



March 2020

WORKING CAPITAL FUND

HUD Could Improve Management to Better Achieve Efficiencies and Help Ensure Customer Satisfaction

Accessible Version

GAO Highlights

Highlights of [GAO-20-263](#), a report to congressional committees

Why GAO Did This Study

Moving to shared services is one way agencies can operate more efficiently. WCFs provide a way to centralize and simplify the funding of shared services. HUD's WCF was established in 2016 to provide HUD offices services on a cost-reimbursable basis. The fund currently finances services from external federal shared service providers—the Departments of the Treasury (Treasury) and Agriculture (USDA).

Congress included a provision for GAO to evaluate HUD's WCF. This report examines the extent to which HUD (1) delineated WCF roles and responsibilities and established performance measures, (2) established a transparent and equitable process to recover WCF costs, and (3) developed processes to obtain WCF customer feedback.

GAO analyzed agency documentation of WCF management and financial and budget data, using its work on effective WCF management and unexpended balances as criteria. GAO interviewed HUD, Treasury, and USDA officials and conducted three focus groups with WCF customer offices.

What GAO Recommends

GAO is making three recommendations to HUD on its WCF: define roles for achieving efficiencies; assess results of its analyses; and conduct periodic reviews of business lines. HUD agreed with two and sought additional clarification on one. GAO clarified the recommendation based on further discussion with HUD.

View [GAO-20-263](#). For more information, contact Tranchau (Kris) T. Nguyen at (202) 512-6806 or nguyent@gao.gov.

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What GAO Found

The Department of Housing and Urban Development's (HUD) Working Capital Fund (WCF) is a self-sustaining fund that collects fees from HUD customers to pay for services needed across the department. HUD's WCF finances human resource (HR) and financial management related services provided by external federal shared service providers.

HUD defines most roles and responsibilities in its WCF handbook—the primary reference guide for WCF operations—and has established performance metrics. In addition, in response to GAO's review, HUD updated its handbook in February 2020 to include more current and complete information on existing WCF policies and procedures. However:

- HUD has not defined who is responsible for identifying and implementing opportunities for achieving efficiencies with service usage, including roles for the business process analyses it periodically conducts.
- HUD has not assessed the results of the business process analyses, or how those results could contribute to supporting efficient service delivery.

Clearly defining WCF roles and assessing the results of its analyses can help HUD better manage the WCF and improve its ability to identify, monitor, and potentially realize cost savings and other efficiencies.

GAO found that HUD has a process designed to equitably and transparently recover the WCF's costs for externally provided federal shared services. Prior to February 2020, it had not fully documented existing policies for managing the WCF's unexpended balances and operating reserves. However, HUD has since established its operating reserve policy that reflects all of the ways that the operating reserve can be used, such as to provide pricing stability to customers and ensure continuity of WCF activities in case of funding disruptions. Written documentation of such policies is essential to ensure that funds are managed appropriately and consistently over time.

Finally, the WCF Committee has not conducted periodic reviews of shared services to help ensure effective management, strong performance, and customer satisfaction. Officials from both business line offices—the Office of the Chief Human Capital Officer (OCHCO) and Office of the Chief Financial Officer—stated that they use a variety of mechanisms to obtain customer feedback on services. However, WCF customers in two of three focus groups GAO held said that they have not been given opportunities to provide feedback on the overall quality of services they receive, and some participants shared specific concerns with HR services. Officials from OCHCO—the office that oversees HR services—told GAO they are aware of customer concerns, plan to take additional actions to obtain customer feedback, and acknowledged the need for periodic reviews called for in the WCF Committee Charter.

Until such reviews are conducted to regularly assess customer satisfaction, HUD will likely lack a comprehensive understanding of the extent to which customer needs are being met and could be missing out on opportunities to improve the performance and management of services for which it pays.

Contents

Letter

	1
Background	6
HUD Does Not Fully Define Roles or Assess Results for Achieving Operational and Cost Efficiencies	9
HUD Has Established a Process to Recover the WCF's Costs and Has Fully Developed and Documented Policies for Its Unexpended Balances	17
Customers in Our Focus Groups Were Generally Satisfied with WCF Division Communication, but HUD Has Not Reviewed Shared Services	23
Conclusions	26
Recommendations for Executive Action	27
Agency Comments and Our Evaluation	28

Appendix I

Working Capital Fund Customer Offices Represented in Our Focus Groups	30
---	----

Appendix II

Comments from the Department of Housing and Urban Development	31
---	----

Appendix III

GAO Contact and Staff Acknowledgments	39
---------------------------------------	----

Tables

Table 1: Four External Shared Service Agreements Financed by Department of Housing and Urban Development's (HUD) Working Capital Fund	7
Table 2: Department of Housing and Urban Development (HUD) Working Capital Fund (WCF) Performance Metrics	14
Table 3: Department of Housing and Urban Development (HUD) Working Capital Fund Reported Cost Recovery, Fiscal Years 2016-2018	18

Table 4: Department of Housing and Urban Development (HUD) Working Capital Fund (WCF) Unexpended Balance, Fiscal Years 2016-2018	22
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Figures

Figure 1: Department of Housing and Urban Development (HUD) Working Capital Fund (WCF) Funding, Billing, and Management	8
Figure 2: Department of Housing and Urban Development (HUD) Working Capital Fund (WCF) Cost Allocation Formula	19

Abbreviations

ARC	Administrative Resource Center
HR	human resource
HUD	Department of Housing and Urban Development
IPAC	Intra-Governmental Payment and Collection
NFC	National Finance Center
OCFO	Office of the Chief Financial Officer
OCHCO	Office of the Chief Human Capital Officer
REAC	Real Estate Assessment Center
Treasury	Department of the Treasury
USDA	U.S. Department of Agriculture
WCF	working capital fund

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March 17, 2020

The Honorable Susan M. Collins
Chairman
The Honorable Jack Reed
Ranking Member
Subcommittee on Transportation, Housing and Urban Development, and
Related Agencies
Committee on Appropriations
United States Senate

The Honorable David Price
Chairman
The Honorable Mario Diaz-Balart
Ranking Member
Subcommittee on Transportation, Housing and Urban Development, and
Related Agencies
Committee on Appropriations
House of Representatives

Given the fiscal pressures facing the federal government, moving to shared services—where services needed by multiple agencies or more than one organization within an agency are consolidated and shared—is one way agencies can operate more efficiently. Migrating to shared services solutions may allow agencies and customer offices to benefit from economies of scale and take advantage of specialized expertise that they may not have.¹

Working capital funds (WCF) provide a mechanism for agencies to centralize and simplify the funding and provision of shared services within and between federal agencies.² A type of intragovernmental revolving fund, a WCF is a self-sustaining fund that collects fees from agency customers to pay for services financed through the account. By aligning the costs of shared services with individual usage, WCFs can improve

¹We previously reported on progress and challenges associated with federal shared services initiatives. See GAO, *Streamlining Government: OMB and GSA Could Strengthen Their Approach to Implementing a New Shared Services Plan*, [GAO-19-94](#) (Washington, D.C.: Mar. 7, 2019).

²For more information on working capital funds, see GAO, *A Glossary of Terms Used in the Federal Budget Process*, [GAO-05-734SP](#) (Washington, D.C.: September 2005).

price transparency and better position customers and managers to exercise cost control through informed decision-making about the type and quantity of services they consume.

The Department of Housing and Urban Development's (HUD) WCF is intended to provide for the efficient and effective delivery of goods and services to HUD customers on a cost-reimbursable basis. The WCF is expected to reduce overlap and duplication of efforts by providing a joint platform for administrative and programmatic needs across HUD customer offices. Currently, the WCF is used to finance externally provided services from federal shared service providers. However, according to officials, HUD plans to expand the scope of services financed through the WCF to include other externally and internally provided services. As it expands, it will be important that HUD ensure that the WCF is managed as effectively as possible to maximize its potential to achieve its mission.

The joint explanatory statement accompanying the Consolidated and Further Continuing Appropriations Act, 2015 included a provision for us to evaluate HUD's working capital fund.³ HUD's WCF was established in 2016, and the WCF began to collect reimbursement from customers to directly pay for the costs of HUD's shared services in 2017. This review examined the extent to which HUD (1) clearly delineated roles and responsibilities and established and reviewed performance measures and goals for the WCF, (2) established a transparent and equitable process to recover the WCF's costs and align incentives for efficient operations, and (3) developed processes for obtaining customer feedback on WCF services.

