

March 2013

HOUSING AND
URBAN
DEVELOPMENT

Strategic Human
Capital and Workforce
Planning Should be an
Ongoing Priority



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Why GAO Did This Study

HUD has faced challenges accurately determining the staff resources it needs to fulfill its mission of creating strong, sustainable, inclusive communities and quality affordable homes for all. GAO's prior work has shown that strategic human capital management, including efficient and effective workforce planning, helps ensure agencies have people with the skills needed to carry out their missions. GAO was directed to review the status of HUD's workforce planning efforts. GAO reviewed (1) HUD's strategic human capital and workforce planning efforts; (2) the extent to which HUD's resource management systems reflects identified standards; and (3) how clearly HUD presents its rationale behind staff resource requests in the budget request. GAO reviewed department-wide human capital and resource management efforts and selected four of the largest HUD program offices for further review. GAO reviewed documentation of HUD planning efforts and interviewed HUD officials and relevant congressional staff. The results from the reviews of the four program offices cannot be generalized to all offices within HUD.

What GAO Recommends

GAO recommends that the Secretary of HUD follow through on developing and maintaining human capital and workforce plans that clearly incorporate key principles; create incentives for staff to report accurate data for managing staff resources; and consult with congressional decision makers to determine what additional information about resource decisions should be presented, and how, in its CBJ. HUD agreed with GAO's recommendations.

View [GAO-13-282](#). For more information, contact Michelle Sager at (202) 512-6806 or sagerm@gao.gov.

HOUSING AND URBAN DEVELOPMENT

Strategic Human Capital and Workforce Planning Should be an Ongoing Priority

What GAO Found

The U.S. Department of Housing and Urban Development (HUD) reports that it is moving forward with strategic human capital and workforce planning efforts after several years of delays. HUD's most recent workforce plan expired in 2009 and since then HUD has launched several planning efforts. According to HUD, these efforts were preempted by other important priorities, such as responding to the economic crisis. HUD undertook initiatives such as training key program office staff on the need to determine up front the staff HUD could afford to hire. In HUD's latest effort, a contractor is expected to complete human capital and workforce plans no later than fiscal year 2014. In June 2012, an Office of Personnel Management (OPM) review found that HUD's human capital and workforce planning activities did not always follow key principles for planning, implementing, and evaluating the results of human capital management policies and practices. For example, the review found that HUD's human resources policies and programs are not aligned with the organization's mission, strategic goals, or performance outcomes. As a result of these weaknesses, OPM concluded that HUD cannot continually assess and improve human capital planning and investments or measure the impact on mission accomplishment.

HUD is reexamining its resource management processes, which do not fully consider all standards identified by the National Academy of Public Administration in a 1999 report on ways that HUD could address its resource management challenges. GAO's review found that HUD provides central guidance on how work is defined and collected, and involves headquarters and field staff in the workload definition process. However, HUD has not created incentives or accountability for staff to report accurate workload data. GAO found that HUD's program offices selectively use the department's resource estimation and allocation process (REAP) to define workload and estimate resources and there is no widespread agreement that the process produces the quality of data needed to effectively estimate resources. As a result, staff are entering information into the Total Estimation and Allocation Mechanism (TEAM), REAP's validation component (which compares actual staff time to estimated staff time) on an inconsistent basis and officials report that the information is often not used to inform decision-making.

HUD's budget submission could more clearly explain the underlying rationale for HUD's budget request, even though primary users acknowledge that 2013 was an improvement over prior years. The primary users of the congressional budget justification (CBJ) are appropriations staff who said that CBJs from fiscal years 2008 to 2012 generally contained data tables for some program areas and did not always contain narrative that explained or justified the full-time equivalent request. According to HUD officials, HUD provided data tables because prior submissions with more detail did not prompt questions from Congress. Users of the CBJs GAO spoke to agreed that the fiscal year 2013 changes which provided more detail improved the clarity and utility of the justifications, but some still raised questions about the lack of adequate, consistent information available to help Congress make resource allocation decisions.

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Abbreviations

CBJ	congressional budget justification
FTE	full-time equivalent
GPRA	Government Performance and Results Act of 1993
GPRMA	Government Performance Results Modernization Act of 2010
HUD	Department of Housing and Urban Development
NAPA	National Academy of Public Administration
OMB	Office of Management and Budget
OPM	Office of Personnel Management
REAP	Resource Estimation and Allocation Process
TEAM	Total Estimation and Allocation Mechanism

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Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

March 15, 2013

The Honorable Patty Murray, Chairwoman
The Honorable Susan Collins, Ranking Member
Subcommittee on Transportation, Housing
and Urban Development and Related Agencies
Committee on Appropriations
United States Senate

The Honorable Thomas Latham, Chairman
The Honorable Ed Pastor, Ranking Member
Subcommittee on Transportation, Housing
and Urban Development and Related Agencies
Committee on Appropriations
House of Representatives

In the past, we have reported that the U.S. Department of Housing and Urban Development (HUD) has faced challenges accurately determining the staff resources it needs to fulfill its mission of creating strong, sustainable, inclusive communities and quality affordable homes for all.¹ The collapse of the housing and mortgage markets in 2008 created additional demand on HUD's resources, increasing the importance of HUD having employees with the skills needed to address these crises while using its existing resources as efficiently as possible. Further, the current fiscal environment and the continued recovery from the housing crisis necessitate effective human capital and workforce planning and resource management and increase the need to use existing staff as efficiently as possible.

Our prior work has shown that strategic workforce planning helps agencies use staff efficiently by (1) aligning an organization's human capital program with its current and emerging mission and programmatic goals and (2) developing long-term strategies for acquiring, developing, and retaining staff to achieve programmatic goals.² Further, effective staff

¹GAO, *Major Management Challenges and Program Risks: Department of Housing and Urban Development*, [GAO-03-103](#) (Washington, D.C.: January 2003).

²GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, [GAO-04-39](#) (Washington, D.C.: Dec. 11, 2003).

management assists an agency in identifying full-time equivalent (FTE) needs and informs an agency's budget formulation and execution processes.

To facilitate the use of a resource estimation and allocation process for future budget estimates and submissions, Congress directed us to review and report on the status of HUD's workforce planning efforts and its staff resource management tools.³ Our objectives were to review (1) HUD's strategic human capital and workforce planning efforts (2) the extent to which HUD's resource management system reflects identified standards and (3) how clearly HUD presents its rationale behind staff resource requests in the budget request.

Scope and Methodology

We reviewed department-wide human capital and resource management efforts for all objectives. We also selected four HUD program offices for further review that (1) had the largest number of FTEs, (2) were included in HUD's agency priority goals for fiscal years 2012 to 2013, and (3) appeared in HUD's annual performance plans for fiscal years 2012 to 2013. Three of the program offices—the Office of Community Planning and Development, the Office of Public and Indian Housing, and the Office of Fair Housing and Equal Opportunity—provide illustrative examples of planning and processes. In addition to those three offices, we used our prior work to gather information about HUD's planning and processes in a fourth program office, the Office of Housing, which is HUD's largest program office.⁴ The findings from this work cannot be generalized to those we did not include in our review.

To review HUD's strategic human capital and workforce planning efforts, we compared HUD's planning efforts to the Office of Personnel Management's (OPM) Human Capital Assessment and Accountability Framework.⁵ We also reviewed OPM's June 2012 report on HUD's human capital management and the key principles described in our prior

³H.R. Conf. Rep. No. 112-284, at 312 (2011) accompanying the Consolidated and Further Continuing Appropriations Act of 2012, Pub. L. No. 112-55, 125 Stat. 552.

⁴GAO, *Federal Housing Administration: Improvements Needed in Risk Assessment and Human Capital Management*, [GAO-12-15](#) (Washington, D.C.: Nov. 7, 2011).

⁵5 C.F.R. §§ 250.101 – 250.203.

reports on workforce planning to inform our efforts.⁶ We reviewed OPM's methodology and found that it was reasonable for our purposes.

To review the extent to which HUD's resource management system reflects identified standards, we reviewed HUD documents describing its activities and compared them to the identified standards in the National Academy of Public Administration (NAPA) report for developing an effective resource management system for HUD.⁷

To understand how clearly HUD presents its rationale behind staff resource requests, we reviewed congressional budget justifications (CBJ) and met with HUD appropriations subcommittee staff, as they are the primary users of this information. For all objectives, we interviewed relevant HUD officials in the offices of the Chief Financial Officer and the Chief Human Capital Officer and in the selected program offices.

We conducted this performance audit from July 2012 to March 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

As noted earlier, HUD has faced longstanding challenges with staff resource estimation and management. To improve its ability to estimate FTEs and support budget requests, in 1999, HUD partnered with NAPA to develop standards for a resource estimation and allocation process.⁸ NAPA identified standards for HUD to (1) adopt a resource management

⁶Office of Personnel Management, U.S. Department of Housing and Urban Development, *Human Capital Management Evaluation Report, Quarter 3 – FY 2012* (June 2012). See also GAO, *Workforce Planning: Interior, EPA, and the Forest Service Should Strengthen Linkages to Their Strategic Plans and Improve Evaluation*, [GAO-10-413](#) (Washington, D.C.: Mar. 31, 2010), and [GAO-04-39](#).

⁷National Academy of Public Administration, *Aligning Resources and Priorities at HUD: Designing a Resource Management System* (Washington, D.C.: 1999). The resource management system identified by NAPA includes estimation, validation, and allocation.

⁸H.R. Conf. Rept. 105-119, at 112 (1997) directed HUD to enter into a contract with NAPA to examine HUD's practices for estimating human resource needs.

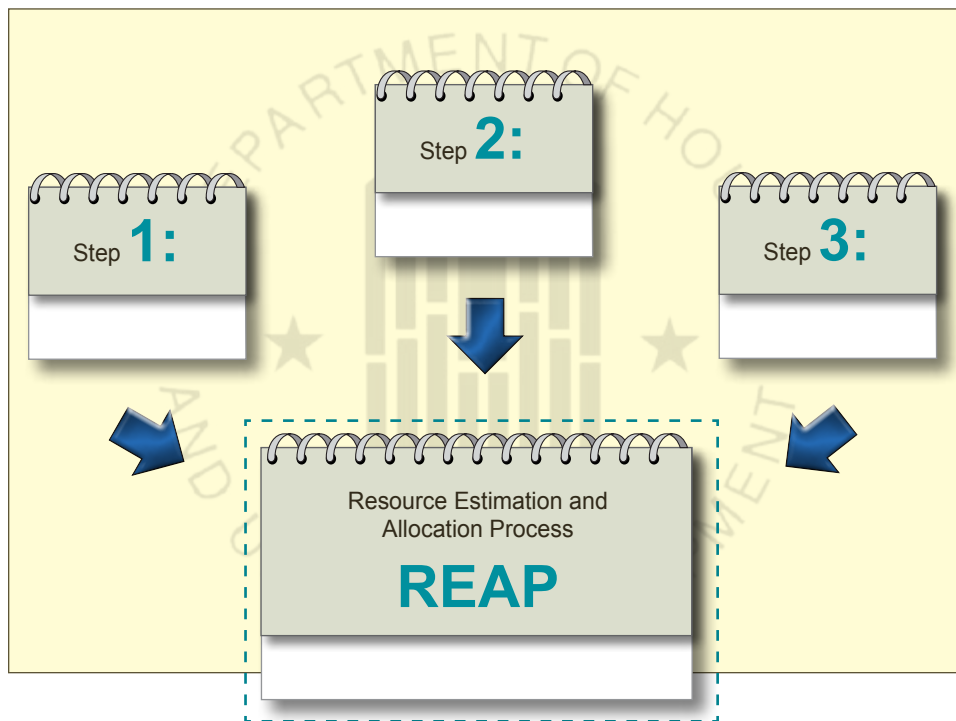
methodology with estimates and allocations based on anticipated work and where it is to be performed; (2) include all of the departmental responsibilities in a resource estimation system; (3) identify work that can be accomplished with current staffing levels, which tasks must be done less often or are no longer required, and which tasks are to be contracted out; and (4) include a resource validation component that accurately measures actual staff activities. HUD agreed and appendix II provides additional detail on these standards.

