiated? Under what likely circumstances could the costs or savings differ significantly from the claims of HUD management?

Response:

At the time of our review, HUD did not have savings and cost estimates for the 78 positions abolished. HUD gave us the following savings and cost estimates for the 95 positions which were to have been abolished on September 29, 1982:

Table 1HUD's Estimate of RIF Savings and CostsSavings

First year salary savings	<u>\$2,139,000</u>
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Costs

Grade and pay retention overpayments <u>1/</u>	\$375,000
Lump sum annual leave payments	52,000
Severance pay	132,000
Unemployment compensation	<u>220,000</u>
Total costs	<u>\$779,000</u>

Net savings\$1,360,000

HUD calculated these costs and savings estimates from data in nonrandomly selected files of 217 2/ employees to be affected by the RIF as of September 29, 1982. HUD did not retain the worksheets supporting the calculations. Because HUD did not select randomly and did not retain supporting worksheets, we were unable to determine the accuracy of HUD's estimates.

Aside from accuracy considerations, the cost estimates provided by HUD omit a number of factors. First, the estimates do not account for administrative costs which HUD told us would be about \$177,000. These costs primarily include the salaries of employees administering the RIF and computer time.

The estimates also do not consider the additional costs incurred by the civil service retirement system when employees voluntarily retire early and receive immediate benefits, with little or no reduction to their annuities. Early retirement annuities are reduced by only one-sixth of 1 percent for each month the employee is under age 55. We previously reported a number of factors which affect the additional costs of early retirement, including (1) the extra years early retirees spend on the retirement roles, (2) the loss to the retirement fund of the employee and agency contributions that would otherwise be made, and (3) cost-of-living adjustments the early retirees

1/When individuals are demoted during a RIF, they retain their current salary for 2 years. HUD calculated this cost as the difference in salaries between the individuals' grades before the RIF and the grades assumed after the RIF.

2/This includes the 95 employees whose positions were to be abolished and additional ones to be downgraded or transferred.

receive, counterbalanced by increased annuities employees would earn if they worked longer. 1/ Further, Federal employees may retire early when they are involuntarily separated through no fault of their own, thus increasing the costs to the retirement system. HUD did not have information on the number of retirements that occurred directly as a result of the recent RIF. However, in fiscal year 1982, the time period during which HUD was encouraging early retirements, there were 78 voluntary retirements, 72 involuntary retirements, and 22 disability retirements.

Further, HUD's estimates did not include legal costs associated with resolving RIF-related employee appeals and grievances. Members of the HUD employees union told us that they have filed an unfair labor practices charge with the Federal Labor Relations Authority and that they plan to file complaints with the Merit Systems Protection Board. In addition, HUD and the Department of Justice, which is HUD's legal representative, incurred legal costs as a result of the injunction filed in November and the appeal to the Court of Appeals in December.

The savings estimates also may be understated in that HUD included only the first year's cost of the salaries of terminated positions. HUD will actually realize savings each year a previously occupied position is not filled. However, because of inflation, the estimated value of future savings decreases over time.

According to HUD's Assistant Secretary for Administration and the Deputy Under Secretary for Field Coordination, HUD does not have current detailed information on the costs and savings associated with the proposed fiscal year 1983 field office reorganization and proposed further reductions in headquarters because the November 1982 court injunction prevented them from working on the reorganization or a RIF. Concerning the field reorganization, however, an August 1982 study completed by the Survey and Investigations staff of the House Appropriations Committee challenged the validity of costs and savings estimates it obtained from HUD. The report showed that HUD estimated there would be \$7.5 million in costs and \$31.5 million in savings. The report questioned HUD's assumptions regarding attrition used for estimating severance pay costs and the assumptions about average salary used for estimating the personnel savings.

1/"Savings from 1981 and 1982 Personnel Ceiling Reductions" (FPCD-82-23, Jan. 15, 1982).

2. Question:

Has HUD chosen to utilize vacant positions to satisfy assignment rights of displaced employees? If so, is this being done in a fair, equitable, and cost-effective manner? How many vacant positions are carried on the central office payroll?

Response:

HUD has chosen to utilize three vacant positions to satisfy the assignment rights of displaced employees. The Office of Personnel Management (OPM) regulations stipulate that when an agency implements a RIF it may choose, at its discretion, whether to fill vacant positions. If an agency chooses to provide RIFed employees the opportunity to fill vacant positions 1/, OPM regulations require that the individual must be qualified for the position and a retention register must be used. 2/ We were unable in the short time available to determine whether HUD properly followed all OPM regulations. However, a special assistant to the Director, Headquarters Operations Division, in HUD's Office of Personnel showed us that in offering the three individuals vacant positions HUD used a retention register and determined that the three persons were qualified.

