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Audit Case Number	99-FW-177-0002

TO: Saul N. Ramirez, Jr.
Deputy Secretary, SD

FROM: D. Michael Beard
District Inspector General for Audit, 6AGA

SUBJECT: Nationwide Audit
Community Builders

We performed a nationwide audit of the Community Builders to evaluate their hiring, functions, responsibilities, and their impact on other organizations within HUD. The audit included reviews in Headquarters; Boston, Massachusetts; Denver, Colorado; Detroit, Michigan; Fort Worth, Texas; Houston, Texas; Knoxville, Tennessee; Los Angeles, California; New Orleans, Louisiana; New York, New York; Richmond, Virginia; and Seattle, Washington. The audit found problems with the Community Builder concept, its implementation, and its impact on HUD.

Within 60 days, please furnish this office, for each recommendation in this report, a status on: (1) Corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is not considered necessary. Also, please furnish us copies of any correspondence or directives issued related to the audit.

Please write or call me at (817) 978-9309 if you or your staff have any questions.

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Executive Summary

We performed a nationwide audit of the Community Builders to evaluate their hiring, functions, responsibilities, and their impact on other organizations within HUD. This audit is part of the Inspector General’s continuing reviews of HUD’s 2020 Management Reform Plan, but it also responds to requests from members of Congress and numerous citizen complaints. The audit found problems with the Community Builders’ concept, its implementation, and its impact on HUD.

In our opinion, HUD should discontinue the Community Builder position. It cannot afford the Community Builder concept. Over the last 2 decades, HUD has downsized from 20,000 employees to just over 9,000 employees. During this same period, HUD’s programs have increased dramatically. Secretary Cuomo acknowledged that the Department was viewed as the “poster child of inept government.” The General Accounting Office placed the Department on its high-risk list because HUD had:

1. An internal control weakness such as a lack of necessary data and management processes;
2. Poorly integrated, ineffective, and generally unreliable information and financial management systems;
3. Organizational deficiencies, such as overlapping and ill-defined responsibilities and authorities between its headquarters and field organizations and a fundamental lack of management accountability and responsibility; and
4. An insufficient mix of staff with the proper skills hampered the effective monitoring and oversight of HUD’s programs and the timely updating of procedures.

Over the last few years, HUD has made strides in correcting these problems. However, after our review of the Community Builders, we do not see how this position helped to resolve any of the above deficiencies. The Community Builders were an attempt to address one part of HUD’s organizational deficiencies. In HUD’s view, it was dysfunctional to have the same people attempting outreach and being responsible for compliance because people tended to do one or the other to the detriment of both. The Community Builders was an attempt to separate the two functions completely. However, in implementing the concept, HUD chose an overly expensive and controversial solution that exacerbated any existing problem. If the Community Builder Specialists are an indication, the program offices would probably have better used the resources by advertising for individuals with the necessary skills needed to accomplish specific tasks. HUD would probably achieve far more success with the addition of program staff and better training of existing staff. We believe that HUD should discontinue the Community Builders positions and redirect the resources to correct the above problems.

The audit disclosed that HUD did not properly plan or implement the Community Builder function. The Department may have inappropriately used Schedule A hiring authority to hire the Community Builder Fellows and violated requirements of the selection process. To establish the Community Builder position, HUD had to allocate salary, training, and travel dollars, as well as personnel, from its monitoring and enforcement role – at a time the Department was already significantly decreasing its workforce. This allocation contradicts one of the primary goals of the Community Builder function, which was to allow HUD personnel assigned to the monitoring and enforcement roles to better perform their jobs. In order to maintain Community Builders, HUD will have to continue spending at high levels to pay and train each successive Fellows class. HUD cannot recover the personnel positions lost to Community Builders without an increase in funding. The impact of Community Builders is difficult to measure, when measurable. The one clear effect of the Community Builders is the dramatic increase in the number of people at HUD not part of a specific program, engaged in customer relations, and owing their jobs to the Department's political management.

We provided a draft of this report to the Deputy Secretary and other senior HUD management officials on September 11, 1999. We discussed the findings and recommendations at a preliminary exit conference with the Deputy Secretary and other senior officials on September, 14, 1999, and in a final exit conference held September 28, 1999. HUD provided a written response to the draft report on September, 29, 1999. We have summarized and evaluated the response in the findings and included it in its entirety as Appendix A. We have also modified this final report from the draft, where appropriate. HUD disagrees with the findings and recommendations in this report.

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Abbreviations

BOP-PAS	Business Operating Plan-Performance Analysis System
CDBG	Community Development Block Grant
HUD	U.S. Department of Housing and Urban Development
OIG	Office of Inspector General

Introduction

On June 26, 1997, Secretary Cuomo announced as part of his 2020 Reform of HUD, the new positions of Community Builders and Public Trust Officers. In this announcement, he stated the Community Builders would include *“several hundred retrained employees”* to spearhead an effort to *“empower America’s people and local governments to take the leading role in improving lives and strengthening communities.”* At this same announcement, Secretary Cuomo introduced Public Trust Officers as *“another group of several hundred retrained HUD employees.”* These Public Trust Officers would *“monitor recipients of HUD assistance to guard against waste, fraud and abuse.”*¹

The Secretary maintained these newly created positions would address criticism by the Congress and HUD’s Inspector General for *“failing to modernize operations and eliminate fraud and abuse.”* In a Senate hearing on the 2020 Management Reform, Secretary Cuomo explained:

“In the past, employees were too often charged with both empowering communities and enforcing the public trust . . . they were given conflicting mandates. Employees were required to play an uncomfortable and difficult job of ‘good’ cop – ‘bad’ cop. This was unfair to our employees and to our customers.”