HUD intended that the resource estimation and allocation process it developed known as REAP would produce analytically-based data upon which HUD could accurately determine staff needs in relation to program requirements. REAP is composed of three components: resource estimation, validation, and allocation. Figure 1, an interactive graphic, illustrates the original design of REAP (see appendix I for more information). While the allocation component was piloted in the Office of Fair Housing and Equal Opportunity, ultimately it was not implemented agency-wide.

Figure 1: Original Design of the Resource Estimation and Allocation Process (REAP)

Directions:

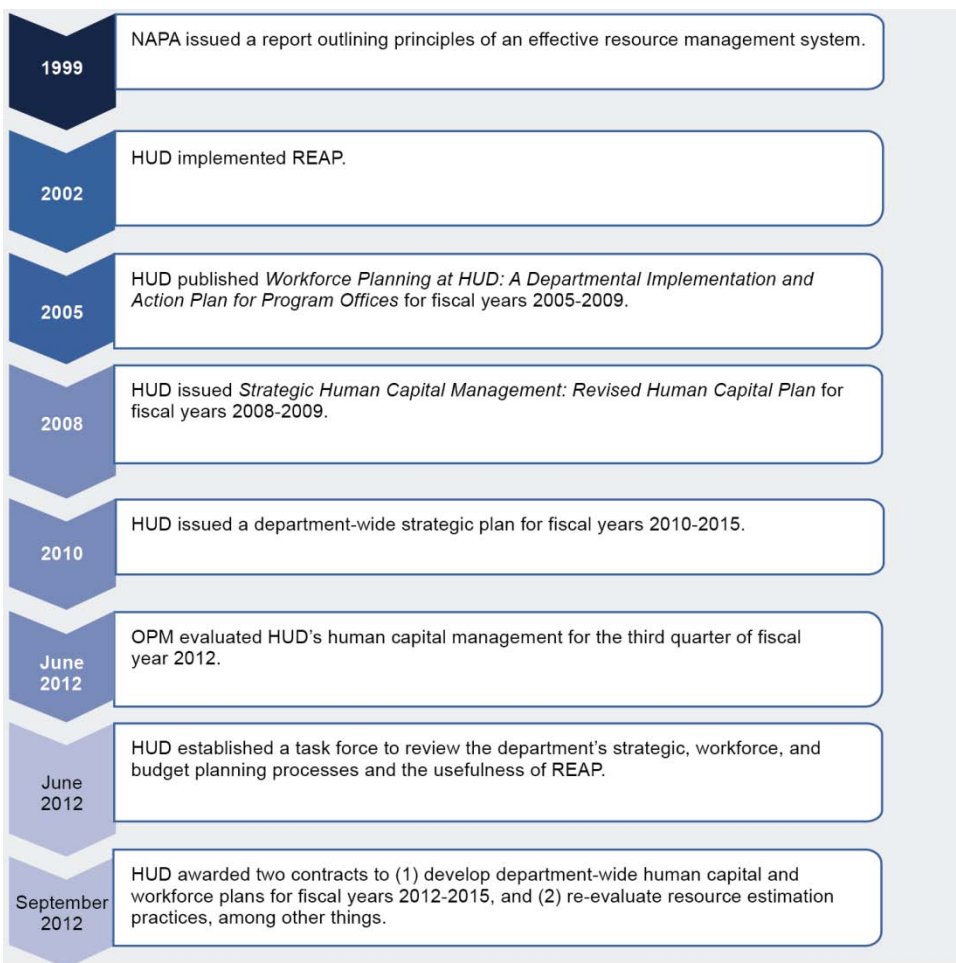
Roll over each **Specific Category** bar to see more information regarding HUD's Resource and Estimation Allocation Process.



Source: GAO analysis of HUD's documents.

As shown in the timeline in Figure 2, HUD's present staff resource management efforts began with the development of REAP.

Figure 2: Timeline of HUD's Human Capital, Workforce Planning, and Staff Resource Management Efforts



Source: GAO analysis of HUD's documents.

Within HUD, the Office of the Chief Human Capital Officer has responsibility for developing HUD's department-wide human capital and workforce plans. These plans set the tone for identifying an agency's workforce goals and determining the activities and initiatives needed to achieve those goals. The Office of the Chief Human Capital Officer is also responsible for providing guidance to program offices in assessing their needs, performing workload analyses, and creating hiring plans.

The Office of the Chief Financial Officer oversees HUD's budget formulation and submission to Congress. In addition, each program office has its own budget office that formulates requests for its individual program office. These budget offices submit their requests to the Office of the Chief Financial Officer for consideration. According to the officials, this approach provides the program offices with flexibility to estimate their workload and staff resource needs.

HUD Reports That it is Moving Forward with Strategic Human Capital and Workforce Planning Efforts after Several Years of Delays

HUD Has Awarded Contracts to Further Planning Efforts

In April 2012, the Office of the Chief Human Capital Officer began soliciting a contractor to help HUD conduct a workforce analysis and update both the human capital and workforce plans. However, HUD placed award of the contract on hold while related initiatives were being evaluated. HUD then delayed this effort when its newly appointed Deputy Secretary requested information on the workforce planning process that established a workforce planning task force, among other things.

