



U.S. Department of Housing and Urban Development
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Regional Inspector General for Audit

MEMORANDUM NO: 2003-PH-0801

December 3, 2002

MEMORANDUM FOR: Angela M. Antonelli, Chief Financial Officer, F

FROM: Daniel G. Temme, Regional Inspector General for Audit,
Mid-Atlantic, 3AGA

SUBJECT: Assessment of HUD's Progress in Implementing the Resource Estimation and Allocation Process (REAP) and Total Estimation And Allocation Mechanism (TEAM) Components of its Human Resource Management System

INTRODUCTION

We completed a review of the Department of Housing and Urban Development's (the Department) progress in implementing the Resource Estimation and Allocation Process (REAP) and the Total Estimation and Allocation Mechanism (TEAM) components of its human resource management system. The Chief Financial Officer's (CFO) Office of Budget is responsible for the coordination and implementation of the system. Our primary objective was to assess the Department's progress in implementing REAP and TEAM, subsequent to the Office of Inspector General (OIG) September 2000 REAP review.

Generally, we found the Department has made significant progress in developing and implementing the key components of its human resource management system since September 2000. The Department completed the REAP studies in January 2002, began implementing the time reporting component of TEAM in the third quarter of fiscal year 2002, and anticipates the allocation module of TEAM will be implemented in the first quarter of fiscal year 2003. The Department now needs to develop a comprehensive strategic workforce plan that includes elements as to how the data from the REAP studies and TEAM system will be used to plan and allocate its human resources among its various operating components.

We appreciate the courtesies and assistance extended by the personnel of the Department's CFO, Office of Budget during the review process.

Should you or your staff have any questions, please contact Christine Begola, Assistant Regional Inspector General for Audit at (410) 962-2520.

OBJECTIVE, METHODOLOGY AND SCOPE

The primary objective of our audit was to assess the progress the Department has made in implementing the REAP and TEAM components of its human resource management system subsequent to the REAP review the OIG completed in September 2000. To accomplish our objective, we selected three Department organizations to review. In addition, we:

- Interviewed responsible Headquarters personnel;
- Reviewed pertinent reports and documents regarding the Department's need for resource management systems, the procedures performed during the REAP work measurement studies, and the progress the Department has made to implement REAP and TEAM department-wide;
- Reviewed workload indicators for adequacy as well as to determine if the indicators flow from the work-study, to the budget and to TEAM; and,
- Performed a limited review of TEAM's capability to assess workload adjustments and staff allocations.

The audit generally covered the period of August 2000 through April 2002. The audit work was completed from May 2002 to August 2002 in accordance with Generally Accepted Government Auditing Standards.

BACKGROUND

In recent years, the Department has been criticized by the Office of Management and Budget (OMB), the General Accounting Office (GAO), and the Congress for its inability to estimate their staffing needs and support staffing requests. The Department's last system for employee time reporting and workload counting was terminated in 1995 because Field Office employees complained that the data in the time reporting systems were inaccurate and the system was ineffective. Since that time, the Department staffing levels have fluctuated while workload has grown. As a result, the Department recognized the need for an approach to estimate, justify, and allocate the Department's staffing resources.

Congress asked the National Academy of Public Administration (NAPA) to work with the Department to develop a resource management methodology. A HUD/NAPA Advisory Group was established with representatives from all program areas and the HUD employees' union. The group studied the best practices of other government agencies in the area of resource management and recommended the implementation of the resource management methodology known as REAP. The previous HUD administration accepted the methodology and agreed to the implementation of REAP over an 18-month period.

In their 2000 report, NAPA recommended that REAP apply to both Headquarters and the Field, cover all work (including contractor work), and be validated on a continuous basis. The report also recommended that REAP consist of three components: resource estimation, resource allocation, and resource validation.

The Department began conducting REAP studies in August 2000 and completed the studies in January 2002. The information gathered from the REAP studies will serve as the source for the Department in estimating, justifying, and allocating its staffing resources. The REAP studies establish a staffing baseline for budget formulation and execution, strategic planning, and organization and management analyses.

In order to provide a continuous validation of the REAP data, an automated information system known as TEAM was developed to support REAP. TEAM is a web-based application and is used to collect actual workload accomplishments and employee time usage on a sampling basis. Employees record how much time they spend working on the different activities and processes of their jobs during a randomly selected two-week period every quarter. TEAM proposes to validate the REAP standards or require their re-evaluation. In addition, TEAM is to have the capability to provide resource allocation through its Allocation Module.