HUD staff further stated that it was dysfunctional to have the same people attempting outreach and being responsible for compliance because people tended to do one or the other to the detriment of both.

HUD may have had another reason for the establishment of the Community Builders positions. At the June 16, 1999 Business Operating Plan Conference, Secretary Cuomo said:

“Also in my opinion, inarguable, but that we needed, customer relations was a function we didn’t do because we didn’t have the time to do it. A business that does not do customer relations will not long be a business, its that simple. And when you need a reality dose, just think back to when they wanted to eliminate the Department of Housing and Urban Development.

“Remember when they said, maybe we should eliminate HUD. I remember it because I was here. How many people showed up in your lobby of your building the next morning to protest the closing of HUD? How many telegrams did you get? How may letters did you get? How many phone calls did you get saying I’m outraged, don’t you dare think about closing HUD. HUD is to important to me, HUD is too important to my community, HUD is too important to my city, HUD is to important to my state, HUD is too important to my not-for-profit. Where was the outrage, where were all our

¹ June 26, 1997 press release.

customers saying, ‘don’t you dare close HUD,’ where were they? We have thousand of grantees under CDBG. Hundreds under HOME. Thousands under the public housing program. Thousands under the homeless programs, where were they? They were nowhere to be found.

“Why? Because we hadn’t cultivated the relationships. We hadn’t developed the relationships. Why? Because we were doing other things, we were running the programs, and we were short staffed. Fine, we’ll separate the tasks. Customer relations and public trust officers because you have to do both.”

Hiring and roles of Community Builders.

In the fall of 1997, HUD advertised the first Community Builder positions. These positions were permanent and limited to HUD staff. *HUD received over 6,000 applications for these limited positions.* HUD hired 361 career employees as Senior Community Builders, Community Builders, and Associate Community Builders.

HUD envisioned these Community Builders as HUD’s “front door” with general knowledge of HUD programs. Serving as the first point of contact, the Community Builders would speak and act “knowledgeably about the full range of HUD services.” Later, HUD reassigned an additional 29 employees as Community Builders. These employees were displaced by other 2020 Management Reforms.

In the spring of 1998, Secretary Cuomo announced 460 temporary positions called Community Builder Fellows. HUD hired the Community Builder Fellows in two classes. The first class consisted of Community Builder Fellows. The second class included Community Builder Fellows and Community Builder Specialists.

In announcing the Fellow positions,² Secretary Cuomo explained that these Community Builders “*will bring to urban revitalization what the Peace Corps continues to bring to global development.*” HUD considers the temporary appointment of these Community Builders as a method of obtaining the energy and ideas of the “*brightest minds*” to address the “*greatest needs in communities.*”

² March 18, 1998 press release.

The examples of work assignments in the announcement were:

- Meeting with community leaders, business owners, educators, and elected officials to help them design effective plans for utilizing funds for government, the private sector, and foundations;
- Helping a small business owner obtain a loan or grant or open a business;
- Working with a group of developers to find financing for a shopping center;
- Scouting out a location for a new park with the neighborhood association; and
- Developing ways to increase home ownership in neighborhoods.

According to the 2020 Program Services and Operations Manual,³ the Community Builders will perform the following functions:

- Serve as the initial point of contact for *all elected and political officials* and the critical link for HUD customers to access the full range of HUD programs and services. Command a thorough understanding of the fundamental components of all HUD programs.
- Coordinate with the Public Trust Officers to ensure program utilization and resolution of policy and regulatory issues.
- Serve as the initial point of contact for all community outreach efforts.
- Facilitate the coordination of all consultation meetings.
- Prepare the comprehensive strategic report on the consultations.
- Prepare all community profiles and briefing papers in *anticipation of Secretarial, Presidential, or Vice Presidential site visits.*
- *Represent the Department in local activities such as groundbreaking, ribbon cuttings, or “HUD for a Day.”*
- Organize HUD’s response to controversial local issues; meet with special interest and advocacy groups to discuss their issues and concerns; and coordinate and facilitate meetings between HUD program specialists and advocacy groups.

³ Revised March 1999.

As discussed later in the report, HUD does not consider the Community Builder activities in any way related to public relations.

As of July 26, 1999, HUD had 778 Community Builders.

Type of Community Builder	GS - Grades ⁴	No. of Community Builders
Senior Career Community Builders	GS-14/15	67
Community Builders	GS-13/14/15	158
Associate Community Builders	GS-7/9/11/12	145
Community Builder Fellows	GS-13/14/15	326
Community Builder Fellow Specialists	GS-13/14/15	82
Total		778

Effect on other HUD areas.

Due to the various management reforms, some HUD staff feel the creation of the Community Builder positions have created friction within HUD because:

- Differences in pay between the existing staff and Community Builders;
- Secretary Cuomo calling the new Community Builders the “best and brightest;”
- The viewpoint from career staff that the Community Builders do not add value;
- The hiring taking place during a period of downsizing;
- HUD assigned the Community Builders with the “fun” part of the job;
- Existing staff had been performing the work; and
- The lack of knowledge the 326 Community Builder Fellows had of HUD programs.

The controversy over Community Builders has appeared in the press (including the *Washington Post*) and has been discussed in Congress.

⁴ HUD uses the Office of Personnel Management’s general schedule (GS) to compensate these employees.

Audit Objectives

The overall audit objective was to evaluate the functions and responsibilities of HUD Community Builders, their roles with communities, and their impact on other organizations within HUD. Specific audit objectives were to determine and evaluate:

- The personnel procedures used to hire Community Builders and if the Community Builders are adequately qualified for the positions.
- Headquarters' role, responsibilities, expectations, and performance measurements for the Community Builders.
- The role and responsibility of the Community Builders and how they coordinate with the other program areas. Also, to evaluate the effectiveness or value added by the Community Builders in the HUD process.
- The amount and source of funding for the Community Builders, including salaries, travel, training, and other discretionary funds.