The original target date for completion of these plans was September 30, 2012. However, as a result of the delay stemming from the creation of the new workforce planning task force, HUD signed the contract for the development of the workforce and human capital strategic plans in September 2012. According to officials, HUD has since modified the timeline for deliverables and the plans are now expected to be completed no later than fiscal year 2014.⁹ Although this contract is an example of HUD's centralized efforts to prioritize human capital and workforce planning, the contract does not specify which years the plans will cover

⁹This contract will result in two plans, which, prior to modification, had costs totaling \$591,000.

and calls for development of “multi-year” plans, starting in fiscal year 2012. HUD officials said that they will align the end date for the plans with the department’s strategic plan, which is currently applicable through 2015. By definition, plans should be forward looking, but once HUD’s plans are completed, the first two years—fiscal years 2012 and 2013—will have elapsed. In comments on a draft of this report, HUD stated its intention to modify the contract deliverables to reflect fiscal years 2014 and future years. Further, HUD stated in its comments that the deliverables will also be amended based on any changes caused by a revision to HUD’s strategic plan.

According to the contract, the human capital plan is to be developed to align with OPM’s Human Capital Assessment and Accountability Framework.¹⁰ The contract states that the plans are supposed to outline the desired outcomes and, among other things, identify strategies to:

- provide a roadmap for accomplishing the mission and implementing HUD’s strategic plan goals;
- recruit, retain, and train a workforce with the skills and abilities to fulfill HUD’s responsibilities; and
- provide metrics to determine the effectiveness of the plan.

According to HUD, the plan will support decision-making and prioritization of human capital initiatives.

Separately, the contract states that the workforce plan must identify the human capital required to meet HUD’s organizational goals, conduct analyses to identify and close competency gaps, develop strategies to

¹⁰The Office of Personnel Management’s Human Capital Assessment and Accountability Framework details concepts and systems that broadly outline key principles for planning, implementing, and evaluating the results of human capital management policies and practices. These key principles are as follows: (1) promote the alignment of human capital management strategies with agency mission, goals, and objectives; (2) ensure continuity of leadership; (3) promote a diverse, high-performing workforce; (4) address competency gaps, particularly in mission-critical occupations; and (5) monitor and evaluate the results of its human capital management policies, programs, and activities. OPM’s framework aligns with our key principles for strategic human capital and workforce planning. See [GAO-10-413](#) and [GAO-04-39](#).

address human capital needs, and ensure that HUD is appropriately structured. The workforce plan is also to:

- link directly to HUD’s strategic plan and be used in decision-making for structuring and deploying the workforce;
- ensure mission-critical occupations and competencies are identified and documented;
- identify current and future workforce competencies; and
- implement a business forecasting process that identifies probable workforce changes, enabling HUD’s managers to anticipate changes in human capital that require action to ensure mission accomplishment.

Program Offices Developed Processes to Inform Human Capital Decisions

While HUD is continuing centralized planning efforts, some of its program offices are performing workload or workforce analysis to produce more specific information at the program level. For example, the Office of Community and Planning Development maintains a workforce and staffing plan that outlines all of the current positions and historical vacancies within the office. Similarly, the Office of Public and Indian Housing maintains a workload management tracking report that manages and tracks work activities that directly impact critical strategic and management plan goals. Both the Office of Community Planning and Development and the Office of Public and Indian Housing submit hiring plans to the Offices of the Chief Human Capital Officer and the Chief Financial Officer for review and input. Further, in 2011, we reported that the Federal Housing Administration addressed staffing challenges in its Office of Single Family Housing to some extent by hiring more contractors; increasing overtime; sharing resources among homeownership centers; and changing business processes to minimize loan reviews.¹¹ In 2012, the Federal Housing Administration developed a workforce analysis and succession plan for the Office of Single Family Housing that included its future workforce planning priorities and strategies. Workforce analysis at the program office level is necessary

¹¹[GAO-12-15](#).

and provides the offices flexibility and foresight in decision-making and devising FTE requests.

Other Priorities Delayed HUD's Human Capital Planning Activities

Our prior work has shown that human capital and workforce planning are essential elements of an agency's infrastructure. Each agency is responsible for ensuring that its human capital program capitalizes on its workforce's strengths and addresses related challenges in a manner that is clearly linked to achieving the agency's mission, goals, and objectives.¹² Operationally, HUD interprets workforce planning and human capital planning as separate processes that are intended to support each other. According to an official in the Office of the Chief Human Capital Officer, workforce planning identifies the positions, skills, and competencies that will be required to continue HUD's mission and service delivery requirements into the future. Separately, human capital planning in HUD is focused on current employees and includes activities such as performance management and employee retention.

HUD's most recent human capital and workforce plans expired in 2009. Although HUD has since launched several workforce planning efforts, it reported that these efforts were preempted by other priorities.

According to HUD, when the administration changed in 2009, HUD was immediately immersed in the economic crisis that fell upon the housing market and nearly all of its attention was focused on implementation of the American Recovery and Reinvestment Act of 2009. Nonetheless, HUD leadership initiated an effort to develop a comprehensive, new strategic plan. In February 2010, HUD engaged key program office staff in training that emphasized the need to determine upfront the staff HUD could afford to hire. In mid-2010, HUD's Office of Administration planned to initiate a workforce analysis based on HUD's new Strategic Goal 5,

¹²Our model of strategic human capital management identifies aspects of human capital management that enable agencies to maximize their employees' contributions, such as (1) the continuing attention of senior leaders and managers to valuing and investing in their employees; (2) an investment in human capital approaches that acquires, develops, and retains the best employees; and (3) the use of performance management systems that elicit the best results-oriented performance from the staff, and indicators to measure the effectiveness of human capital approaches. These factors, plus strategic workforce planning are the cornerstones of an effective human capital program. GAO, *A Model of Strategic Human Capital Management*, [GAO-02-373SP](#) (Washington, D.C.: Mar. 15, 2002).