We assessed the management of HUD's WCF against our framework for effective WCF management, which is described in the text box below.⁴ We shared these operating principles with HUD at the beginning of our review. HUD officials told us that they used this framework to develop the foundation of the WCF. In addition to the operating principles, we also

³See 160 Cong. Rec. H9307, H9975 (daily ed. Dec. 11, 2014). The joint statement incorporated the provision for GAO's review from the House and Senate Committee Reports. See H. Rep. No. 113-494, at 96-97 (2014); S. Rep. No. 113-182, at 143 (2014).

⁴GAO, *Intragovernmental Revolving Funds: Commerce Departmental and Census Working Capital Funds Should Better Reflect Key Operating Principles*, [GAO-12-56](#) (Washington, D.C.: Nov. 18, 2011).

assessed the management of HUD's WCF against federal standards for internal controls, where applicable.⁵

Working Capital Fund (WCF) Key Operating Principles

In 2011, we identified four key operating principles that offer a framework to effectively manage WCFs. By incorporating these principles in written guidance, agencies promote consistent application of management processes and provide a baseline for agency officials to assess and improve management processes.

- **Clearly delineate roles and responsibilities:** Appropriate delineation of roles and responsibilities promotes a clear understanding of who will be held accountable for specific tasks or duties.
- **Measure performance:** Performance measures that are aligned with goals can be used to evaluate whether, and if so how, WCF activities are contributing to the achievement of goals.
- **Ensure self-sufficiency by recovering the agency's actual costs:** Transparent and equitable pricing methodologies allow agencies to ensure that rates charged recover actual costs and reflect customers' service usage. If customers understand how rates are determined or changed including the assumptions used, customers can better anticipate potential changes to those assumptions, identify their effect on costs, and incorporate that information into budget plans.
- **Build in flexibility to obtain customer input and meet customer needs:** Opportunities for customers to provide input about WCF services, or voice concerns about needs, in a timely manner enable agencies to regularly assess whether customer needs are being met or have changed.

Source: GAO-12-56 | GAO-20-263

For the first objective, we reviewed HUD's documentation of WCF roles and responsibilities, including the WCF Committee Charter—which establishes the framework for the fund's governance—the WCF Handbook, and relevant processes and procedures. In addition, we reviewed the WCF's goals and associated performance metrics on financial management, stakeholder engagement, and the timeliness of usage data. In doing so, we reviewed the WCF performance scorecard—which is used to track and report on performance metrics—as well as the data HUD collects to assess the fund's performance.

For the second objective, we reviewed documentation of HUD's billing and cost allocation process to assess whether and how the process is designed to recover the WCF's actual costs. We reviewed other documents, such as the WCF billing model, customer invoices, and usage reports to understand how HUD shares pricing and cost allocation information with customers. We obtained data on net operating results, the difference between net expenses and funds received, for fiscal years 2016 through 2018—the only years available at the time of our review—

⁵GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: September 2014).

from HUD and its unaudited WCF annual financial statements.⁶ We determined these data were sufficiently reliable to present HUD's reported cost recovery.⁷ In addition, to assess how HUD manages the WCF's unexpended balances, we used our key questions for assessing balances in federal budget accounts, as criteria.⁸ To assess the management of unexpended balances in HUD's WCF against these key questions, we reviewed HUD's WCF Handbook and analyzed budget documents from fiscal years 2016 through 2018. We found the budget data to be sufficiently reliable for our purposes.⁹

For the second and third objectives, we conducted three focus groups with HUD customer offices to obtain their perspectives on benefits and challenges of paying for shared services through the WCF, billing and payment methods, and communication with the WCF Division, among other topics. To ensure that we obtained views from knowledgeable officials across customer offices, we invited representatives from each of the customer offices serving on the HUD WCF Committee—which consists of both senior-level officials and budget and administrative officers from each office—to participate based on their knowledge and experience with WCF issues.

In a few cases, a committee representative designated an alternate official with relevant experience and knowledge of WCF issues to participate on their behalf. Ultimately, we obtained views from officials representing 12 of the 17 WCF customer offices. We did not obtain customer perspectives from the remaining five offices due to participants' schedules or other conflicts. See appendix I for a list of the WCF

⁶According to WCF Division officials, the WCF unaudited financial statements are stand alone and not included in the annual audit of HUD's consolidated financial statements. The net operating result data, which are derived by HUD from unaudited WCF financial statement line items, are used by HUD to determine if the WCF has recovered its costs.

⁷To assess the reliability of the WCF reported data, we held discussions with WCF Division officials to understand how they used unaudited financial data to calculate the amount of the WCF's net operating results and accumulated operating results. We performed those calculations using the WCF Division's methodology to determine whether we arrived at the same amounts as the WCF Division, and compared the amounts to those the WCF Division reported in its unaudited monthly cash reports.

⁸GAO, *Budget Issues: Key Questions to Consider When Evaluating Balances in Federal Accounts*, [GAO-13-798](#) (Washington, D.C.: Sept. 30, 2013).

⁹We used data published in the President's budget, which undergo review by the Office of Management and Budget. Accordingly, we considered these data sufficiently reliable for our purposes.

customer offices represented in our focus groups. To identify key themes from these groups, we summarized all of the comments made during each focus group and analyzed participants' responses. The results of our analysis are not generalizable to all HUD WCF customer offices. However, the views we obtained provided valuable perspectives and examples.

In addition to focus groups, for the third objective, we reviewed documentation of ways that the WCF Division communicates with WCF customers about cost allocation, usage, and billing for shared services. We also spoke with HUD business line offices—the Office of the Chief Financial Officer (OCFO) and Office of the Chief Human Capital Officer (OCHCO)—regarding feedback mechanisms for obtaining WCF customer input on the quality of the externally provided shared services.

For all objectives, we interviewed officials from HUD's WCF Division, the office that manages the WCF. We also interviewed officials from the OCFO and OCHCO. Finally, we met with officials from the external shared service provider agencies—the Departments of the Treasury (Treasury) and Agriculture (USDA)—to obtain their perspectives.

We conducted this performance audit from January 2019 to March 2020 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

HUD's Working Capital Fund Currently Finances Externally Provided Shared Services

HUD's WCF was established in 2016 to provide a mechanism for the department to centralize and fund federal shared services used across HUD offices and agencies.¹⁰ According to its Committee Charter, the three goals of the WCF are to:

- align incentives for efficient enterprise operations through users paying for goods and services;
- establish accurate and timely cost estimates for goods and services; and
- improve planning, increase visibility and transparency, and support the efficient and effective delivery of goods and services.

To begin WCF operations in fiscal year 2016, HUD transferred approximately \$44 million in funding from the salaries and expenses accounts of OCFO and OCHCO to the newly established WCF. In fiscal year 2017, the WCF began to bill its customers—17 HUD offices that purchase services financed through the fund—directly for their estimated use of services.¹¹

HUD's WCF is different from other intragovernmental revolving funds that we have previously reviewed in that it does not fund internally provided services at this time.¹² The WCF is currently used as a centralized funding method to pay for the costs of four established shared services agreements—or interagency agreements—between HUD and three external shared service providers: USDA's National Finance Center (NFC) and Treasury's Administrative Resource Center (ARC) and Shared

¹⁰Consolidated Appropriations Act, 2016. Pub. L. No. 114-113, 129 Stat. 2242 (2015).

¹¹WCFs, like other intragovernmental revolving funds, generally do not receive annual appropriations from Congress. Rather, they are accounts that may receive reimbursements and advances from other federal accounts.

¹²See, for example, [GAO-12-56](#) and GAO, *Revolving Funds: Additional Pricing and Performance Information for FAA and Treasury Funds Could Enhance Agency Decisions on Shared Services*, [GAO-16-477](#) (Washington, D.C.: May 20, 2016).

Services Programs.¹³ See table 1 for more information about the agencies providing shared services to HUD.