We performed field work at Headquarters and the following field offices:

Boston, Massachusetts	Denver, Colorado
Detroit, Michigan	Fort Worth, Texas
Houston, Texas	Knoxville, Tennessee
Los Angeles, California	New Orleans, Louisiana
New York, New York	Richmond, Virginia
Seattle, Washington	

Auditors from 10 of the Inspector General's 11 Districts participated in the audit along with auditors assigned to Headquarters OIG. Each team operated independently to gather information on Community Builders throughout the country. Over 64 auditors participated in the audit effort which took over 5 staff years to complete. Our audit procedures included:

- Interviewing HUD personnel and its clients (each team independently selected individuals to interview);
- Interviewing Department of Labor and Office of Personnel Management personnel;

- Reviewing pertinent Federal Regulations regarding the hiring of personnel;
- Reviewing documents related to the advertising, selection, and hiring of Community Builders;
- Reviewing information pertaining to HUD 2020 Management Reform;
- Comparing hiring goals contained in the National Performance Review to the results of hiring Community Builders;
- Reviewing and analyzing information on the Community Builders (both internal and external to HUD);
- Reviewing activity reports;
- Reviewing individual citizen's complaints involving Community Builders;
- Obtaining and analyzing financial data on training and travel; and
- Obtaining and analyzing number of employees for the period 1997-1999.

The following table summarizes our interviews at field locations.

<i>Site</i>	Number of Community Builders	Number of Community Builders Interviewed	Number of Specialists Interviewed ⁵	Number of Public Trust Officers Interviewed	Number of Customers Interviewed
Boston	21	7	1	5	7
Denver	20	8	4	8	10
Detroit	13	7	N/A	6	5
Fort Worth	20	7	N/C	4	15
Houston	13	10	N/A	4	11
Knoxville	4	4	N/A	5	9
Los Angeles	22	10	1	4	3
New Orleans	10	6	N/A	5	16
New York	28	6	N/C	4	6
Richmond	12	6	N/A	5	3
Seattle	19	7	2	4	6
Totals	182	78	8	54	91

Scope limitation

During the course of the audit, HUD senior management: told employees not to talk to us during our planning stage; circulated “questions and answers” for employees to use when we interviewed them;⁶ instructed Senior Community Builders not to talk to us on certain sensitive matters; requested we go through points of contact for interviews and documents (we refused); requested that they identify individuals for interviews with auditors (we refused); and, did not always provide answers to our questions. Several HUD employees who did talk to us asked that we keep their communications in confidence due to feared reprisal. As a result, we cannot be assured HUD staff gave us their candid thoughts or that we obtained all relevant information.

We performed our field work from July through September 1999. The audit period generally covered January 1997 through July 31, 1999. We updated our report to reflect current actions by the Department. We conducted our audit in accordance with generally accepted government auditing standards.

⁵ N/A = Not Applicable. Office does not have Community Builder Specialists.

⁶ See Appendix D.

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Hiring Community Builders Poorly Planned and Implemented

Prior to implementing the Community Builder concept, HUD did not properly establish a need for Community Builders, determine how many people it needed, or identify the necessary skills a Community Builder would need. In implementing the concept, the Department may have inappropriately used Schedule A hiring authority; failed to adhere to veteran preference when hiring; departed from its earlier National Performance Review goals; created a work environment ripe for ethical infractions; and dramatically increased its average employee salary expense. However, the Department did add staff to understaffed program areas.⁷ HUD has not yet assessed the effectiveness of the Community Builders nor decided the future of the concept.

Criteria for Excepted Service.

HUD hired the Community Builder Fellows under excepted service requirements. The Code of Federal Regulations (5 CFR 213) allows the executive branch to hire individuals without going through the competitive service process. Schedule A and Schedule C employees are hired under this authority and referred to as excepted service employees. Schedule C and non-career Senior Executive Service employees occupy positions of a confidential or policy-determining nature. At HUD, these individuals fill the top management spots, for example, the Assistant Secretaries and the Secretary's Representatives. In this report, we refer to this group as the Department's political management. Congress has limited HUD to 77 Schedule C employees. The CFR also allows for Schedule A employees. HUD can hire Schedule A employees in certain circumstances but cannot hire them into the Senior Executive Service. These positions are not of a confidential or policy-determining nature. Title 5 CFR 302 provides the rules for hiring excepted service personnel.

Five types of Community Builders.

HUD created five types of Community Builders: three using career HUD personnel and two using Schedule A temporary appointment authority. The three career categories are Senior Community Builders, Community Builders, and Associate Community Builders. The Senior Community Builders supervise the Community Builders and Associate Community Builders. The Senior Community

⁷ HUD hired "Specialist" Community Builders for certain program areas.

Builders report to the ten politically appointed Secretary's Representatives (formerly known as Regional Administrators). Except for the ten District Offices, every office has one Senior Community Builder. In the District Offices, the Secretary's Representative serves in the capacity of the Senior Community Builder. HUD titled the Schedule A appointments as Community Builder Fellows (Fellows) and Community Builder Fellow Specialist (Specialist). The Fellows report to the Senior Community Builder, but the Specialists work for specific program areas. As of July 17, 1999, HUD had 778 Community Builders representing 8.46 percent of its 9,199 workforce.

Career Community Builders.