“Transform the Way HUD Does Business”. However, at the same time, reorganization efforts incorporated the Office of Administration into the Office of the Chief Human Capital Officer and new employees were hired to conduct a workforce analysis and update the human capital and workforce plans. Subsequent restructuring and management turnover that occurred from 2010 through 2011 caused further delays and, as previously discussed, HUD renewed efforts to complete these plans in April 2012. Nonetheless, until HUD completes planning efforts, it cannot ensure it is using resources efficiently and is making decisions informed by strategic direction.

The Office of Personnel Management Identified a Need for Reinvigorated HUD Planning Efforts

The success of HUD’s current workforce planning efforts is particularly important. In June 2012, the Office of Personnel Management (OPM) reported on its review of HUD’s human capital management and found that HUD’s human capital and workforce planning activities did not always follow certain Human Capital Assessment and Accountability Framework standards, or key principles. The framework outlines an ongoing process of human capital management in five systems: strategic alignment, leadership and knowledge management, results-oriented performance culture, talent management, and accountability. The strategic alignment system includes both human capital and workforce planning activities. Specifically, OPM found:

- Human resources policies and programs are not aligned with organizational mission, strategic goals, and performance outcomes.
- Workforce planning is not approached strategically and in an explicit documented manner.
- Mission-critical occupations are identified, but there needs to be additional analysis to identify gaps and strategies to close the gaps.
- Agency workforce planning and management practices should, but do not include strategies such as restructuring, competitive sourcing, redeployment, retraining, and technology solutions.

As a result of these weaknesses, OPM concluded that HUD cannot continually assess and improve human capital planning and investments or measure the impact on mission accomplishment.

In HUD’s response to OPM’s evaluation, it acknowledged deficiencies in these areas and outlined planning initiatives that are currently under way

to develop and deliver workforce and strategic human capital plans. For instance, HUD officials told us that on August 7, 2012, HUD entered into an inter-agency agreement with the Department of Treasury to design a new system that is meant to (1) explain FTE needs and match FTEs with the workload; (2) propose for management consideration the allocation of FTEs; (3) identify FTE trends which can assist management in aligning future workload to strategic goals and operational and performance plans; (4) assist managers in aligning work with staff; and (5) provide succession planning and identify gaps in mission critical occupations and competencies.¹³ HUD officials told us that they system will be available by September 30, 2013.

HUD Is Reexamining Its Resource Management Processes, which Do Not Fully Consider Identified Standards

HUD Is Reexamining Its Resource Management Processes

In 2012, HUD began taking steps to reexamine its resource management process. Officials in the Office of the Chief Financial Officer reported that HUD is working to develop a consistent methodology for the budget process. HUD plans to use a comprehensive approach to estimating its resources by integrating all aspects of HUD's activities including budget planning, workforce and human capital planning, and information technology, among other areas. Officials in the Office of the Chief Financial Officer also told us that they are encouraging program offices to focus on the main reason for requesting a specific number of FTEs and the total cost of producing an outcome rather than the separate component costs, such as salary.

¹³This inter-agency agreement has five components: (1) staff acquisition, (2) performance management, (3) talent management, (4) human resources case management, and (5) separations management. This agreement along with other initiatives is part of HUD's broader efforts to change its management of staff resource estimation and allocation.

HUD's workforce planning task force, established by the Deputy Secretary in 2012, is reviewing the usefulness of REAP studies and how the studies inform the workforce planning process as part of the reexamination process. The task force is to also consult with another contractor with whom HUD awarded a 40-week contract in September 2012 to (1) conduct an assessment of HUD's existing workforce planning tools, including, but not limited to, a review of the REAP methodology, and (2) research resource estimation best practices and systems at other government agencies and private sector entities.¹⁴ The contractor's final report is expected by July 2013.

HUD's Resource Management Processes Do Not Fully Consider Standards Identified by NAPA

In addition to the principles OPM identified that strategic workforce planning should address irrespective of the context in which the planning is done, NAPA's 1999 report identified HUD-specific standards for effective resource management. This report emphasized that using analytically-based data would increase HUD's ability to develop human capital requirements based on meaningful measures. Further, it outlined the underlying requirements of an effective overall resource management system. According to the NAPA report, HUD's system should:

- comprehensively define HUD's workload;
- provide central guidance on how work is defined and data collected;
- allow program assistant secretaries to retain decision-making authority over the systems used in their organizations;
- involve headquarters and field staff in the workload definition process;
- link workload and resources so that Government Performance and Results Act (GPR)A-required performance goals can be matched with resources to accomplish the goals;¹⁵

¹⁴This is the second of the two contracts HUD awarded in September 2012. The cost of this second contract is \$750,000.

¹⁵The Government Performance and Results Act of 1993 (GPR)A, Pub. L. No. 103-62, 107 Stat. 285 (1993), as amended by the Government Performance and Results Act Modernization Act of 2010, Pub. L. No. 111-352, 124 Stat. 3866 (2011). GPR)A provides for the establishment of strategic planning and performance measurement in the federal government.

-
- measure how resources used are related to results; and
 - create incentives for staff to report accurate data for the system.

The following summarizes our review of the extent to which HUD has incorporated NAPA-identified standards.

Comprehensively define HUD's workload. NAPA reported that a more analytical and well-documented approach to defining workload and determining needs would be helpful in understanding the agency's justification. HUD and its program offices use various tools and processes to define and analyze workload. Centrally, the Office of Field and Policy Management tracks manager and staff projects and reports on progress, budget, and timelines for achieving strategic goals. The HUD Offices of Community Planning and Development, Public and Indian Housing, and Fair Housing and Equal Opportunity reported using REAP data as a starting point to project workload and to prepare their workload justification submissions for the salaries and expenses section of the budget requests. These program offices also reported using other tools and processes to define workload and estimate resources. Although officials from the program offices we spoke with described individual efforts, officials from the Office of the Chief Financial Officer indicated that budget requests are not predicated on a comprehensive analysis of the agencies' workload. Instead, budget requests are based on a budget amount predetermined by the Office of the Chief Financial Officer. Program offices then work backwards to determine what work can be accomplished with that amount.