Table 1: Four External Shared Service Agreements Financed by Department of Housing and Urban Development’s (HUD) Working Capital Fund

External Shared Service Providers	Service Line Categories	Examples of Services Provided to HUD
Department of the Treasury	1. Administrative Resource Center (ARC)	<ul style="list-style-type: none"> Financial management Procurement Travel
	2. ARC	<ul style="list-style-type: none"> Human resources processing
	3. Shared Services Programs	<ul style="list-style-type: none"> Human resources software and technologies
Department of Agriculture	4. National Finance Center	<ul style="list-style-type: none"> Payroll and processing

Source: GAO analysis of HUD documentation. | GAO-20-263

According to WCF Division officials, HUD plans to expand the WCF in the future to finance both internal and additional external goods and services. For example, the WCF’s fiscal years 2019 and 2020 budget justifications requested funding to centralize and support activities such as a Data Management Initiative and the Real Estate Assessment Center’s (REAC) physical and financial assessment services, respectively.¹⁴ However to date, HUD did not receive budgetary authority to proceed with including either activity in the WCF.

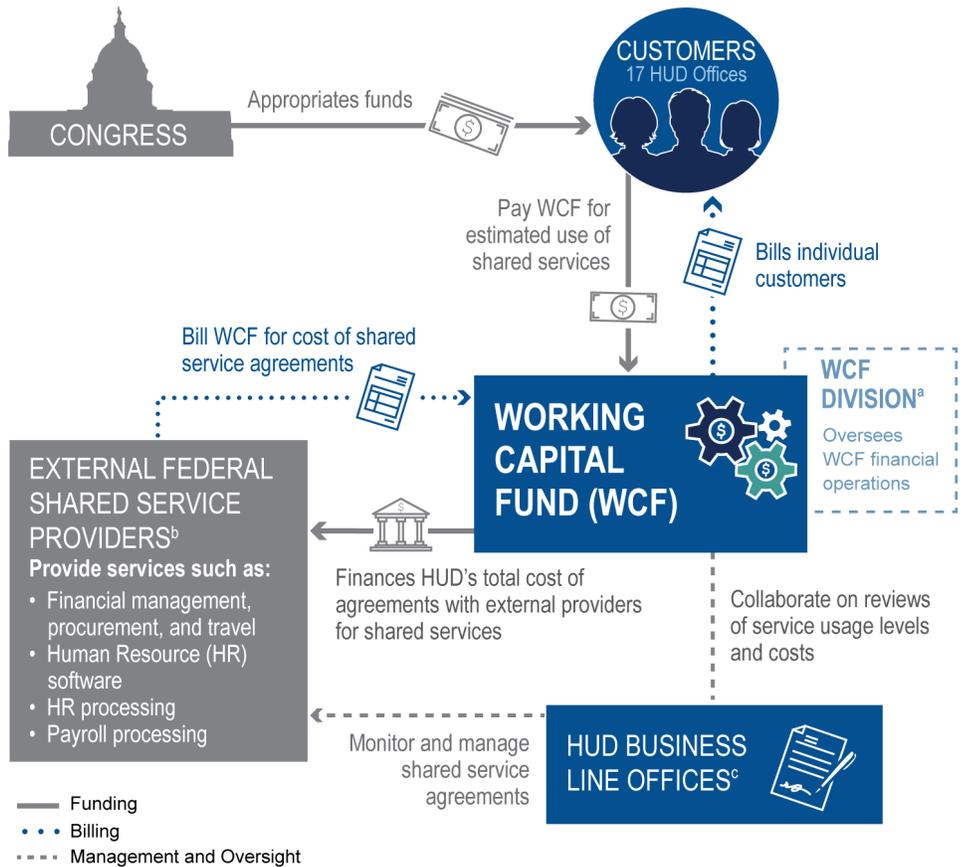
Several offices within HUD share responsibility for the management and operations of the WCF, including the WCF Division and business line

¹³We previously reported on the migration of HUD’s financial management capabilities to the Department of Treasury’s Administrative Resource Center. See GAO, *Financial Management Systems: HUD Needs to Address Management and Governance Weaknesses That Jeopardize Its Modernization Efforts*, [GAO-16-656](#) (Washington, D.C.: July 28, 2016).

¹⁴HUD’s 2019 budget justification requested funding to establish a Data Management Initiative to make operational data from nine administrative offices centrally available. This initiative was intended to assist offices in creating centralized reporting tools for use in program analysis. The Office of Public and Indian Housing’s REAC provides customers independent assessments of properties’ financial and physical conditions. The 2020 budget justification proposed moving the financing of REAC assessments to the WCF.

offices. See figure 1 for information on the WCF’s financial operations and entities involved.

Figure 1: Department of Housing and Urban Development (HUD) Working Capital Fund (WCF) Funding, Billing, and Management



Source: GAO analysis of Department of Housing and Urban Development information. | GAO-20-263

^aThe WCF Division is part of the Office of the Chief Financial Officer.

^bServices are provided to HUD by the Department of Agriculture’s National Finance Center and the Department of the Treasury’s Administrative Resource Center and Shared Services Programs.

^cHUD business line offices are the Offices of the Chief Financial Officer and Chief Human Capital Officer. They oversee the provision of services financed through the WCF to customer offices.

HUD Does Not Fully Define Roles or Assess Results for Achieving Operational and Cost Efficiencies

HUD Defines Most WCF Roles and Responsibilities, Except for Achieving Efficiencies

HUD defines most of the roles and responsibilities for management and oversight of the WCF. According to HUD policy and guidance documents:

- **The WCF Committee** provides financial and operational oversight of the WCF, including advising and supporting the WCF's strategic direction and providing annual approval of the WCF financial plan and budget, among other responsibilities. The Committee includes representation from OCFO leadership and all customer offices.
- **The WCF Division** within OCFO oversees the financial management of the fund, including managing day-to-day operations and establishing cost accounting for all shared services and customers that use the fund. In addition, the WCF Division supports customers with WCF-specific services, such as billing and service usage reports.
- **OCFO and OCHCO** manage the provision of the services financed through the WCF to customer offices. As the designated business line offices, OCFO and OCHCO oversee the quality and timely delivery of services, including monitoring service provider performance and serving as the liaisons between HUD customer offices and service providers concerning any issues with service quality.¹⁵
- **WCF Customers** place orders with the WCF Division to receive services from the external service providers. In addition, customers reimburse the WCF for their estimated use of those services.

However, HUD also performs additional actions to support the efficient and effective delivery of goods and services consistent with the goals of the WCF. Specifically, the WCF Division conducts business process analyses to identify opportunities for efficiencies across the department.

¹⁵For the purpose of this report, we define a business line office as an organization within HUD that oversees an external shared service provided to HUD and financed by the WCF. OCFO serves as the business line office for the shared service agreements with Treasury for financial management, procurement, and travel service lines. OCHCO serves as the business line office for the remaining agreements with Treasury and USDA for human resource and payroll processing services, respectively.

Yet, there is no mention in guidance of the roles and responsibilities of the WCF Division, business line offices, or other stakeholders in identifying, monitoring, and implementing the actions recommended because of these analyses.

In support of the WCF's goal to support efficient and effective delivery of goods and services, the WCF Division provides quarterly usage reports to customers and business line offices and assists them with monitoring their consumption and associated costs of shared services. WCF Division officials told us they conduct a more detailed review of the data when they find anomalies, such as unusually high volumes of transactions. WCF Division officials told us that they will collaborate with the responsible business line office to conduct a business process analysis, which is used to identify actionable ways to address the cause of the high service volume and costs in specific circumstances. A business process analysis is generally conducted when there is an availability of resources, support from the business line office, and potential for cost savings or operational efficiencies.

For example, in 2018, in response to an increase in the volume of two service areas overseen by OCFO—help desk calls and commercial purchase order accruals—the WCF Division examined data and determined that HUD could reduce its service volume and costs.¹⁶ See text box below.

¹⁶Commercial purchase orders are used to obligate an agency to an expenditure of funds. Treasury ARC's financial system is used to account for the processing of commercial purchase orders and related transactions.

Working Capital Fund (WCF) Business Process Analysis

- Help desk calls:** The WCF Division found that an unnecessarily high number of customer calls to help desks for password resets were contributing to higher costs to the department. For example, more than 20 percent of customer calls to Treasury ARC’s financial management help desk were from customers requesting password resets, which can be manually resolved without calling the help desk and incurring a transaction fee.^a In fiscal year 2019, the cost to HUD per financial management help desk call was about \$128. According to the WCF Division Director, the WCF Division presented its findings to OCFO leadership and the WCF Committee, including five recommendations targeted at reducing system password reset call volume and future costs to the department.^b The WCF Division estimated that reducing such calls could achieve total potential cost savings of more than \$270,000 annually, or more than 10 percent of HUD’s total help desk costs.