HUD hired the career Community Builders through a competitive hiring process and reassignments. The Department received 6,055 applications from 2,079 existing HUD employees. Of the 359 people hired in 1998, HUD hired 38 former State or Area Coordinators as Senior Community Builders,⁸ and 68 other Department Management employees.⁹ The career Community Builders also included reassignment of "New Horizons" employees – those individuals not assigned a job in the last reorganization. HUD used merit staffing to fill most Community Builders and Associate Community Builders positions from HUD career staff.

External Community Builders.

Using Schedule A hiring authority, HUD hired the external Community Builders Fellows and Specialists in two classes. After receiving over 8,400 applications, HUD hired 214 Fellows in its first class between May and October 1998. HUD hired the second round of external Community Builders at the end of 1998 and early 1999. This second class included 124 Fellows and 86 Specialists (see Community Builder Timeline). Before the first class was on board, the Secretary wanted to accelerate the second class of external Community Builders bringing them in as quickly as possible. However, the Deputy Secretary was concerned accelerating the class could cause budget problems. Secretary Cuomo said HUD needed an infusion of new talent to change its face: "These people have no baggage and will be a B-12 shot for the organization. We

⁸ As a result of one of Secretary Cisneros' management reforms, HUD changed the office managers' titles to state and area coordinators. These career HUD personnel had performed many of the Community Builder functions of coordinating program areas and being the local HUD spokesperson.

⁹ At this time, HUD had hired 359 of the 370 current career Community Builders.

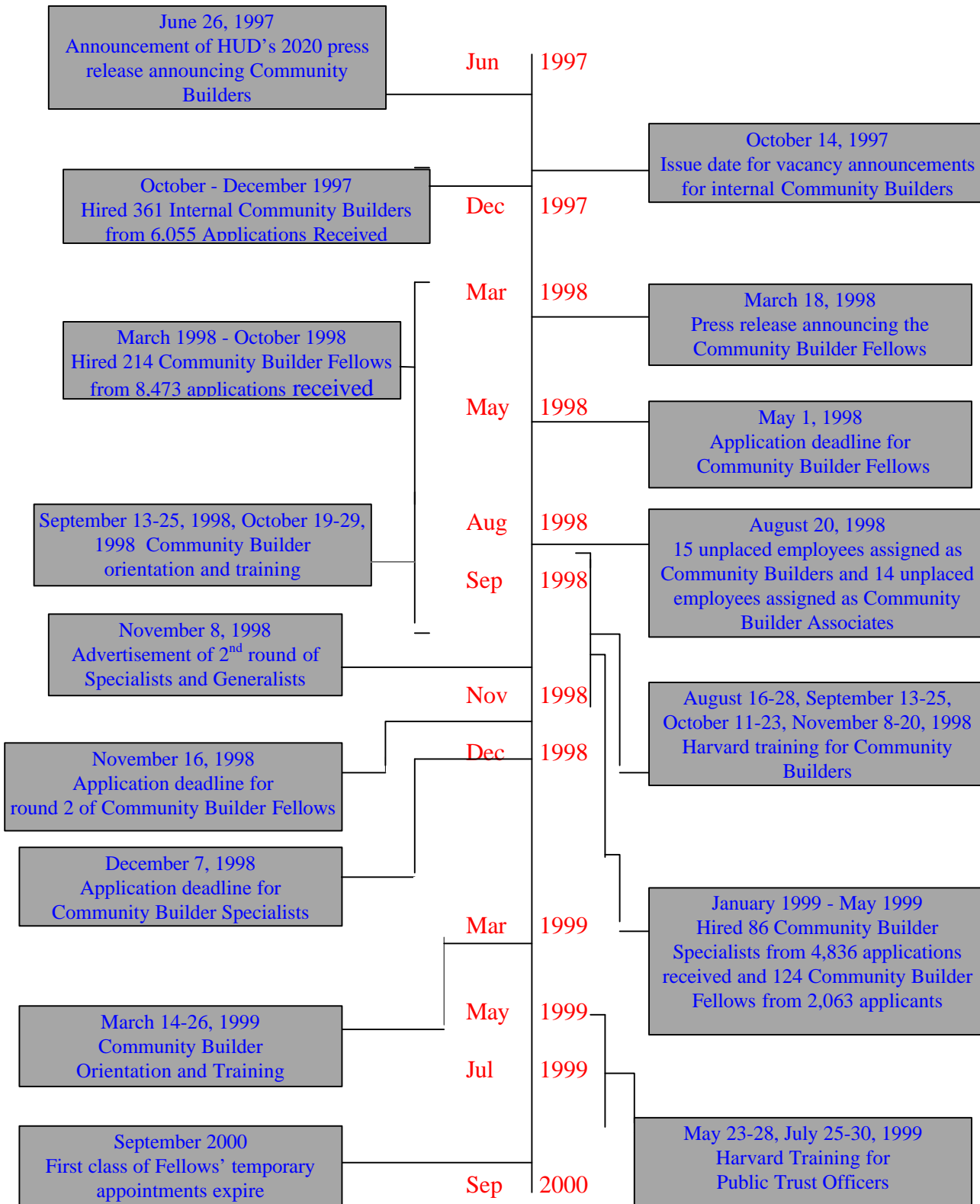
need to get to 460 faster to make a more significant difference.”¹⁰ The Specialists, as discussed in Finding 3, did not fit the Community Builder mode. The Department hired the Specialists to fill needs in specific program areas.

**Needed staffing levels
not determined.**

HUD could not provide documentation to support the need for the 778 Community Builders. However, the Deputy Secretary recalled that the Secretary asked the Assistant Secretaries to estimate the number of staff the program areas used performing what would be the various Community Builder functions. According to the Deputy Secretary, Community Planning and Development (CPD) estimated about 66 of its staff performed these functions and could give this number of people up to the Community Builders function. The Deputy Secretary said the CPD had been performing the functions of the Community Builders for the last 6 years.