Provide central guidance on how work is defined and data collected. HUD's Office of the Chief Financial Officer provides central budget formulation guidance to the program offices on how work is defined and data are collected. In addition, the Office of the Chief Financial Officer issues a memorandum to the program offices detailing technical guidance on how to develop a congressional budget justification. The memorandum directs the program offices to include legislative policy proposals associated with significant new initiatives and staffing requirements derived from REAP. According to the guidance, the program offices should provide a narrative that clearly explains what the program office requests funding for, the expected results of that funding level, and the effect decreased funding would have on the taxpayers and communities the program serves. Additionally, Office of the Chief Financial Officer guidance includes decisional outlines for the salaries and expenses

portion of the budget request and requires that program offices explain any change in requests from one fiscal year to another.

Allow program assistant secretaries to retain decision-making authority over the systems used in their organizations. Budget decisions involve tradeoffs that HUD and the program offices make to ensure HUD has the resources needed to meet its mission. HUD's program assistant secretaries and the Office of the Chief Financial Officer provide input during budget deliberations. For example, program assistant secretaries discuss the effect of funding decreases on program activities. Officials from the Office of the Chief Financial Officer told us that HUD's priority goals had a direct impact on program office decisions.

Involve headquarters and field staff in the workload definition process. With the implementation of REAP in 2002, HUD changed how it estimated its FTE needs by engaging both headquarters and field staff in the process. The most recent REAP estimation study was conducted in 2009 and included all work completed by headquarters and field operations staff, as well as work completed by contractors.¹⁶ As part of the estimation studies, the REAP working teams typically surveyed HUD staff across six field offices to collect information on how many hours it should take to perform their duties. At the completion of the estimation study, program coordinators reviewed the data for accuracy and compared current entries with the prior entries reported by HUD employees.¹⁷ HUD continues to accumulate staffing information through the validation process. Officials from the three HUD program offices we met with reported they selectively used data from REAP's validation component, known as the Total Estimation and Allocation Mechanism (TEAM), as a starting point for budget formulation and staff allocation decisions. TEAM compares actual staff time to estimated staff time. As previously discussed, HUD hired a contractor in September 2012 to review its resource estimation and workforce planning processes and

¹⁶The 2009 REAP study was for the Single Family Housing Homeownership Centers. For this study, the REAP working team visited the four existing centers.

¹⁷Program coordinators are located in headquarters and field offices and are responsible for managing REAP at the local program level. The REAP working team that participated in the 2009 REAP study included an analyst from the Office of the Chief Financial Officer, a contractor, a subject matter expert from headquarters representing the program area, and field staff which included analysts, supervisors, and program coordinators.

assess whether the resource estimation process enables the field offices to use it for the distribution of FTEs and workload.

Link workload and resources so that GPRA-required performance goals can be matched with resources to accomplish the goals, and measure how resources used are related to results. HUD has made efforts to link its performance goals with the resources needed to achieve them and has planned additional actions related to strategic human capital and workforce planning that should enable it to measure how resources used are related to results. GPRA requires an agency to create an annual performance plan that establishes goals and performance measures.¹⁸ Further, agencies are to report on their performance, providing updates at least annually. As part of these updates, agencies are to compare actual performance achieved with the performance goals established in the agency's annual performance plan. These updates also are to include a review of the performance goals and an evaluation of the performance plan as it relates to the agency's strategic human capital management. In its annual performance plan for fiscal years 2012 to 2013, HUD linked the department's resources to the goals and subgoals in its strategic plan for fiscal years 2010 to 2015. For example, according to the annual performance plan, to meet HUD's strategic goal of transforming the way HUD does business, HUD established a performance management and accountability process that is meant to align HUD's program and support functions with its strategic goals and mission. In the past, program areas provided detailed data that was not in a format that facilitated management's understanding of how resources related to results. Moreover, data focused on personnel costs. According to a HUD official, for fiscal year 2014, at the direction of the Deputy Secretary, HUD plans to organize budget information in a format that facilitates management review and that encompasses both personnel (e.g., FTE) and nonpersonnel (e.g., travel and training) costs with results.

Create incentives for staff to report accurate data for the system. HUD does not have an incentive structure to encourage staff to report accurate data into its resource management system. As a result, resource management decisions may not be based on full and complete information. As previously discussed, HUD's program offices selectively use REAP to help define workload and estimate resources. Data are

¹⁸31 U.S.C. § 1115(b).

generated with the support of all HUD staff who enter their workload into REAP's validation component, TEAM, each quarter, during a randomly selected 2-week period.¹⁹ The validation data are verified by the system coordinator against the time and attendance system. For the first 5 years of REAP's implementation, HUD provided funding and designated staff to maintain the system. Subsequently, such support diminished and officials from the Office of the Chief Financial Officer told us that the data are no longer consistently used to make final decisions.

Moreover, there are no routine data reliability checks on the information REAP produces and there is no widespread agreement that REAP produces the quality of data needed to accurately determine resource needs. For example, Office of Community Planning and Development officials told us that the work categories in TEAM are either too narrowly defined, resulting in too large a number of categories to choose from overall, or too broad to be meaningful. Similarly, the Office of Public and Indian Housing reported that REAP studies are performed infrequently and often do not account for near-term and future changes in workload. Additionally, Office of Public and Indian Housing officials told us that REAP's data collection through TEAM for a 2-week period every quarter yields data that is of little value since, in their opinion, it is not representative of all work performed throughout the year. As a result, staff are entering information into TEAM on an inconsistent basis and information is often not used to inform decisionmaking. Finally, HUD officials told us that management did not implement the third component of REAP, the allocation module, because they believed that the system did not track the program workload accurately and often negatively affected FTE requests.

¹⁹REAP's validation component, TEAM, records workload and generates productivity reports that combine both time and workload information. HUD's time and attendance system records time staff spent performing their duties and has the ability to generate time reports that are checked against the National Finance Center's payroll data.