According to the Director, Headquarters Operations Division, Office of Personnel, HUD currently defines a vacant position as one it is actively attempting to fill. As of December 1982 HUD had 16 vacant positions in headquarters.

Regarding the number of vacancies carried on the central office payroll system (referred to in question 2), the director stated that HUD does not consider these positions vacant. HUD currently has 2,408 unoccupied positions listed on the central office payroll computer system. HUD shows so many unoccupied positions on the payroll system because as positions were no longer needed and as employees left or were promoted, HUD did not adjust the payroll system. However, HUD cannot fill these positions because it does not have the funds or OMB approval to do so.

1/RIF actions include separation, demotion, furlough for more than 30 days, or reassignment requiring displacement.

2/OPM regulations require agencies to prepare retention registers before implementing a RIF. A retention register lists all employees either in the same organizational unit and/or a geographic area that are assigned under a single administrative authority with similar grade or occupational levels according to the following factors: tenure of employment; military preference; length of service; and performance ratings.

Work year allowances and personnel vacancies may also be expressed as the difference between amounts allocated and actually used in terms of full-time equivalent work years OMB allocates to HUD and full-time permanent appointments HUD estimates in its budget justification. ^{1/} In fiscal year 1982 OMB allocated HUD 14,940 work years (for both headquarters and field operations). At the end of fiscal year 1982, HUD estimated that it used 14,609 work years, or 331 work years less than its total allocation. Furthermore, HUD estimated in its fiscal year 1982 budget justification that it would have 14,300 full-time permanent appointments (including both headquarters and field operations) on board by the end of that fiscal year. At the close of fiscal year 1982, HUD had on board 13,828 full-time permanent appointments or 472 less than it originally estimated in its budget justification.

3. Question:

We understand that the only Spanish-speaking EEO investigator for internal complaints of discrimination against HUD employees had his job abolished. We are told that the only HUD unit capable of reviewing the compliance of larger cities with Title VI of the Civil Rights Act of 1964 has been abolished. We understand further that one-third of the headquarters professional staff responsible for enforcing Title VIII of the Civil Rights Act of 1968, the Federal Fair Housing Law, is being eliminated. Are these reports accurate?

Response:

Spanish-speaking EEO investigator

HUD abolished the job of a Spanish-speaking equal employment opportunity (EEO) investigator for internal discrimination complaints. However, one of the remaining investigators is

^{1/}According to HUD's Director, Budget Management and Operations Division, OMB issues HUD a personnel ceiling in terms of full-time equivalent work years. This allocation is stated in terms of compensable work years and reflects the total number of hours funded (excluding estimates of terminal leave and overtime and holiday hours). This system includes work year allocations for both full- and part-time employees. HUD cannot exceed this estimate. HUD then translates its allocation of full-time equivalent work years into an estimate of full-time permanent appointments. Full-time permanent appointments reflect the number of full-time employees with permanent appointments that are on board or plan to be on board as of the end of the fiscal year. HUD then incorporates its estimate of full-time permanent appointments into its budget justification submitted to the Congress.

a self-identified Hispanic employee. This latter EEO investigator does not speak fluent Spanish.

There is a question about whether HUD actually needs an EEO investigator who speaks Spanish. For example, the former Spanish-speaking investigator told us that he converses in Spanish about 25 to 30 percent of the time when performing official HUD duties. The former investigator said that Hispanic employees feel that they can best express themselves in Spanish when filing a discrimination complaint. However, the office director responsible for this function told us that he is not aware of any situation that has required an EEO investigator to speak Spanish. According to HUD's Chief, Employment Strategies and Compliance Branch, as of the end of fiscal year 1982, HUD had 719 permanent full-time employees nationwide who self-identified themselves as Hispanic.

Large city compliance with Civil Rights statutes

In March 1981 the Assistant Secretary for Fair Housing and Equal Opportunity (FHEO) disbanded the Headquarters Investigation Unit (HIU) responsible for reviewing large city compliance with Title VI of the Civil Rights Act of 1964; Section 504 of the Rehabilitation Act of 1973, as amended; and the Age Discrimination Act of 1975, as amended. ^{1/} The Assistant Secretary transferred this function to 10 regional offices, which previously had this responsibility before FHEO established HIU.

FHEO established HIU in November 1979 to review civil rights compliance of large cities. FHEO also set up HIU to develop new strategies in determining noncompliance with the various civil rights statutes. The HIU staff was composed of eight employees, including one secretary. The professional staff members had multidisciplinary backgrounds, including EEO as well as general program analysis experience. During its tenure, HIU had completed one compliance review--in Buffalo, New York.