¹⁰ Management committee meeting on July 7, 1998.

Community Builders Concept Timeline



In establishing the new position, HUD should have:

- Determined and documented the specific duties that the position would perform.
- Determined and hired the skills needed to perform the duties.
- Determined and obtained the number of people needed to perform the duties.
- Documented and monitored the performance of the people.
- Assessed and evaluated the success of the position.

According to the General Accounting Office: “effective management of an organization’s employees – its human capital – is essential to achieving results and an important part of internal control. ... Management should ensure that skill needs are continually assessed and that the organization is able to obtain employees that have the required skills that match those necessary to achieve organizational goals.”¹¹

In announcing the concept, HUD said it would: (1) bring to urban revitalization what the Peace Corps brought to global development; (2) empower America’s people and local governments to take the leading role in improving lives and strengthening communities; and (3) help eliminate fraud and abuse by separating the outreach and public relations from monitoring and compliance. The Fellows’ brochure stated that the Fellows would perform the following types of activities:

- Meet with community leaders, business owners, educators, and elected officials to help them design effective plans for utilizing funds for government, the private sector, and foundations;
- Help small business owners obtain loans or grants or open a business;
- Work with a group of developers to find financing for a shopping center; and

¹¹ General Accounting Office’s May 1999 Exposure Draft “Standards for Internal Control in the Federal Government.”

- Scout out a location for a new park with the neighborhood association and develop ways to increase home ownership in neighborhoods.

From the foregoing, HUD had a general idea of what it wanted Community Builders to do, but it never made a determination of how many people it needed to perform the activities. The following paragraphs discuss how HUD arrived at the 778 career and temporary Community Builders.

Number of career Community Builders not based on need.

According to HUD, it computed the number of career Community Builders by multiplying the existing Department Management¹² staff, less certain adjustments,¹³ by 1.5. The result was 361 Community Builders. HUD could not provide any support that the need for Community Builders was 50 percent more than the adjusted number of the people in Department Management. Currently, HUD has 370 career Community Builders. The difference, according to HUD staff, is attributable to unplaced HUD personnel reassigned as Community Builders. HUD did not assign these people based on an established need to perform specific duties.

Number of Fellows not based on need.

HUD planned for each of its first two classes of Fellows to have 230 people. However, HUD could not provide a documented reason why each class needed to have 230 Fellows. HUD should have linked the number of Fellows to the need for their particular skills to perform specific HUD activities.

For the first class of Fellows, HUD's Policy Development & Research Division developed a formula to allocate Fellows among the field offices. The formula included what HUD believed to be objective and relevant information. It considered total assisted housing units, CPD funding, and average single family mortgage amounts for each area.¹⁴ According to HUD staff, the Secretary received complaints regarding the first round allocation. Therefore, HUD

¹² Departmental Management includes all offices under the Office of the Secretary including Field Policy and Management.

¹³ The reduction included economists, labor relations personnel, and secretaries. Also, HUD wanted to have three Community Builders in each office.

¹⁴ We did not test the reasonableness of using this formula to allocate the Fellows amongst the field offices.

allocated the second round of 124 Fellows¹⁵ based upon the average of the following two conditions:

- To fill “workload holes” created by not allocating the internal Community Builders by formula and
- On workload only, not considering the internal Community Builders.

Assistant Secretaries and Secretary’s Representatives also proposed adjustments to how HUD should geographically assign the Community Builders. Regardless of any formula, each office received a minimum of three Community Builders: one Senior Community Builder, one Associate Community Builder, and one Fellow.

Community Builder Specialists possibly hired based on need.

As part of the second class, HUD hired the Specialists to fill specific perceived needs. HUD assigned these people to specific program areas, at least one of which was in dire need of additional staffing.¹⁶ As of August 1999, the following program areas benefited from Specialists:

- Office of the National Director, Community Builders Fellowship (6)
- Welfare to Work (1)
- Real Estate Assessment Center Mortgage Review Board (4)
- Migrant Farm Workers Initiative (2)
- Civil Rights (8)
- Colonias Initiative (3)
- Consolidated Planning (10)
- Economic Development (13)
- Disaster Response (3)
- Real Estate Property Disposition (10)
- Officer Next Door Initiative (3)
- Pine Ridge Build (3)
- Public Housing/HOPE VI Development (10)
- Public Housing Architecture (2)
- Native American Initiatives (7)

¹⁵ Excludes 86 Community Builder Specialists also hired in the second round.

¹⁶ The OIG reported a critical need for additional staff in the HOPE VI Program. See Audit Report No. 99-FW-101-0001, *Hope VI, Nationwide Review, Office of Public Housing Investments*, December 17, 1998.

Needed grade levels and needed skills not determined.

We could not determine how HUD arrived at the number of Specialists it needed or how it assigned the Specialists to the program areas. We did ask the appropriate officials; e.g., the Assistant Secretary for Administration, the Director of Human Resources, and several Assistant Secretaries.

As noted earlier, HUD could not support why it promoted many career personnel when they moved to the Community Builder position. The Department also cannot reconstruct how it determined the grade levels for the Fellows. For the Fellows, HUD did not determine the number of people it needed at each pay grade. Instead, HUD says it based the Fellows' pay grade on the skills that the individual possessed rather than on the position's duties.