HUD's Budget Submission Could More Clearly Explain the Underlying Rationale for Its Request

Primary users of the congressional budget justification (CBJ) have raised questions about HUD's budget presentation. The primary users of the CBJ are appropriations subcommittee staff. They said that CBJs from fiscal years 2008 through 2012 generally contained data tables for some program offices and did not always contain narrative that explained or justified the FTE request. According to HUD officials, HUD provided data tables because prior submissions with more detail did not prompt questions from Congress. However, for fiscal year 2012, Congress directed HUD to prepare detailed budget justifications for each office within the department, including an organizational chart for each operating area within the department.²⁰ These justifications were required to include a detailed justification for existing staff and for the incremental funding increases, decreases, and FTE fluctuations being requested by program, project, or activity. HUD was also directed to include more detailed information on its salaries and expenses costs, as well as nonpersonnel related expenses, including travel by program office, and that any significant deviations from prior budgets be fully explained and justified. Further, HUD was directed to modify or improve REAP or other resource management systems or processes.

Some of the users we interviewed said that HUD's CBJs have improved over the years and include sufficient information for their purposes. When HUD submitted the CBJ for fiscal year 2013 it provided more detailed explanations about the changes in FTE requests. For example, the Office of Public and Indian Housing specified in its request that an increase of 48.7 FTEs will target particular priority areas such as the prevention of homelessness, among other select areas. In addition, these users explained that with any CBJ process there is negotiation between the committee and HUD over FTE decisions. But overall, the users report that there has been an improvement in the quality of information HUD submits.

Although primary users of the CBJs agree that the fiscal year 2013 changes improved the clarity and utility of the justifications, some have raised additional questions about the uniformity and reliability of the information presented. These users said that more organized and consistent data collection, analysis, and reporting processes are needed

²⁰H.R. Conf. Rep. No. 112-284, at 312 (2011) accompanying the Consolidated and Further Continuing Appropriations Act of 2012, Pub. L. No. 112-55, 125 Stat. 552. The Conference Report also incorporated statements made in S. Rep. 112-93 (2011).

to ensure quality budget submissions. As a result, these users do not feel that they have adequate, consistent information from HUD that justifies the budget request.

Conclusions

HUD has experienced longstanding challenges determining the staff resources it needs to fulfill its mission and recently took steps to improve its workforce planning ability. Prior to this latest effort, HUD began numerous other efforts to establish human capital and workforce plans and then, due to competing priorities, were unable to complete these plans. Recently, HUD has renewed efforts to reexamine staff resource management processes.

HUD has shown it has an understanding of the key principles of human capital and workforce planning as demonstrated by the concepts outlined in the contract with the consultant responsible for developing future human capital and workforce plans. However, because future deliverables and their timing are not explicit in the contract, the years the plans will cover are subject to interpretation and portions may not help HUD plan a path forward as they cover years that have elapsed. It will be important for HUD to maintain ongoing planning efforts to achieve its goals.

HUD continues to lack consistent, analytically-based data generated from an effective resource management system. This is in part because HUD staff have little incentive to accurately report data that are not routinely used. As a result, management may not have complete information upon which to make effective resource estimation and allocation decisions.

While primary users of HUD's CBJs agree that the fiscal year 2013 changes improved the quality of the justifications, additional questions remain about the information presented. Without ongoing consultations, primary users of the CBJ may not have the most relevant information to facilitate the congressional budget decisionmaking process.

Recommendations for Executive Action

To improve the human capital planning, workforce planning, and resource management processes at HUD, we recommend that the Secretary of HUD take the following three actions:

1. follow through on developing and maintaining strategic human capital and workforce plans;

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2. ensure that human capital and workforce plans clearly incorporate key principles; and
 3. collect data that are used for decision-making, thus creating incentives for staff to report accurate data for the resource management system.

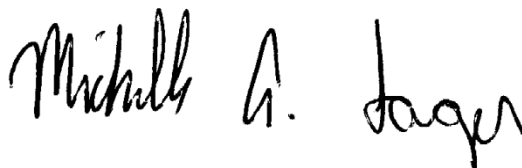
To improve the quality of HUD's CBJ, we further recommend that the Secretary of HUD take the following action:

4. consult with users of the CBJ, such as congressional decision makers, to determine what additional information about resource decisions should be presented, and how, in its CBJ.

Agency Comments

We provided a draft of this report to the Secretary of the Department of Housing and Urban Development (HUD) for review and comment. HUD did not provide formal comments, but agreed with all of our recommendations. HUD provided technical comments, which we incorporated into the report as appropriate.

We are sending copies of this report to the Secretary of HUD, relevant congressional committees, and other interested parties. In addition, this report will be available at no charge on GAO's website at <http://www.gao.gov>. If you have any questions concerning this report, please contact me on (202) 512-6806 or by email at sagerm@gao.gov. GAO staff who made major contributions to this report are listed in appendix IV. Contacts for our office of Congressional Relations and Public Affairs may be found on the last page of this report.



Michelle Sager
Director
Strategic Issues

Appendix I: Original Design of the Resource Estimation and Allocation Process (REAP)

The following table outlines the processes within each step of REAP as depicted in figure 1.

Table 1: Original Design of the Resource Estimation and Allocation Process (REAP)

REAP: Staff resource management tool

REAP uses results from component processes to assist HUD in defining and estimating FTEs and to inform its budget formulation and execution process.

Step 1: Estimation

HUD staff conduct studies to estimate the baseline number of hours it should take to perform their work.

Step 2: Validation

A web-based computer system, called the Total Estimation and Allocation Mechanism (TEAM), accumulates staffing information and helps HUD determine how resource estimates align with how staff spend their time.

Step 3: Allocation

Information gathered through the estimation and validation processes are intended to inform staffing and budget allocation decisions.

Source: GAO analysis of HUD's documents.