^{1/}Title VI of the Civil Rights Act of 1964 prohibits discrimination in any programs or activities receiving Federal financial assistance. Section 109 (of Title I) of the Housing and Community Development Act of 1974 explicitly prohibits discrimination in any program or activity subject to the provisions in this title including such programs as the Community Development Block Grant. Section 504 of the Rehabilitation Act of 1973, as amended, bars discrimination based upon handicap in federally assisted programs and activities. Finally, the Age Discrimination Act of 1975, as amended, prohibits discrimination in Federal programs and activities based upon age.

In March 1981 the Director of FHEO's Office of Program Compliance concluded that HIU was unsuccessful and recommended to the Assistant Secretary that it be disbanded. Shortly after the Director's recommendation, the Assistant Secretary disbanded HIU. According to FHEO's Director of the Program Compliance Division (the division responsible for HIU), HIU staff did not have sufficient EEO experience. Furthermore, HIU was very expensive to operate because it required headquarters staff members to travel extensively. This official stated that the only positions eliminated in his division as a result of the RIF were those originally allocated to HIU.

HUD regional offices are responsible for completing compliance reviews of all HUD recipients, including large cities. According to the Director, Program Compliance Division, the regional offices are doing a better job than the former HIU. In his opinion, the regions are able to complete compliance reviews quicker, with more findings of discrimination, and with less staff and travel funds. The Director told us that in fiscal year 1982 HUD's regional offices completed 16 compliance reviews of cities with populations greater than 100,000.

Title VIII staffing levels

As a result of the recent HUD RIF, the headquarters division responsible for enforcing Title VIII of the Civil Rights Act of 1968 1/ had three of its positions abolished, or one-fifth of its staff. According to the FHEO Deputy Assistant Secretary for Enforcement and Compliance, elimination of these three jobs will not significantly impact upon HUD's ability to enforce Title VIII. The Deputy Assistant Secretary did not know what the future FHEO staff ceiling will be or how many additional positions FHEO may have to eliminate in fiscal year 1983.

4. Question:

How will HUD carry out its statutory responsibility regarding lead-based paint, energy conservation, and environment despite the significant reduction or elimination of responsible staff? How do those reductions correspond to GAO's previous findings that HUD has not delivered on headquarters reports, regulations, and other obligations for 20 amendments since 1980?

1/Title VIII of the Civil Rights Act of 1968 prohibits housing discrimination based upon race, color, religion, sex, and national origin.

Response:Lead-based paint

Federal regulations on lead-based paint aim to prevent poisoning in residential structures. The regulations require (1) notifying purchasers and tenants of HUD-associated housing constructed before 1950 of the hazards of lead-based paint, (2) eliminating lead-based paint hazards in HUD-associated housing, (3) prohibiting the future use of lead-based paint in all Federal or federally assisted housing, and (4) ensuring compliance by HUD with all State and local laws pertaining to lead-based paint hazard abatement.

HUD headquarters officials from the Offices of Housing and Community Planning and Development explained that the field offices principally implement lead-based paint regulations through the monitoring of localities' compliance. Therefore, it appears that the recent 1983 headquarters RIF will not impact on this program.

To determine the impact of the proposed fiscal year 1983 field reorganization and staff reductions, we contacted Housing and Community Planning and Development officials in HUD's two largest regional offices--Chicago and Atlanta. Three of the four officials contacted felt that field staff reductions would not significantly affect HUD's ability to carry out the lead-based paint regulations. A fourth official was unsure whether there would be any impact.

Energy conservation and environment

The Office of Environment and Energy in HUD headquarters develops policies and procedures to implement over 12 statutes related to the environment. The office lost 8 out of its 40 positions in the recent RIF. The director of the office said that no functions will be eliminated and no programs will be dropped as a result of the RIF. Rather, the level of effort will be reduced in all program areas corresponding to the magnitude of the reduction in staff. He noted that the remaining staff will pick up the additional responsibilities resulting from the decrease in staff.

HUD's implementation of the
1981 Housing Amendments

The "previous findings" referred to in the question pertain to our recent report on HUD's implementation of 13 provisions of the housing amendments in the Omnibus Budget Reconciliation

Act of 1981 (Public Law 97-35). ^{1/} We reported that, as of May 1982, only 2 of the 13 provisions were fully implemented. The Assistant General Counsel for Regulations told us that in his opinion headquarters staffing shortages were not responsible for the delays in implementing the amendments. Rather, the delays resulted from resolving issues that arose during departmental clearances of the draft regulations.