We reviewed 26 Fellows' and 11 Specialists' resumes,¹⁷ noting HUD hired 25 at the GS-15 grade. There is little to distinguish the applicants hired at the GS-13 and GS-14 from the GS-15. Some GS-15 hires had very little housing experience. The problems stem from HUD's broad qualifications statement that included such items as:

- "A strong record of career achievement is a hallmark . . . Experience related to community development would give an applicant a distinct advantage.
- "Leadership includes the ability to work well with people, build coalitions, and to generate enthusiasm and support for a wide range of projects.
- "Their activities demonstrate their awareness of the world around them and their involvement in it.
- "A ***broad range of knowledge*** and a ***solid educational background*** are essential . . . A knowledge of housing, finance, planning, development, banking and/or business ***would be helpful . . .***" [*emphasis added*]

Under the foregoing criteria, most individuals could qualify for the GS-15. The lack of specificity for the qualifications did indeed attract applicants from all walks of life. In addition to the former employees of housing authorities and executive directors of housing associations, there were insurance brokers and leaders of child services and legal aid organizations. HUD hired individuals with over 20 years of

¹⁷ OIG selected the Fellows and Specialists based upon complaints and concerns received.

housing experience at the same pay grade or lower than individuals that had fewer years of housing experience.

In hiring the first round of Fellows, HUD listed all the candidates on a “Top Candidate List” for each field office. HUD listed the candidates by their total score on their application and interview. A total of 150 points was possible (90 points for the application and 60 points for the interview).¹⁸ HUD did not separate the candidates by pay grade indicating that the same skills and abilities were needed at each pay grade. Further, the score that a candidate received did not necessarily indicate what pay grade they received. In the first class of Fellows, HUD hired 55 GS-15s that had lower scores than selected GS-14s and 13s in the same location. As an illustration:

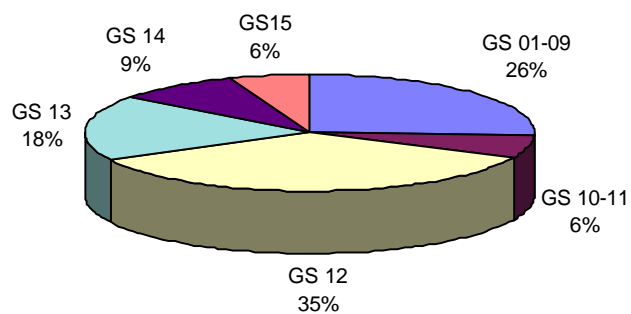
- Albany, New York – HUD hired three Fellows at the following pay grades and steps; a GS-15 step 5, a GS-15 step 1, and a GS-13 step 3. These Fellows had total scores of 125, 148, and 127, respectively. Further, the GS-15 step 1 listed a veteran’s preference of 5 points. There is no indication of why the Fellow with the lowest total score received the highest pay.
- Dallas, Texas – HUD hired four Fellows at the following pay grades and steps; a GS-13 step 1, a GS-14 step 1, a GS-14 step 1, and a GS-15 step 1. The Fellows had total scores of 136, 128, 125, and 124, respectively. Again, there is no indication of why the Fellow with the lowest total score received the highest pay or why the Fellow with the highest score received the lowest pay.
- Richmond, Virginia – HUD hired four Fellows at the following pay grades and steps; a GS-14 step 1, a GS-15 step 1, a GS-14 step 1, and a GS-15 step 7. The Fellows had total scores of 142, 140, 138, and 136, respectively.
- Seattle, Washington – HUD hired four Fellows at the following pay grades and steps; a GS-14 step 1, a GS-14 step 1, a GS-15 step 1, and a GS-15 step 10. The Fellows had total scores of 134, 131, 130, and 130.

¹⁸ As discussed later, HUD did not add veteran preference points to this score.

Grade levels exceed Departmental norm.

HUD’s external advertisement for 460 Community Builders at the GS-13/14/15 level departed from its norm. As noted earlier, the Assistant Secretary of Community Planning and Development offered 66 positions to staff the Community Builder concept. This number apparently represented the number of CPD people currently performing what the Community Builders would do. The journey level for CPD

FY 1997 GS Grades



was (and still is) a GS-12. GS-14s were rare in field offices, with one GS-15 typically stationed in the District office. The above chart shows the grade levels for all of HUD in 1997. The Department’s largest single concentration was at the GS-12 level. At that time, the Department had 539 GS-15s. It now has 840 GS-15s with 312 GS-15s Community Builders. HUD asserts it was necessary to advertise at the high grades to attract the “best and brightest,” at least one Public Trust Officer took exception to this remarking: “I guess we’re dumbest and ugliest.” HUD says the primary difference between the 13s, 14s, and 15s is supervision. A GS-13 is a team member, the GS-14 a team leader, and the GS-15 a director of teams. However, only a few of the sites we visited had teams. In practice, only the career Senior Community Builders are supervisors.

We are not aware of any study to support the high grade levels for the Community Builders. The Department has had significant morale problems with the obvious grade imbalance. CPD personnel (along with the rest of HUD) have noted the Community Builders’ higher grades. In late 1998, a CPD working group recommended HUD increase

the operating level of CPD to GS-13, and correspondingly, upgrade its managerial levels to GS-14s and GS-15s from GS-13s and GS-14s.

Grade levels impact career personnel.

HUD promoted many of the career staff when they became Community Builders. It could not provide any documentation why these positions required higher pay grades. Considering that 228 Community Builders came from HUD's monitoring side, there is an appearance HUD favors the outreach and public relations over the monitoring and compliance function. This appearance becomes more apparent when considering the pay grades offered the career Community Builders and Fellows.

The selection process for career Community Builders spawned several equal employment opportunity complaints. Complainants allege that high ranking HUD officials, particularly Secretary Representatives, exercised unusual influence in the selection process. One class action complaint has also been filed on behalf of white males over 40 years of age. An affidavit from one EEO complaint states the selection official for two Districts made his selections without the benefit of interviews. The selecting official's *determining factor* was that the selectee had to have acquired and demonstrated unique diplomatic skill and abilities when speaking before large groups and elected officials without giving offense. The advertisement did not list this *determining factor* as a Quality Ranking Factor. Therefore, applicants did not respond to it when they submitted their application. The selecting official said he contacted the Secretary's Representative and inquired about the applicant's people skills.