According to an OCFO official, in response to one of the five help desk recommendations, the OCFO developed a communication tool to spread awareness to customers that password resets should be performed manually without calling the service provider help desk.

- Commercial purchase order transactions:** Commercial purchase order accruals are more costly because they are manually processed. Among other findings, the WCF Division’s analysis determined that changing OCFO’s current business process for obligations below a certain threshold could reduce the volume of transactions processed. The OCFO official told us that OCFO plans to implement one of the recommendations with a new process for recording those accruals in the first quarter of fiscal year 2020 to reduce the volume of transactions. According to the WCF Division’s analyses, the implementation of this recommendation could achieve potential annual costs savings of nearly \$600,000.

However, OCFO has not taken actions to address seven remaining recommendations, which the WCF Division found could produce additional benefits, including potential cost savings of more than \$400,000 annually. The OCFO official told us that OCFO plans to examine HUD’s fiscal year 2019 service usage to determine the effectiveness of the actions it has already taken to reduce the help desk call and commercial purchase order transaction volume.

Source: GAO analysis of HUD documentation. | [GAO-20-263](#)

^aThe WCF Division found that password resets are a large driver of call volume for each help desk area—financial management, procurement, and travel—and could be reduced. However, password resets for the procurement system always require help desk assistance.

^bThe estimated help desk call volume and associated cost to HUD for a given year, as agreed upon in HUD’s agreement with Treasury ARC, is generally based on the average of the previous 2 years’ call volume. As such, changes in usage in 1 year will not necessarily result in lower service costs in the next year, but HUD may realize cost savings over time if usage is consistently lower.

While they have a process for identifying opportunities for efficiencies through the business process analyses, WCF Division officials acknowledged that they have not defined and documented the WCF Division’s own roles and responsibilities with regard to the analyses. WCF Division officials told us they are focused on other priorities, such as new business line proposals. However, they told us that they are open to defining these roles in the future.

There are additional reasons why the WCF Division has not defined and documented roles and responsibilities for these activities. For example, Division officials told us that the Division faces organizational challenges which may limit its own ability to monitor and implement actions. First, as previously discussed, the business line offices are responsible for managing and overseeing the service lines. According to WCF Division officials, the business line offices are primarily responsible for identifying opportunities to achieve efficiencies with service usage, such as through conducting business process analyses. As such, WCF Division officials

told us that they can support those offices by monitoring their usage and helping to identify actions to reduce high service volume and costs, but it is ultimately the business line offices' responsibility to implement any changes to their own processes to improve service usage.

In addition, given its location within OCFO, Division officials stated that the WCF Division has more leverage with OCFO to work with those officials to identify business process improvements. WCF Division officials told us that they have not collaborated with OCHCO or made recommendations for actions OCHCO could take to promote efficient and effective usage of the service lines it oversees.¹⁷ While the Division hopes to work with OCHCO to perform the same types of analyses, the WCF Division Director told us that making recommendations to OCHCO would be viewed as outside of its area of authority.

According to Division officials, it is the role of the WCF Committee to provide oversight over the business line offices and ensure that such actions are implemented. However, officials acknowledged that these roles and responsibilities related to the business process analyses should be more clearly delineated in the WCF Handbook.

Key operating principles for effective management of WCFs state that agencies should clearly delineate roles and responsibilities by defining key areas of authority and responsibility. In addition, federal standards for internal control state that management should establish an organizational structure, assign responsibility, and delegate authority to achieve the agency's objectives.¹⁸ As part of this, management should develop an organizational structure with an understanding of the overall responsibilities and assign those responsibilities to discrete units to enable the organization to operate in an efficient and effective manner.

Without clearly defining and documenting these roles and responsibilities, it is unclear who is responsible for identifying, monitoring, and implementing actions through the business process analyses to address inefficiencies with service usage across HUD. As a result, opportunities to

¹⁷According to WCF Division officials, the division's initial review of help desk transaction data included the human resource help desk—a service line overseen by OCHCO—but the division ultimately focused its analysis on the service lines overseen by OCFO.

¹⁸[GAO-14-704G](#).

more efficiently and effectively deliver goods and services may not be fully and consistently implemented across the department.

HUD Has Established Performance Metrics but Does Not Assess Results of Business Process Analyses to Understand How They Support Efficient Delivery of Services

HUD established eight total performance metrics which, according to WCF Division officials, are intended to align with one or more of the WCF's three goals (see table 2).¹⁹ In fiscal year 2018, the WCF Division developed a draft performance scorecard to measure and track WCF performance in areas such as data and analysis, financial management, and stakeholder engagement. Division officials told us that they use 2019 data as their performance baseline for the scorecard and will continue to review and further develop the fund's metrics and targets.²⁰

¹⁹As previously discussed, the three goals of the WCF are to: (1) align incentives for efficient enterprise operations through users paying for goods and services; (2) establish accurate and timely cost estimates for goods and services; and (3) improve planning, increase visibility and transparency, and support the efficient and effective delivery of goods and services.

²⁰For example, over the course of our review, the WCF Division added three new financial management metrics—accumulated operating result, allocation model variance, and net operating result—to the scorecard. However, according to WCF Division officials, they are still working on developing meaningful targets for the WCF's accumulated operating result and allocation model accuracy.

Table 2: Department of Housing and Urban Development (HUD) Working Capital Fund (WCF) Performance Metrics

Metric	Description	Target
Customer Bill Timeliness	Percent of customer bills completed within 30 days at the end of the fiscal year or from the end of a Continuing Resolution	100 percent
Intra-Governmental Payment and Collection (IPAC) Timeliness	Percent of IPAC's not considered delinquent	100 percent
Allocation Model Accuracy	Percent variance of billing model service line allocations compared to actual usage	Data Collection
Operating Reserve Balance	Percent of time that the WCF operating reserve is less than 30 days	100 percent
Accumulated Operating Result	Net difference between expenses and funds received since the inception of the fund	Data Collection
Net Operating Result	The calculated net operating result of the fund at the end of the fiscal year	+/- 4 percent of total fund value
Usage Report Timeliness	Number of weeks from the last day of the reporting period when preliminary reports are posted	<8 weeks
Governance and Oversight Meetings Held	The frequency with which the WCF convenes the WCF Committee quarterly meetings	Minimum 1 per quarter

Legend: Data Collection = HUD is collecting baseline data to establish future targets for these metrics.

Source: GAO analysis of HUD documentation. | GAO-20-263

Part of one of the WCF's goals is to support the efficient delivery of goods and services. Some of the WCF's metrics, such as those targeting timeliness, will help the WCF Division improve its efficiency with respect to managing the fund. For example, usage report timeliness measures the number of weeks it takes for the WCF Division to share usage reports with customers.

As previously discussed, the WCF Division conducts other activities, such as its business process analyses, that are also intended to support efficient service delivery. However, HUD does not assess the results of the WCF Division's business process analyses to better understand how they contribute to the WCF's goal. We previously reported that high-performing agencies continuously assess their efforts to improve performance. As part of this, agencies use fact-based understandings of how their activities contribute to accomplishing the mission and broader results.²¹

The WCF Division Director told us they have considered metrics to assess broader results of WCF Division activities such as efficiencies, but noted that it is difficult to quantify cost savings attributable to the WCF.

²¹GAO, *Managing for Results: Enhancing Agency Use of Performance Information for Management Decision Making*, GAO-05-927. (Washington, D.C.: Sept. 9, 2005).

This is due, in part, to the fact that HUD's service agreements are firm-fixed price contracts, meaning that a change in the volume of services HUD consumes in a given year will not result in direct cost savings that same year. However, HUD could assess the results of the WCF Division's business process analyses, which identified measurable operational and cost efficiencies that HUD could achieve through implementing the division's recommendations.

For example, as previously discussed, in its analysis of help desk calls, the WCF Division identified potential efficiencies that it could track that would contribute to cost savings over time. While some of the recommendations may not directly result in cost savings, the Division identified other efficiencies such as process improvements that could improve the quality of services that it is capable of tracking. For example, the WCF Division determined that changes to HUD's processes could improve the accuracy of purchase order accrual estimates.