5. Question:

What programmatic impact can be anticipated due to lost productivity, retraining of displaced employees, and other RIF-related factors?

Response:

Impact of the recent RIF

Neither HUD nor its affected organizational units have studied or analyzed the anticipated programmatic impact of the current fiscal year 1983 RIF, especially concerning productivity losses or retraining of displaced staff. Further, the agency has not issued plans for additional RIFs at this time and has not yet studied the programmatic impact of further staff reductions. Although HUD has not developed data on the programmatic impact of the recent RIF, it appears that the RIF was disruptive to some HUD organizations and in general the RIF has had a negative effect on staff morale.

HUD's Assistant Secretary for Administration told us that HUD did not prepare any studies on the anticipated programmatic impact of the recent headquarters RIF, especially concerning productivity changes, effect on staff morale, and other RIF-related factors. The Assistant Secretary stated that there was significant concern that HUD as an organization was keeping excessive staff on board at a high cost to the agency and that it would be cost effective for the agency to conduct a RIF following fiscal year 1982. The Assistant Secretary explained that a major objective of the RIF was for HUD to eliminate nonessential administrative staff functions, thereby reducing "layering" of supervisory levels and decreasing excessive overhead. The Assistant Secretary believes that the RIF should have no impact on organizational productivity because essential staff needed to carry out program responsibilities would be preserved. Further, the Assistant Secretary stated that the RIF may actually result in increased productivity because many office functions will be operating more efficiently.

^{1/}"HUD's Progress in Implementing the 1981 Housing Amendments" (CED-82-116, Aug. 17, 1982).

In late November and early December 1982, we discussed the programmatic impact of the RIF with program management officials of the following seven HUD organizations directly affected by position abolishments and other RIF-related actions:

- Office of the Secretary.
- Housing.
- Community Planning and Development.
- Fair Housing and Equal Opportunity.
- General Counsel.
- Policy Development and Research.
- Administration.

We were told that none of these organizations prepared any documented studies or analyses on the anticipated programmatic impact of the RIF. However, most program officials stated that the position abolishments and other RIF-related actions should not substantially impede their organizations' ability to carry out their program and legislative responsibilities. Deputy Assistant Secretaries in two organizations--Housing and Community Planning and Development--thought it was too early to measure the RIF's programmatic impact. They believed that the overall impact cannot be assessed until after the personnel actions occur. Similarly, none of the seven organizations had developed any documented plans or analyses relating to the retraining of staff displaced during the RIF process. The program managers generally stated that retraining of displaced staff bumping into new positions would be accomplished through individual on-the-job training. A HUD Personnel Office official told us that because of the small size of the HUD RIF, an agencywide staff retraining program was not considered necessary. The official stated that people displaced into other positions should be generally qualified to fill positions with minimal retraining and disruption.

The HUD program managers we talked with generally agreed that the RIF had a bad effect on employee morale. For example, a Deputy Assistant Secretary for Community Planning and Development stated that the RIF has caused much anxiety among the organization's staff and that morale was very low. A Deputy Assistant Secretary for Housing also stated that a RIF causes low staff morale which in turn results in a loss of productivity. This official added, however, that it would be impossible to quantify such a productivity loss. Another Housing official in the Office of Management told us that the protracted discussion and meeting process during the

preliminary stages of the RIF disrupted the organization and harmed staff morale.

We previously reported ^{1/} that program disruption and lost productivity is a possibly significant but unquantifiable cost associated with the effort to reduce the size of the Federal work force. Similarly, HUD's Assistant Secretary for Administration agreed that a RIF could cause employee morale to drop, but she felt that this is a short-term problem that has to be balanced against the long-term benefits of conducting a RIF.

HUD plans for additional RIF's

The Assistant Secretary for Administration and program management officials in the seven headquarters organizations told us that no documented plans had been prepared for further RIF's in fiscal year 1983. The officials also stated that neither HUD nor its organizational units have analyzed the programmatic impact of any further staff reductions. The Assistant Secretary for Administration stated that although the Secretary's September 15, 1982, submission to OMB contained proposed staff reductions for fiscal year 1983, until OMB sends HUD final staffing allocation ceilings, she would not be in a position to discuss a RIF or other possible alternatives.

HUD's Deputy Under Secretary for Field Coordination developed a preliminary reorganization plan which, among other things, would consolidate several of HUD's regional and area offices. In July 1982 the Secretary of HUD wrote to the Chairman of the Subcommittee on HUD-Independent Agencies, Senate Committee on Appropriations, describing the proposal's details. According to the proposal, the reorganization changes were expected to reduce total departmental field staff by approximately 600 positions as well as achieving significant savings in space and overhead expense. The proposal suggested that a consolidation in regional cities and other organizational changes would result in the abolishment of over 100 managerial positions and the creation of at least 28 positions.