Career ladder causes further problems.

The Community Builder positions have a significant impact on HUD's budget requiring either further downsizing or increased salary and expense appropriations. HUD advertised the Fellow positions as career ladder GS-13/14/15. This means that HUD can promote the GS-13 and GS-14 Fellows after 1 year. HUD has yet to promote any of the Fellows as of June 1999. We are not aware of any need or requirement to advertise these positions as career ladder rather than separately as GS-13, GS-14, and GS-15. HUD did not indicate any specific reason for not promoting the Fellows. However, union officials stated that HUD has not promoted the Community Builders because it

would “break the bank.” Union officials also said that if the Community Builders were part of the bargaining unit, the Union would pressure HUD to promote these individuals or provide an explanation why they were not promoted. In June 1999, the Union won the right to represent the GS-13s and -14s.

Hiring Community Builders conflicts with the National Performance Review.

In an August 15, 1994 memorandum, former Deputy Secretary Duvernay citing the Federal Workplace Restructuring Act and the National Performance Review (NPR) required the Department to reduce its management positions. The Deputy Secretary announced to the principal staff that HUD would have to reduce its GS-14s, GS-15s, and SES personnel 5 percent from 1,579 to 1,503. He directed each program area to meet its assigned reductions by September 30, 1995. The goal was to reduce the Department’s supervisor to employee ratio from 1 to 6, to 1 to 12. In a memorandum dated October 21, 1994, Secretary Cisneros designated Acting Deputy Secretary Robinson as approval authority for all personnel actions at the GS-14 and GS-15 level. By 1997, the Department had reduced its GS-14s and GS-15s to 1,390.

Following the creation of Community Builders, the Department had 1,894 GS-14s and GS-15s in fiscal year 1999, of which 512 (27 percent) were Community Builders. Thus, rather than decreasing the 14s and 15s as directed by the NPR, HUD has increased their numbers 64 percent. For FY 1999, the ratio of 14s and 15s to staff is 1 to 4.

The ratio will deteriorate further. As discussed in Finding 3, HUD has advertised for 400 enhanced Public Trust Officer positions to placate the Public Trust Officers.

Community Builders do not fit Schedule A criteria.

HUD hired temporary employees to fill the Community Builder Fellows position. In doing so, HUD claimed it had the authority under the Office of Personnel Management’s (OPM) Schedule A Authority. Schedule A criteria are found in 5 CFR 213.3101. In using the Schedule A, HUD violated the following criteria:

1. 5 CFR 213.3102(r): “Positions established in support of fellowship and similar programs that are filled from *limited applicant pools and operate under specific criteria* developed by the employing agency and/or a

non-Federal organization. These programs may include: internship or fellowship programs that provide developmental or professional experiences to individuals who have completed their formal education; training and associateship programs designed to increase the pool of qualified candidates in a particular occupational specialty; professional/industry exchange programs that provide for a cross-fertilization between the agency and the private sector to foster mutual understanding, an exchange of ideas, or to bring experienced practitioners to the agency; residency programs through which participants gain experience in a Federal clinical environment; and programs that require a period of Government service in exchange for educational, financial or other assistance. Appointments under this authority may not exceed 4 years.” *[Emphasis added]*

There is no evidence HUD was facing a *limited pool*. To the contrary, the first Fellow class announcement said: “The Community Builders Fellowship program offers paid, temporary fellowships for skilled professionals from many walks of life: bankers, school principals, law enforcement officials, directors of nonprofits, social workers, academics, architects, planners, economic development experts, health care workers, doctors, nurses, technology specialists, and many other professions.” This vast field of expertise can hardly be considered *limited*. HUD’s first Fellow job announcement garnered some 8,000 applications for 230 positions. From these, 5,600 met the minimum qualifications. Even after ranking the applicants for the top candidate list, HUD still had 3,000 individuals it considered high in leadership ability and proven commitment to their communities. The Department eventually interviewed 1,309 applicants. (The career announcement prompted thousands of applications from the pool already available in the Department.)

There is also little evidence HUD was setting up a *cross-fertilization*. In a cross-fertilization, the normal result is the individual returns to his/her former employer. For example, an employee of a housing authority might benefit from a 2-year experience at HUD. However, there are no formal arrangements with employers for the return of the Community Builders Fellows. Furthermore, the Community Builders were not selected from specific industries or

communities. In the first round announcement, the Secretary told potential applicants: “As a Community Builder, you will obtain practical, hands-on experience in community and economic development during a two-to-four year stay with HUD. Then, you will return to your community energized with new knowledge and experiences and dedicated to creating better neighborhoods and stronger communities.” However, these people were *already dedicated*. That trait was part of the selection criteria. Further, we did not note any arrangements for anyone to return to any communities in any capacity.

2. “Upon specific authorization by OPM, agencies may make appointments under this section to positions which are not of a confidential or policy-determining character, and which are not in the Senior Executive Service . . .”