Assessing the results of the WCF Division's business process analyses would help HUD better understand how the Division's efforts contribute to its goal of supporting the efficient delivery of goods and services.²² Without doing so, HUD risks not fully realizing more than \$1 million in total potential annual savings identified by the WCF Division's analyses and freeing up resources that could be realigned for other departmental priorities. In addition to tracking progress towards its own goal, assessing these results would allow HUD to demonstrate how the WCF Division contributes to a 2018 cross-agency priority goal of improving the use, quality, and availability of administrative shared services, as well as the department's related strategic objective to organize and deliver services more efficiently.²³

WCF Handbook Includes Current and Complete Information on Policies and Procedures

In response to our review, HUD updated the WCF Handbook—the primary reference guide for customers and stakeholders on WCF operations—to include more current and complete information on WCF

²²[GAO-05-927](#).

²³Cross-agency priority goals are long-term, outcome-oriented federal priority goals that the Office of Management and Budget, in coordination with federal agencies, develops every 4 years for a limited number of crosscutting policy and management improvement areas. 31 U.S.C. § 1120(a).

policies and procedures. For example, prior to February 2020, we found that the Handbook was not reconciled with more recently developed draft WCF procedures for contract and budget execution, and invoicing and payments. The WCF Handbook now includes these procedures, which contain detailed information about administrative and funds control responsibilities. For example, the procedures describe the WCF Division Director's cash management responsibilities and designation as the WCF's Funds Control Officer, as well as roles of WCF customer program and budget officers.

In addition, during the course of our review, the WCF Division updated its Handbook to include current information on other policies and procedures. For example, the Handbook now reflects the WCF's performance metrics, which we previously discussed were initially developed by the WCF Division in 2018, and changes to other key policies, such as the implementation of the WCF's full cost recovery model in 2019.

HUD now has reasonable assurance that its primary reference guide, the WCF Handbook, provides a current and complete understanding of existing WCF policies, consistent with federal standards for internal controls.²⁴

²⁴[GAO-14-704G](#)

HUD Has Established a Process to Recover the WCF's Costs and Has Fully Developed and Documented Policies for Its Unexpended Balances

HUD Has a Process Designed to Equitably and Transparently Recover the WCF's Estimated Costs

The WCF's price and cost allocation methodology is designed to equitably and transparently recover HUD's annual costs for externally provided shared services financed through the fund.²⁵ According to HUD officials, the WCF has roughly recovered its costs of financing HUD's annual shared service agreements since its establishment in 2016. To recover its costs, the WCF Division has a process to divide HUD's total cost of shared services among the 17 customer offices based on their estimated service usage.

For fiscal years 2016 through 2018, the WCF reported a negative accumulated operating result of \$400,372, meaning that it reported it recovered nearly all of its costs since its inception.²⁶ During this time period, the WCF reported years of positive and negative net operating results.²⁷ Revolving funds such as the HUD WCF are designed to break even over the long term; therefore, year-to-year fluctuations are to be expected.²⁸ Table 3 provides a detailed breakdown of HUD's reported cost recovery.

²⁵For the purposes of this report, we define an equitable cost recovery model as a model that distributes costs to customers based on their estimated usage. We define the model to be transparent if information on pricing is readily available and generally understood by customers.

²⁶Accumulated operating result is the net difference between expenses and funds received since the inception of the fund.

²⁷Net operating result is the net difference between expenses and funds received for a single fiscal year.

²⁸Given the WCF's limited years of operation and available data, we did not independently evaluate the sufficiency of the WCF's cost recovery process.

Table 3: Department of Housing and Urban Development (HUD) Working Capital Fund Reported Cost Recovery, Fiscal Years 2016-2018

Result	2016	2017	2018
Revenue	\$43,289,669 ^a	\$42,019,366	\$37,936,239
Expenditures	\$42,862,729	\$41,834,637	\$38,948,281
Net Operating Result	\$426,941	\$184,729	(\$1,012,042)
Accumulated Operating Result	\$426,941	\$611,670	(\$400,372)

Source: Unaudited data reported by HUD. | GAO-20-263

^aRevenue in fiscal year 2016 represent appropriations transferred to the newly established working capital fund from the Offices of the Chief Financial Officer and Chief Human Capital Officer accounts to pay for shared service provider costs. In 2016 and 2017, HUD also exercised its authority to transfer an additional \$10 million and \$5 million, respectively, to establish a reserve balance.

Equitable Cost Recovery

According to WCF Division officials, its shared service providers set annual prices for each service line at the outset of the fiscal year using their own pricing methodologies.²⁹ The service providers then bill HUD in aggregate for an agreed-upon price under annual interagency agreements at firm-fixed prices.³⁰

As illustrated in figure 2, the WCF Division determines how much each customer office will pay into the WCF for its respective share of HUD’s total shared service costs using internally developed cost drivers and customers’ expected service usage.³¹ The cost drivers were selected by the WCF Committee, and are subject to annual review. According to WCF Division officials, the cost drivers are generally similar to those established by the external providers to maintain a clear connection between customer usage and provider charges. In some cases, however, the provider uses a nonunit based cost driver, such as “level of effort.” In

²⁹We did not independently evaluate the pricing methodologies or how the shared service providers set prices for HUD and other customers as this was not within the scope of our mandated review. However, we previously evaluated how Treasury manages the Treasury Franchise Fund which finances two providers—the Shared Service Programs and ARC—that provide shared services to HUD. For more information, see [GAO-16-477](#).

³⁰Provider charges for the majority of services are fixed in the year of execution; however, some services, such as relocation, are billed to HUD based on actual usage up to an established, “not-to-exceed” amount.

³¹According to WCF Division officials, a cost driver is a variable, such as the number of full-time equivalents, associated with a customer’s service usage that quantifies how much a service will cost.

those instances the WCF Division uses cost drivers which vary from the providers. According to HUD documentation, “employee count” is a common alternative driver used to fairly and equitably distribute costs among customers.

Figure 2: Department of Housing and Urban Development (HUD) Working Capital Fund (WCF) Cost Allocation Formula

HUD’s WCF uses a formula to allocate costs to its customers.

This formula relies on cost drivers—variables associated with the amount of a service a customer is expected to use—to determine the customer’s share of HUD’s overall shared service costs:

$$\text{WCF charge to HUD customer} = \text{HUD's total service cost} \times \frac{\text{Customer's expected service usage (e.g., number of users)}}{\text{HUD's total expected service usage (e.g., total number of users)}}$$

Source: GAO analysis of Department of Housing and Urban Development information. | GAO-20-263

Note: The formula does not include the WCF Division’s overhead costs, which are based on a separate calculation.

In addition to the direct costs of HUD’s shared services, HUD officials told us that the WCF received authority to collect reimbursement from HUD customers for the WCF Division’s overhead costs in fiscal year 2019.³² The WCF’s overhead covers operational expenses, including: WCF Division staff salaries and benefits, travel, support contracts, supplies and materials, and training. Customers are billed for a percentage of the overhead based on their share of HUD’s total shared service costs. This charge is included as an individual line item in customers’ WCF billing statements.

Transparent Cost Recovery

The WCF Division shares information on pricing and its cost allocation process with customers in several ways. The WCF Handbook includes the billing process, which describes the method for allocating costs among customers. The WCF Division provides customer offices with a billing model which illustrates how costs are allocated across customers by service line. Customer invoices are broken out to show how customers are charged for each service. In addition, the WCF Division provides

³²According to HUD officials, HUD’s fiscal year 2019 appropriations provided authority to the WCF to charge customers for the cost of the WCF Division’s operations. Prior to fiscal year 2019, the WCF’s overhead costs were paid for out of the OCFO’s budget.

quarterly usage reports to customers to help them understand their service consumption. According to WCF Division officials, the WCF Division holds meetings and meets with customer offices one-on-one to explain the information provided.

Participants in two of our three focus groups said that the WCF cost allocation model increases accountability and is a more equitable and fair distribution of service costs. Participants in all three focus groups said the WCF improved transparency over the old service model because they can see and consider the costs of their shared service usage. For example, one participant told us that, before the WCF, customers did not directly pay for their shared services and, as a result, did not think about costs.