REAP and TEAM are to be used for budget formulation and execution and Departmental strategic planning processes. REAP and TEAM are also designed to provide pertinent data to management regarding issues such as staff productivity and staff allocation use throughout the Department. Eventually, TEAM is to contain performance measures data for meeting Government Performance and Results Act (GPRA) requirements.

On September 29, 2000, we issued an audit memorandum report¹ on the Department's progress in implementing REAP. In the report, we questioned the Department's commitment to the project because their progress in implementing the REAP had not moved forward as quickly as promised by the Department, nor had the project been fully funded to ensure it would be successfully completed as planned. However, between the time the draft report was issued to the former Deputy Secretary and the final report was issued, the former Deputy Secretary reported that the Department had fully funded the REAP Project and reiterated that the Department's top management was in complete support of the REAP Project. This review provides an update as to the progress the Department has made in implementing its human resource management system.

RESULTS OF REVIEW

Since September 2000, the Department has made significant progress in implementing REAP/TEAM. Specifically, the Department completed the REAP studies in January 2002 and began implementing the Time Reporting component of TEAM in the third quarter of FY 2002. Further, the Department anticipates it will implement the TEAM Allocation Module during the first quarter of fiscal year 2003. However, apart from these achievements, we did note the Department lacks a comprehensive strategic plan that defines how the data from the REAP studies and TEAM will be used to justify and allocate its human resources among its operating components. This may limit the effectiveness of the system in helping manage its human resources.

¹ Progress Assessment – Implementing the Resource Estimation and Allocation Process (REAP), No. 00-PH-169-0802, September 29, 2000.

We also concluded that the Department complies with the methodology developed by NAPA when it completed its REAP studies. The present workload indicators (workload tasks or activities performed by each area) are adequate and new workload indicators can be added to the TEAM system as they are needed to calculate estimated staffing requirements.

REAP Studies Were Completed

REAP is the methodology for defining and estimating required staff resources and establishes a staffing baseline for budget formulation and execution, strategic planning, and organization and management analyses. In August 2000 the Department hired a contractor to perform a series of resource estimation work measurement studies using the methodology developed by NAPA. The studies were designed to define the work of the individual office, estimate the volume of work for the office, calculate the resources required to perform that work, and identify a framework for workload and time reporting. The main purpose of the work measurement studies was to create a resource estimation baseline that can be used for budget formulation, strategic planning, and management analysis. The information gathered from the studies will also be used to redistribute imbalances in workload and staffing. The studies are also supposed to provide the workload and time reporting structure for the TEAM system.

The work measurement studies were completed in three phases, on all major program areas, at both Headquarters and a number of the Field Offices. The first phase was completed in April 2001 and the last phase was completed in January 2002. Phases one, two, and three encompassed 40, 15, and 23 work measurement studies, respectively. The contractor issued separate reports at the end of each phase that summarized the testing results and issued an overall summary report at the end of the project. In brief, based on the REAP studies, the contractor recommended the Department needed approximately 10,080 full time equivalents (FTE's) to perform efficiently, representing an overall increase of 549 FTE over its current staffing level.

As part of our audit we reviewed the work measurement studies performed for the following organizations: (1) Real Estate Assessment Center, (2) Public and Indian Housing Hubs and Program Centers, and (3) the Office of Troubled Housing Recovery/Troubled Agency Recovery Center. These areas were selected because they were either undergoing organizational changes during the study and/or they had large variances between "Assigned FTE's" and "Suggested FTE's". The Assigned FTE's are staff resources that were allocated to the different areas at the time of the study. The suggested FTE's are the study team's recommended staffing level based on workload and time estimates, known productivity problems, projected workload changes, and other factors.

We reviewed the studies and concluded that the Department appropriately used the methodology developed by NAPA to complete the studies. In addition, we assessed the efficiency of the workload indicators (workload tasks or activities performed by each area) and whether future workload activities were considered in calculating the suggested FTE's. Although several reorganizations were underway during the study period, the study team believes since the work was studied by function, the estimates should be valid if a work unit is transferred to another

organization or location. We determined that the workload indicators were adequate and additional indicators can be added when necessary.

Significant Progress Has Been Made in Implementing TEAM

The next step in developing the Department's resource management strategy was the implementation of the TEAM. TEAM is a web-based application and is used to collect actual workload accomplishments and employee time usage on a sampling basis. Employees record how much time they spend working on the different activities and processes of their jobs during a randomly selected two-week period every quarter. This time reporting process proposes to validate the REAP standards or require their re-evaluation.