Appendix II: NAPA-Identified Standards for HUD's Resource Management System

In designing a resource management system, the National Academy of Public Administration (NAPA) worked with a Department of Housing and Urban Development (HUD) advisory group to determine what elements should be included and identified the following.

Table 2: NAPA-Identified Standards for HUD's Resource Management System

Aspect of resource management	Identified standard
Underlying principles for the overall resource management system	<ul style="list-style-type: none"> • HUD's workload must be defined comprehensively. HUD should identify all process and knowledge work. • Program assistant secretaries should retain decision-making authority over the systems to be used in their organizations. • There should be some central guidance on how work is defined and how data are collected. • The field should be involved in the workload definition exercise and in setting workload priorities. • There needs to be an incentive for staff to report accurate data for the system. • The system should link workload and resources so that the Government Performance and Results Act (GPRA) performance goals and indicators can be matched with resources required to accomplish the goals. • The system should have some means to measure how resources used are related to accomplishments so that the standards used to estimate resources are validated and updated.
Criteria for an effective resource estimation system	<ul style="list-style-type: none"> • Develop requests for resource needs—for current and proposed policies and programs—to prepare departmental budget justifications that clearly indicate what work can be accomplished at different resource levels. • Develop budget requests based on factors beyond the immediate HUD environment, such as the real estate market, public assistance policies, and relevant economic data. • Provide sufficient information to the Office of Management and Budget (OMB) and Congress so they can gauge the resources needed to fulfill HUD's mission and meet the requirements of HUD's programs. • Determine what work can be accomplished with HUD staff and what work would be done more efficiently if contracted out, and facilitate cost comparisons for use of in-house staff versus contractors. • Include justifications from staff at working levels in the field and headquarters. • Develop resource estimates in sufficient time so that HUD's Budget Office can evaluate them in conjunction with workload data, have time for give and take with the submitting program offices, and provide information useful for subsequent discussions with OMB and Congress.

**Appendix II: NAPA-Identified Standards for
HUD's Resource Management System**

Aspect of resource management	Identified standard
Criteria for an effective resource allocation system	<ul style="list-style-type: none"> • Relate the resources allocated to accomplishments as identified in the GPRA-required annual performance plans and HUD's business and operating plans. • Make informed resource allocation decisions when there are not enough resources to do all assigned work, and be flexible enough to reassign resources when needs change. • Obligate funds for annual contracts early in the year, so contract amendments do not have to be issued on a monthly basis. • Know resources, by budget object class, for the full fiscal year. • Ensure that programs that operate well receive adequate resources so that they continue to function well and that troubled programs receive sufficient resources to improve. • Link resources to essential functions of current programs and specify secondary activities that can only be met if additional resources are provided.
Criteria for an effective resource validation system	<ul style="list-style-type: none"> • Ensure resources are spent as Congress intended. • Validate the outputs of the resource estimation and allocation system through time and workload reporting. • Tie staff utilization to performance measurement systems, especially those related to GPRA. • Be sufficiently simple that staff do not view system requirements as onerous. • Generate reports that enable HUD managers and staff to see how the data they input provide information useful to managing HUD programs and operations.

Source: National Academy of Public Administration, *Aligning Resources and Priorities at HUD: Designing a Resource Management System* (Washington, D.C.: 1999).

Appendix III: HUD Program Office Descriptions

The Office of Public and Indian Housing oversees the administration of programs that provided affordable housing to approximately 3.2 million households nationwide in 2012. Congress provides funds to the Office of Public and Indian housing for the modernization of housing stock, improvement of program management by approximately 4,100 public housing authorities, and facilitation of programs to address crime and security and provide supportive services and tenant opportunities. Office of Public and Indian Housing programs include Homelessness Initiative (Families Homelessness), Veterans Homelessness Initiative, and Choice Neighborhoods, among others.

The Office of Community Planning and Development seeks to develop viable communities by promoting integrated approaches that provide decent housing, a suitable living environment, and expand economic opportunities for low and moderate income persons. The office operates through partnerships among all levels of government and the private sector, including for-profit and nonprofit organizations and supports more than 1,200 formula grantees through staff-provided technical assistance, monitoring, and customer service. The Office of Community and Planning Development's major programs include the Community Development Block Grant, HOME Investment Partnership Program, Homelessness Assistance Grants, and Housing Opportunities for Persons with AIDS and Capacity Building.

The Office of Fair Housing and Equal Opportunity administers federal laws and establishes national policies that ensure that all Americans have equal access to the housing of their choice. Additionally, the Office of Fair Housing and Equal Opportunity (1) manages the Fair Housing Assistance Program; (2) awards and administers Fair Housing Initiatives Program Grants; (3) interprets policy, processes complaints, and performs compliance reviews and provides technical assistance to local housing authorities and community development agencies; and (4) conducts oversight of the government-sponsored enterprises, Fannie Mae and Freddie Mac, to ensure consistency with the Fair Housing Act of 1968.

The Office of Housing provides public services through its nationally administered programs. It oversees the Federal Housing Administration, the largest mortgage insurer in the world, as well as regulates housing industry business. The mission of the Office of Housing is to contribute to building and preserving healthy neighborhoods and communities; maintain and expand homeownership, rental housing and healthcare opportunities; stabilize credit markets in times of economic disruption; operate with a high degree of public and fiscal accountability; and

recognize and value its customers, staff, constituents and partners. Within the Office of Housing are four business areas: Single Family Housing, Multifamily Housing, HealthCare Programs, and Regulatory Programs.

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Michelle Sager, (202) 512-6806 or sagerm@gao.gov

Staff Acknowledgments

In addition to the contact named above, Carol Henn, Assistant Director; Sonya Phillips, Analyst-in-Charge; and Ulyana Panchishin made key contributions to this report. Other contributors were Melissa Emery-Arras, Robert Gebhart, Cindy Gilbert, Robert Robinson, and Sabrina Streagle.

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