HUD Has Developed Policies for Managing the WCF's Unexpended Balance

The WCF Division has processes to estimate and manage the WCF's unexpended balance, including establishing an operating reserve requirement. Properly managing unexpended balances is essential for

Evaluating Unexpended Balances: A Framework for Understanding

In 2013, we identified the following questions for agencies and decision makers to consider when evaluating unexpended balances in federal budget accounts. Findings based on these questions can provide managers with important information about financial challenges and opportunities which may exist; in turn, this information may help guide more effective account and program management.

- What mission and goals is the account or program supporting?
- What are the sources and fiscal characteristics of the funding?
- What factors affect the size or composition of the unexpended balances?
- How does the agency estimate and manage unexpended balances?

Source: GAO 13-798. | GAO-20-263

ensuring self-sufficiency of the fund.³³ Part of the unobligated balance includes an operating reserve which, according to WCF Division officials, is needed to finance ongoing revolving activities, facilitate payments, cover discrepancies between actual and projected shared service costs, and ensure continuity in case of funding disruptions.

In fiscal year 2017, the size of the WCF's unexpended balance increased by 60 percent from \$10 million to \$16 million, and it was relatively stable from fiscal years 2017 to 2018, as shown in table 4.

³³Unexpended balances are the sum of a fund's obligated and unobligated balances. Obligated balances are the amounts in a WCF for which funds have been obligated against an order placed, but have not been fully liquidated. Unobligated balances are the amounts that are either earned and legally available for obligation, or unearned advances that have not been obligated by the agency to fulfill the order.

Table 4: Department of Housing and Urban Development (HUD) Working Capital Fund (WCF) Unexpended Balance, Fiscal Years 2016-2018

(Dollars in millions).

Result	2016	2017	2018
Unobligated balance, end of year	9	15	2
Obligated balance, end of year	1	1	13
Total unexpended balance^a	10	16	15
Total budgetary resources available ^b	53	57	53
Unexpended balance ratio ^c	19 percent	28 percent	28 percent

Source: GAO analysis of President's Budget Data. | GAO-20-263

Notes: WCF Division officials attributed the decrease in unobligated balances at the end of fiscal year 2018 to the WCF's policy to use its reserve to cover HUD's shared service expenses during the first quarter of the fiscal year until the fund is able to collect reimbursement from customers. In addition, officials told us that end of year unobligated balances have decreased as the WCF's revolving cycle of funding has normalized over time.

^aThe unexpended balance is the sum of the unobligated and obligated balances.

^bThe total budgetary resources available in an account consist of unobligated funds carried forward from previous years, if applicable, plus funds newly available for obligation in that fiscal year.

^cThe unexpended balance ratio is the ratio of the funds' unexpended balance to the total budgetary resources available.

According to the WCF Handbook, the WCF Division has established a 30-day minimum operating cash requirement. HUD used its transfer authority, defined in the WCF's annual appropriations language, to develop a cash reserve in the fund. For example, in fiscal years 2016 and 2017, \$10 million and \$5 million were transferred into the fund, respectively, to develop a reserve. Finally, according to the WCF Handbook, reserve funding may be used to cover shared service payments, with the expectation of receiving reimbursement from the customer offices. HUD officials told us that they also use this reserve funding to cover first quarter fiscal year bills, prior to customer offices receiving appropriations.

In response to our review, in February 2020, HUD fully documented the existing policies that WCF Division officials told us are used to manage the WCF's unexpended balances. According to WCF Division officials, the WCF's newly established operating reserve policy reflects all of the ways in which the operating reserve may be used. For example, according to the WCF's operating reserve policy, the reserve balance may be used to provide pricing stability to customers when variations between the WCF's estimated customer costs and actual shared service provider costs occur. This occurs because HUD does not know what the actual costs of the shared services will be for the next fiscal year until

later in the current fiscal year, by which time customer offices will have already developed their budgets.

In addition, during the course of our review, the WCF Division formally documented the ways that it may use the fund's transfer authority to maintain and increase the operating reserve, including using its transfer authority to increase the reserve balance when the WCF is expanded to include additional services.

We have previously reported on the importance of agencies establishing an operating reserve policy and relevant guidance and protocols to strengthen the transparency and communication of agency operations.³⁴ Now that the WCF Division has fully documented its existing operating reserve policies, HUD can have reasonable assurance that these policies are implemented as intended, and that the WCF can continue its activities and meet customer demand. This is particularly important as HUD continues to consider expanding the WCF to include internal shared services.

Customers in Our Focus Groups Were Generally Satisfied with WCF Division Communication, but HUD Has Not Reviewed Shared Services

Customers in Our Focus Groups Were Generally Satisfied with WCF Division Communication

While the WCF Division does not actually provide the shared services that it finances, nor manage dispute resolution between customers and service providers, it does communicate with customers on fund-related issues—such as shared service billing and usage reports. Key operating principles for effective management of working capital funds state that to be flexible to customer input and needs, agencies should communicate

³⁴[GAO-16-477](#) and GAO, *Patent and Trademark Office: New User Fee Design Presents Opportunities to Build on Transparency and Communication Process*, [GAO-12-514R](#) (Washington, D.C.: Apr. 25, 2012).

with customers regularly and in a timely manner, and develop a process to assess whether customer demands are met.³⁵

The WCF Division communicates and interacts directly with customers through a variety of channels. For example, WCF Division officials told us that they: organize quarterly WCF Committee meetings, hold meetings to provide information and answer questions about interpreting usage reports, and use an email inbox for communication between Division staff and customers. The WCF Division will also contact customers directly when issues, such as anomalies in shared service usage, are identified. Customers in all three focus groups reported that they turn to the WCF Division when issues or questions about WCF-related issues arise, and are generally satisfied with the Division's communication and responsiveness.

HUD Has Not Reviewed Shared Services to Ensure Strong Performance and Customer Satisfaction

HUD's business line offices—those offices that oversee HUD's agreements for externally provided shared services—have mechanisms to communicate with customers and obtain feedback on shared service quality. For example, an official from OCFO—the office that oversees financial management, procurement, and travel services—told us that OCFO has an email inbox dedicated to questions and concerns regarding services. Officials from OCHCO—which oversees human resource (HR)-related services—told us that OCHCO holds recurring meetings with customer offices and reviews feedback from government-wide employee surveys. That feedback is then used to inform HUD's annual negotiations for HR-related shared services and improve service delivery.

According to the WCF Division Director, the WCF Committee quarterly meetings provide an additional opportunity for customer offices to provide feedback to business line offices on shared services. Business line office officials also told us they monitor data on service provider performance and go directly to the provider when discrepancies between the provider's actual performance and agreed-upon performance metrics are identified.

However, while participants in all three of our focus groups acknowledged that OCFO and OCHCO are the designated points of contact for day-to-day issues, participants in two of our three focus groups mentioned that

³⁵[GAO-12-56](#).

they have not been given opportunities to provide feedback on overall shared service quality. In addition, all three customer focus groups expressed some level of dissatisfaction with the quality of HR services, particularly with hiring. For example, participants in at least one of our focus groups identified the following issues with HR services:

- complications and excessive time consumption associated with resolving inquiries;
- HR service providers operating without specialized skills and knowledge relevant to HUD offices and programs; and
- inadequate adaption to spikes in service demand.

The WCF Division Director told us that the WCF Committee has not conducted periodic reviews of WCF business lines since HUD transitioned to shared services. According to the WCF Committee Charter, the WCF Committee is responsible for conducting and overseeing periodic reviews of WCF business lines, as appropriate, to ensure effective management, strong performance, and customer satisfaction. In addition, federal standards for internal control call for periodic reviews of policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks.³⁶ According to the WCF Division Director, at this time the committee does not have plans to conduct such reviews.

OCHCO officials told us that they are aware of customer complaints with the quality of HR services. According to officials, HUD has a new Chief Human Capital Officer as of May of 2019 who is taking action to obtain feedback on services by engaging directly with HUD customers through listening sessions. OCHCO officials told us they will introduce action plans in fiscal year 2020 to address recurring issues and customer complaints. In addition to these plans and the feedback OCHCO already obtains, OCHCO officials acknowledged that periodic reviews of the service line, as called for in the committee charter, would be valuable.