To facilitate the implementation of TEAM, each Department component designated an individual to provide overall coordination of TEAM activities for their area. These coordinators were to work closely with CFO, Office of Budget staff to ensure managers and employees receive the appropriate training and technical assistance prior to the implementation of TEAM. TEAM was implemented Department-wide during June 2002 and was to be fully operational within fiscal year 2002. The Department was just beginning to implement the TEAM during our review. The first TEAM time reporting was performed June 2-15, 2002 for field staff and June 16-29, 2002 for Headquarters staff.

HUD needs a comprehensive strategic workforce plan that defines how REAP/TEAM data will be used to allocate its human resources.

TEAM is comprised of eight modules which include; (1) workload (data input), (2) allocation, (3) resource, (4) set-up, (5) time reporting, (6) extracts, (7) queries, (8) and reports. The Allocation module is the vehicle for Headquarters and the Field offices to agree on what work, based on REAP indicators, the Office will accomplish in a given fiscal year and how much staff the Office will need. The workload of the Office will be linked to the Office's Management Plan. The CFO anticipates this module should be implemented during the first quarter of fiscal year 2003, depending on when the Congress approves the Department's fiscal year 2003 appropriation.

The implementation of this module should provide the Department with resource estimations and allocations thereby ensuring a stronger basis for workload and staff distribution. However, we noted the Department did not yet have a written strategic plan as to how the Department would use the data obtained from REAP/TEAM. CFO budget staff indicated there is an allocation plan that is based on management's input as well as the data from REAP/TEAM; however, this plan exists only in theory and is not yet in writing. Further, a CFO staff member emphasized that the ultimate decision concerning staff allocations will be made by management and each program area's justification as to the number of staff they need for their operation.

GAO addressed the Department's need for a comprehensive strategic workforce plan in a recent GAO report on HUD's human capital management². In the report, GAO indicated the compilation of data from the REAP study is an important first step for HUD toward strategic human capital planning, but additional workforce planning steps are necessary. Although REAP/TEAM is collecting valuable information about staff levels and workload, HUD still has not completed a comprehensive strategic workforce plan on how it will use the data to allocate its resources. We believe such a plan should include written guidance on how the Department plans to use data from REAP/TEAM to allocate its human resources within and among its operating components. Without such a plan, the Department's ability to accurately justify and support its human resource requirements and allocations will likely suffer.

Since the GAO already recommended the Secretary of HUD develop a comprehensive strategic workforce plan that includes the actions it plans to take to build its workforce for the future, no additional recommendations are being made under this report.

We provided our draft report to the CFO on October 28, 2002 and conducted an exit conference with the CFO's Office of Budget on November 7, 2002. The CFO provided us their written comments on November 14, 2002.

The CFO agreed with our assessment of the current status of REAP and TEAM. In addition, they stated that the development of a comprehensive strategic workforce plan is progressing under the direction of the Assistant Secretary for Administration and expressed their appreciation in our decision not to duplicate the General Accounting Office's recommendation that the Department develop a comprehensive workforce plan to guide its workforce development efforts. We included the CFO's full response in Appendix A.

²"HUD Human Capital Management – Comprehensive Strategic Workforce Planning Needed," (GAO-02-839, dated July 2002).

Appendix A



U.S. Department of Housing and Urban Development
Washington, D.C. 20410-0100

CHIEF FINANCIAL OFFICER

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MEMORANDUM FOR: Daniel G. Temme, Regional Inspector General For Audit,
Mid-Atlantic, 3AGA

FROM: *Angela M. Antonelli*
Angela M. Antonelli, Chief Financial Officer, F

SUBJECT: Final Comments on the Draft Audit Report on the Implementation of
REAP and TEAM

Thank for the opportunity to provide our final comments on your October 28, 2002 draft audit report on the implementation of the Resource Estimation and Allocation Process (REAP) and Total Estimation and Allocation Mechanism (TEAM) components of the Department's human resource management system.

We previously provided you with minor technical corrections and comments with the understanding that they would be incorporated into the final report. With those changes, the report provides a factual assessment of the current status of REAP and TEAM and accurately reflects the progress the Department has made in their implementation.

We appreciate your decision not to duplicate the General Accounting Office's recommendation that the Department develop a comprehensive strategic workforce plan to guide its workforce development efforts. The development of that plan is progressing under the direction of the Assistant Secretary for Administration and REAP/TEAM information is a valuable input to that planning process.

If you have any questions, or require clarification of the previously provided technical comments, please contact Charles Brandt at (202) 708-0614, extension 6853.

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