The proposal anticipated that it would be necessary to conduct a RIF within the field and estimated the associated personnel actions were to be completed in the first quarter of fiscal year 1983. The Assistant Secretary for Administration said that HUD's September 15, 1982, submission of its revised fiscal years 1983 and 1984 budgets to OMB reflected the assumption that a field reorganization would be implemented as planned. However, according to an official of HUD's Personnel Office,

^{1/}"Savings from 1981 and 1982 Personnel Ceiling Reductions" (FPCD-82-23, Jan. 15, 1982).

the preliminary plan was not finalized or approved by the Secretary. The official explained that the plans to conduct a field RIF have not been prepared at this time. Another Personnel Office official stated that there has not been any study of the anticipated programmatic impact of a future field RIF.

6. Question:

By elimination of Civil Rights staff in Title VI (of the Civil Rights Act) and section 3 (of the Housing Act) will HUD's ability to enforce nondiscrimination in HUD-assisted programs, particularly large and complex recipients, be diminished? Will HUD ever be in a position to fully implement section 3 and insure compliance?

Response:

As discussed in the response to question 3, HUD believes that by abolishing HIU and transferring the function of reviewing large cities' compliance with civil rights statutes to HUD regional offices, HUD will have enhanced its ability to perform this regulatory function.

Section 3 of the Housing and Urban Development Act of 1968, as amended, provides that, to the greatest extent feasible, HUD assistance recipients should provide training and employment opportunities to lower income residents living in the unit of local government or metropolitan area in which the project is located. Furthermore, it requires, to the greatest extent feasible, that contracts be awarded to businesses (in consultation with the Small Business Administration) located within the project area or substantially owned by project area residents of the same metropolitan area as the project.

HUD's enforcement of section 3 is largely conducted by HUD field offices. Since 1977, only one headquarters official has worked on section 3. This official was not affected by the RIF.

According to the official, FHEO area office monitoring and regional office compliance activities of this provision subsided in about 1977. He said that HUD recipients and contractors are required to sign assurances that they understand section 3 and will take the necessary steps to comply with it. HUD area offices are then responsible for monitoring the projects. If necessary, the regional offices perform more detailed compliance reviews. Individuals and citizen groups can file complaints concerning compliance by HUD recipients or contractors with section 3. However, the official did not provide us with any statistics on the number of complaints investigated and compliance reviews completed by regional office staff.

According to the FHEO Deputy Assistant Secretary for Enforcement and Compliance, FHEO has decided not to emphasize the section 3 activities because it believes that it can help more individuals by enforcing Title VIII and Title VI.

7. Question:

Will the abolishment of the Office of Organization and Management Information (OMI) have significant impact on management of HUD resources? Will bona fide work measurement data be maintained?

Response:

According to OMI's Acting Director, HUD plans to abolish OMI during fiscal year 1983. The decision to abolish OMI, which is responsible for administering several HUD management systems, coincided with a top management decision to significantly modify a number of them, including the work measurement system. According to the Assistant Secretary for Administration, the modified work measurement system will be administered by the Office of Budget.

HUD's work measurement system was designed to justify and allocate approved work force levels through the development of work measurement standards covering a large portion of the HUD-approved work force. These work standards also provided a basis for assessing workload performance and staff utilization and for monitoring productivity and efficiency.

HUD announced in October 1982 some of its plans to modify the management systems. HUD was considering a more limited and selective approach in the development and use of work measurement standards. The approach would concentrate on developing and measuring a few relevant work outputs in each program area accounting for the bulk of staff time.

In a December 7, 1982, memorandum, the Assistant Secretary for Administration advised HUD managers of the decision to proceed with the changes proposed in October. According to the memo, the Office of Budget will develop and administer the revised system. The system will rely on the development and maintenance of aggregate productivity ratios relating a given output to the amount of staff time required to accomplish it. HUD plans to use the ratios as guides and not as rigid criteria to justify or allocate work force needs in HUD. In addition, HUD does not plan to develop these ratios for all program and administrative outputs. Rather, it will develop ratios for major outputs that account for the bulk of work force needs.

HUD's management is aware that a need still exists for the basic information necessary for effective support of the HUD budget process. HUD's decision to pursue a productivity ratio

approach to justify and allocate work force requirements and assess productivity should meet this need if properly implemented. Implementation of this system must rely on trend analysis data to evaluate timeliness, quality, and work process efficiency. If the revised system adequately meets these needs, it should provide the basis needed to support HUD's budget.