Without conducting periodic reviews of shared services, HUD may not have a comprehensive understanding of whether customer needs are being met and could be missing out on opportunities to identify potential areas for improvement with the performance and management of services for which it is paying. Given the concerns customers in our focus

³⁶[GAO-14-704G](#).

groups told us about HR service lines, HUD should consider making it the first service line that is subject to a review.

Conclusions

WCFs provide agencies with an opportunity to operate more efficiently by consolidating services and creating incentives for customers to exercise cost control. HUD could maximize the potential of these opportunities by ensuring that it has a solid framework in place for managing the WCF before it expands to include additional shared services.

During the course of our review, HUD took important steps to ensure that the WCF Handbook—the primary reference guide for WCF operations—includes up-to-date and complete information on WCF policies and procedures. Providing access to current and complete information on the management of the WCF promotes an understanding of who should be held accountable, and helps ensure that funds are effectively managed.

HUD also took steps to fully document its processes to effectively manage the operating reserves. This will be particularly important as HUD continues to consider expanding the services provided through the WCF. By documenting its existing operating reserve policies, HUD is better positioned to address potential risk and to identify opportunities to achieve budgetary savings or redirect resources to other priorities.

However, there are additional opportunities for improvement. Defining roles and responsibilities promotes a clear understanding of who will be held accountable for specific tasks or duties. Most of HUD's WCF roles and responsibilities are defined in guidance. However, while the WCF Division performs important business process analyses that identify opportunities to improve the efficiency of services, consistent with the goals of the WCF, HUD has not defined roles and responsibilities for the business process analyses, including who is responsible for identifying, monitoring, and implementing actions to achieve the efficiencies. This makes it difficult to hold offices accountable. By clearly defining the responsibilities of the WCF Division, business line offices, and other stakeholders, such as the WCF Committee, HUD could better ensure the business process improvements are being implemented fully and consistently across the department.

Moreover, assessing the results of the WCF Division's business process analyses would help HUD better understand how the Division's efforts

contribute to its goal of supporting the efficient delivery of goods and services. This would better position HUD to achieve the more than \$1 million in potential annual savings identified by the WCF Division's analyses.

Finally, opportunities for customers to provide input about services in a timely manner enables agencies to regularly assess whether customer needs are being met. WCF customers have several ways that they can communicate day-to-day concerns about shared services to the business line offices. However, they raised larger concerns during our focus groups, particularly about the quality of the externally provided human resource related services that deserve attention. Periodic assessments of WCF business lines would provide a more comprehensive understanding of customers' overall satisfaction and would help HUD identify potential areas for improvement with the services for which they pay.

Recommendations for Executive Action

We are making a total of three recommendations to HUD. The Secretary of HUD should define and document roles and responsibilities for identifying opportunities to promote more efficient shared service usage through business process analyses, including defining roles for monitoring and implementing actions recommended because of these analyses. (Recommendation 1)

The Secretary of HUD, in conjunction with OCFO, should ensure that the results of the WCF Division's business process analyses are assessed to better understand how these analyses contribute to the WCF's established goal to support the efficient delivery of enterprise goods and services. (Recommendation 2)

The Secretary of HUD should ensure that the WCF Committee conducts periodic reviews of WCF business lines, as authorized in the WCF Committee Charter, to ensure effective management, strong performance, and customer satisfaction. (Recommendation 3)

Agency Comments and Our Evaluation

We provided a draft of this report for comment to the Departments of Agriculture (USDA), Housing and Urban Development (HUD), and the Treasury.

In our draft report, we made five recommendations to HUD. HUD provided written comments, which are reproduced in appendix II. HUD officials agreed with four of the recommendations and described some steps they have taken or plan to take to address them. HUD sought additional clarification on one of the recommendations.

One draft recommendation was that HUD ensure that existing WCF policies and procedures are current and complete, consolidated in the WCF Handbook, and made easily accessible to customers and stakeholders. HUD officials agreed with this recommendation, and during their review of the draft report, they provided documentation to show that they had updated the WCF Handbook in line with our draft recommendation.

Another draft recommendation was that HUD fully document all existing processes related to the management of the WCF's unexpended balances and operating reserve. HUD officials also agreed with this recommendation, and provided documentation to show that they had established written processes in line with our draft recommendation. As such, we revised our final report to include both actions taken by HUD in February 2020 and to remove these two recommendations.

In its written comments, HUD sought clarification on recommendation 1. On February 26, 2020, we spoke with HUD officials and clarified that the recommendation is more specifically targeted to the roles and responsibilities for identifying, monitoring, and implementing actions related to the business process analysis and efficiency efforts than the general guidance that HUD identified in its written comments. We added additional clarification to the report where appropriate.

In addition to the written comments we received, USDA, HUD, and Treasury provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees; the Secretaries of USDA, HUD, and Treasury; and other interested parties. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

Letter

If you or your staffs have questions about this report, please contact Tranchau (Kris) T. Nguyen at (202) 512-6806 or nguyentt@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix III.



Tranchau (Kris) T. Nguyen
Director, Strategic Issues

Appendix I: Working Capital Fund Customer Offices Represented in Our Focus Groups

We obtained views from HUD officials representing the following 12 Working Capital Fund customer offices:

- Executive Offices
- Government National Mortgage Association (Ginnie Mae)
- Office of Business Transformation
- Office of Community Planning and Development
- Office of Departmental Equal Employment Opportunity
- Office of Policy Development and Research
- Office of General Counsel
- Office of Housing
- Office of the Chief Financial Officer
- Office of the Chief Human Capital Officer
- Office of the Chief Information Officer
- Office of the Chief Procurement Officer

Appendix II: Comments from the Department of Housing and Urban Development

	<p>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT WASHINGTON, DC 20410-3000</p>
<p>OFFICE OF THE CHIEF FINANCIAL OFFICER</p>	
<p>February 19, 2020</p>	
<p>Tranchau (Kris) T. Nguyen Director, Strategic Issues United States General Accountability Office Washington, DC 20510</p>	
<p>Dear Ms. Nguyen:</p>	
<p>Thank you for providing HUD with the draft report titled "HUD Could Improve Management to Better Achieve Efficiencies and Help Ensure Customer Satisfaction" (GAO-20-263).</p>	
<p>In this report, the U.S. Government and Accountability Office (GAO) reviewed the extent to which HUD (1) delineated Working Capital Fund (WCF) roles and responsibilities and established performance measures; (2) established a transparent and equitable process to recover WCF costs; and, (3) developed processes to obtain WCF customer feedback. In GAO-20-263, GAO made five recommendations. HUD accepts 4 of the recommendations and seeks to clarify 1 recommendation.</p>	
<p>Our comments regarding GAO's recommendations are enclosed. We hope you take these comments into considerations when issuing the final version of GAO-20-263.</p>	
<p>Sincerely,  Emily Komegay Assistant Chief Financial Officer for Budget</p>	
<p>Enclosure</p>	



Working Capital Fund

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Working Capital Fund Division Response to GAO-20-263

February 2020

**Appendix II: Comments from the Department
of Housing and Urban Development**

HUD Working Capital Fund
Working Capital Fund Division Response to GAO-20-263

Comments

Starting with the establishment of HUD's WCF in FY 2016, the WCF Division built the foundation of HUD's WCF upon GAO's framework for effective WCF management. The WCF Division delineated roles and responsibilities, ensured self-sufficiency by recovering HUD's actual costs, and obtained customer input in order to meet customer needs through WCF Committee Meetings, office hours, and through other informal channels. The WCF Division continues to enhance and build upon this framework. HUD welcomes GAO's recommendations contained within GAO-20-263. Indeed, GAO's recommendations provide insights that will allow the WCF Division to further enhance the framework the WCF Division has already made great strides to implement.

From January 2019 through March 2020, the U.S. Government and Accountability Office (GAO) reviewed the extent to which HUD (1) delineated WCF roles and responsibilities and established performance measures; (2) established a transparent and equitable process to recover WCF costs; and (3) developed processes to obtain WCF customer feedback. In GAO-20-263, GAO made five recommendations. The WCF Division's comments to the findings and recommendations can be found in response to each of GAO's recommendations below.

GAO RECOMMENDATION 1: The Secretary of HUD should define and document roles and responsibilities for identifying opportunities to promote more efficient shared service usage, including defining roles for monitoring and implementing actions recommended by the WCF Division.

HUD seeks to clarify this recommendation. These roles and responsibilities were defined with the establishment of the WCF. In 2016, the WCF Committee (WCFC) approved the WCFC Charter. The WCFC Charter defines and documents roles and responsibilities related to this recommendation and defines who is responsible for identifying and implementing opportunities for achieving efficiencies with HUD's service usage. The WCFC Charter states: "Each WCF Business Line should...evaluate and report on performance metrics to support customers' efficient and effective execution of financial resources and maximize outcomes." This section of the WCFC Charter defines and documents roles and responsibilities for identifying opportunities to promote more efficient shared service usage. One of the responsibilities of the WCFC is to "Conduct or oversee periodic reviews of WCF Business Lines and make recommendations as appropriate to ensure effective management, strong performance, and

2

**Appendix II: Comments from the Department
of Housing and Urban Development**

HUD Working Capital Fund
Working Capital Fund Division Response to GAO-20-263

customer satisfaction.” This section of the charter also specifies that the role of the WCFC is monitoring and ensuring implementation of actions recommended by the WCF Division. This would include providing oversight for monitoring and ensuring implementation of business process analyses.

GAO RECOMMENDATION 2: The Secretary of HUD, in conjunction with OCFO, should ensure that the results of the WCF Division’s business process analyses are assessed to better understand how these analyses contribute to the WCF’s established goal to support the efficient delivery of enterprise good and services.

HUD accepts this recommendation, will implement the recommendation in 2020, and will add this as a performance metric to the WCF Performance Scorecard.

GAO RECOMMENDATION 3: The Secretary of HUD, in conjunction with OCFO, should ensure that existing WCF policies and procedures are current and complete; consolidated in the WCF Handbook; and made easily accessible to customers and stakeholders.

HUD accepts this recommendation, and this recommendation was implemented.

GAO RECOMMENDATION 4: The Secretary of HUD, in conjunction with OCFO, should fully document all existing processes related to the management of the WCF’s unexpended balances and operating reserves. Documentation should include how the operating reserves may be used.

HUD accepts this recommendation, and this recommendation was implemented.

GAO RECOMMENDATION 5: The Secretary of HUD should ensure that the WCF Committee conducts periodic reviews of WCF business lines, as authorized in the WCF Committee Charter, to ensure effective management, strong performance, and customer satisfaction.

HUD accepts this recommendation; it is partially implemented and will be fully implemented in 2020. Since the establishment of HUD’s WCF in FY 2016, the WCF Committee held, and continues to hold, regular WCF Committee meetings where reviews of WCF business lines are conducted as a part of the WCF Committee meeting discussions. To fully implemented this recommendation, the WCF Committee will enhance these reviews by holding formal review sessions dedicated solely to reviewing the WCF business lines. The first service lines subject to review will be the HR service lines.

3

Agency Comment Letter

Text of Appendix II: Comments from the Department of Housing and Urban Development

Page 1

February 19, 2020

Tranchau (Kris) T. Nguyen
Director, Strategic Issues
United States General Accountability Office
Washington, DC 20510

Dear Ms. Nguyen:

Thank you for providing HUD with the draft report titled "HUD Could Improve Management to Better Achieve Efficiencies and Help Ensure Customer Satisfaction" (GAO-20-263).

In this report, the U.S. Government and Accountability Office (GAO) reviewed the extent to which HUD (1) delineated Working Capital Fund (WCF) roles and responsibilities and established performance measures; (2) established a transparent and equitable process to recover WCF costs; and, (3) developed processes to obtain WCF customer feedback. In GAO-20-263, GAO made five recommendations. HUD accepts 4 of the recommendations and seeks to clarify 1 recommendation.

Our comments regarding GAO's recommendations are enclosed. We hope you take these comments into considerations when issuing the final version of GAO-20-263.

Sincerely,

Emily Kornegay
Assistant Chief Financial Officer for Budget

Enclosure

Page 2

**Working Capital Fund
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
Working Capital Fund Division Response to GAO-20-263**

February 2020

Page 3

Comments

Starting with the establishment of HUD's WCF in FY 2016, the WCF Division built the foundation of HUD's WCF upon GAO's framework for effective WCF management. The WCF Division delineated roles and responsibilities, ensured self-sufficiency by recovering HUD's actual costs, and obtained customer input in order to meet customer needs through WCF Committee Meetings, office hours, and through other informal channels. The WCF Division continues to enhance and build upon this framework. HUD welcomes GAO's recommendations contained within GAO-20-263. Indeed, GAO's recommendations provide insights that will allow the WCF Division to further enhance the framework the WCF Division has already made great strides to implement.

From January 2019 through March 2020, the U.S. Government and Accountability Office (GAO) reviewed the extent to which HUD (1) delineated WCF roles and responsibilities and established performance measures; (2) established a transparent and equitable process to recover WCF costs; and (3) developed processes to obtain WCF customer feedback. In GAO-20-263, GAO made five recommendations. The WCF Division's comments to the findings and recommendations can be found in response to each of GAO's recommendations below.

GAO RECOMMENDATION 1:

The Secretary of HUD should define and document roles and responsibilities for identifying opportunities to promote more efficient shared service usage, including defining roles for monitoring and implementing actions recommended by the WCF Division.

HUD seeks to clarify this recommendation. These roles and responsibilities were defined with the establishment of the WCF. In 2016, the WCF Committee (WCFC) approved the WCFC Charter. The WCFC Charter defines and documents roles and responsibilities related to this recommendation and defines who is responsible for

identifying and implementing opportunities for achieving efficiencies with HUD's service usage. The WCFC Charter states: "Each WCF Business Line should...evaluate and report on performance metrics to support customers' efficient and effective execution of financial resources and maximize outcomes." This section of the WCFC Charter defines and documents roles and responsibilities for identifying opportunities to promote more efficient shared service usage. One of the responsibilities of the WCFC is to "Conduct or oversee periodic reviews of WCF Business Lines and make recommendations as appropriate to ensure effective management, strong performance, and..."

Page 4

... customer satisfaction." This section of the charter also specifies that the role of the WCFC is monitoring and ensuring implementation of actions recommended by the WCF Division. This would include providing oversight for monitoring and ensuring implementation of business process analyses.

GAO RECOMMENDATION 2:

The Secretary of HUD, in conjunction with OCFO, should ensure that the results of the WCF Division's business process analyses are assessed to better understand how these analyses contribute to the WCF's established goal to support the efficient delivery of enterprise good and services.

HUD accepts this recommendation, will implement the recommendation in 2020, and will add this as a performance metric to the WCF Performance Scorecard.

GAO RECOMMENDATION 3:

The Secretary of HUD, in conjunction with OCFO, should ensure that existing WCF policies and procedures are current and complete; consolidated in the WCF Handbook; and made easily accessible to customers and stakeholders.

HUD accepts this recommendation, and this recommendation was implemented.

GAO RECOMMENDATION 4:

The Secretary of HUD, in conjunction with OCFO, should fully document all existing processes related to the management of the WCF's unexpended balances and operating reserves. Documentation should include how the operating reserves may be used.

HUD accepts this recommendation, and this recommendation was implemented.

GAO RECOMMENDATION 5:

The Secretary of HUD should ensure that the WCF Committee conducts periodic reviews of WCF business lines, as authorized in the WCF Committee Charter, to ensure effective management, strong performance, and customer satisfaction.

HUD accepts this recommendation; it is partially implemented and will be fully implemented in 2020. Since the establishment of HUD's WCF in FY 2016, the WCF Committee held, and continues to hold, regular WCF Committee meetings where reviews of WCF business lines are conducted as a part of the WCF Committee meeting discussions. To fully implement this recommendation, the WCF Committee will enhance these reviews by holding formal review sessions dedicated solely to reviewing the WCF business lines. The first service lines subject to review will be the HR service lines.

Appendix III: GAO Contact and Staff Acknowledgments

GAO Contact

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Staff Acknowledgements

In addition to the above contact, Thomas J. McCabe (Assistant Director), Mackenzie D. Verniero (Analyst-in-Charge), Michael Alleyne, Jacqueline Chapin, Andrew J. Howard, Jason Marshall, Steven Putansu, and Alicia White made major contributions to this report. Ronald La Due Lake also contributed to this report.

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