The job descriptions indicate that the Fellows are involved in policy determinations. The position description for GS-15 Community Builder Fellow says; “Community Builders play an active role in the determination of what the Department’s policy will be towards the communities they serve.” And under Major Duties and Responsibilities, it says: “The incumbent is expected to draw upon his/her knowledge of what communities needs are, community input, and HUD staff expertise in developing/coordinating HUD policies relating to public/private partnerships.” HUD also provided policy discussions during the Harvard Training for the Fellows. In our view, the Community Builders cannot help having an impact on policy. Consider the following functions HUD expects them to perform:

- Serve as the initial point of contact for all *elected and political* officials and the critical link for HUD customers to access the full range of HUD programs and services. Command a thorough understanding of the fundamental components of all HUD programs.
- Coordinate with the Public Trust Officers to ensure program utilization and *resolution of policy and regulatory* issues.
- Serve as the *initial point of contact* for all community outreach efforts.
- Facilitate the coordination of all consultation meetings.
- Prepare the comprehensive strategic report on the consultations.

- Prepare all community profiles and briefing papers in anticipation of *Secretarial, Presidential, or Vice Presidential* site visits.
 - Represent the Department in local activities such as groundbreaking, ribbon cuttings, or “HUD for a Day.”
 - Organize HUD’s response to controversial local issues; *meet with special interest and advocacy groups* to discuss their issues and concerns; coordinate and facilitate meetings between HUD program specialists and advocacy groups. *[emphasis added]*
3. “Upon specific authorization by OPM, agencies may make appointments under this section to positions . . . for which it is not practicable to examine. Examining for this purpose means application of the qualification standards and requirements established for the competitive service.”

In selecting the Fellows, HUD carried out a complete examination. Thus, it could hardly argue it was impracticable. The following is the criteria HUD used to rate the applicants’ resumes:

Criteria for Rating Fellows	Points
Leadership Potential - an ability to work with a wide range of people outside HUD to foster partnerships and collaborative efforts.	5 average 10 above average 15 outstanding
Problem Solving Ability - an ability to define and analyze the parameters of problems and situations and to develop viable proposals that address those parameters.	5 average 10 above average 15 outstanding
Project Management - an ability to define, plan, implement and complete projects of varying levels of difficulty.	5 average 10 above average 15 outstanding
Writing and Verbal Skills - Well-developed verbal and writing and communication skills. Applicant also demonstrates proficiency in computers and/or technology.	5 average 10 above average 15 outstanding
Specific Skills and Education - Community Builders must work with a wide range of people and issues related to community development.	5 average 10 above average 15 outstanding
Commitment to Community “Service”- Demonstrated commitment to community, social awareness, and the effort to “make a difference” that the candidate has shown through voluntary or work activities.	5 average 10 above average 15 outstanding

Selection irregularities.

HUD conducted the ranking and selection of the Fellows in a manner that was contradictory. The Secretary was concerned the selection of the Schedule A temporary employees not appear political. He said he wanted a “bullet-proof selection process” and that: “. . . it’s critical that this is not viewed as a political process. The objective is to hire people for a specific term and then have trained people going back out into the community.” A HUD 2020 staffing guide was created just for the Fellows, which included ranking and selection processes.

Despite the foregoing, the Secretary indicated he wanted diversity as a selection criterion.¹⁹ The Office of General Counsel properly advised him that applications could not ask the race of the candidate. However, at that same meeting, one Schedule C employee noted diversity was easy to tell from the volunteer activities in the resumes, or that one could also determine it during the interview.

We noted several irregularities in the application ranking and selection processes. HUD failed to follow veteran preference rules in identifying, ranking and selecting

¹⁹ Discriminating for or against any applicant on the basis of race is a prohibited personnel practice (5 USC 2302).

applicants for both rounds of Fellows. Excepted service rules for numerically ranked and unranked selection lists were also not followed in either hiring. Other irregularities occurred such as selecting individuals not on the best qualified lists and hiring individuals whose application original score was below HUD's standard.

HUD did not use required veteran preference.

Veterans have filed at least two complaints with the Department of Labor alleging HUD did not adhere to veteran preference requirements. Title 5 CFR Part 302.101 stipulates an agency must use veteran preference when filling all non-competitive positions -- which includes Schedule A²⁰. The Department of Labor, Veterans Employment and Training Service has investigated the complaints.²¹

HUD was aware it had to apply veteran preference. OPM personnel had informed HUD of the requirement and HUD's Office of General Counsel, in an opinion regarding using the Schedule A authority, said unequivocally that "*Veterans preference applies.*" Despite having advanced knowledge of the requirement, HUD's vacancy announcements for the Community Builder Fellows and Specialists did not include any instructions informing applicants that veteran preference would be considered. HUD Human Resources said they addressed the issue by reviewing the qualified applicant's resume and showed the appropriate points if the resume indicated any veteran status. The staff stated they assumed anyone serving in the armed services would know to include their veteran status when applying for a Federal job. Since notice was not given, it is quite possible that all veterans who applied for a Fellows position may not have been identified.

HUD did not follow veteran preference in ranking or selecting either round of the Fellows. In responding to one veteran's complaint, HUD's Director of Human Resources informed the individual that "fellowship positions are not in the government's competitive service. In accordance with a regulation promulgated last November by the Office of

²⁰ Schedule A positions can be exempted from veteran preference when OPM agrees with the agency. (5 CFR 302.101(c)(6)) In a letter to a congressman about HUD's Fellows, OPM stated that OPM had not granted any exception to the application of veteran preference for the positions under 213.3102(r). OPM further stated that any agency using this appointing authority must follow the regulatory procedures for applying veteran preference.

²¹ Citing the Privacy Act, DOL would not release the results of its investigations.

Personnel Management, they are excepted from the requirements of the competitive merit staffing process. Thus, the selecting official was free to select any three of the 41 candidates.” Although the first two statements are correct, the third is wrong. Excepted service selection regulations require selections from the three highest names when an agency uses a numerically ranked list.²² In reviewing this individual’s complaint, we found that HUD improperly classified this individual as having only a 5 point preference when in fact he was entitled to a 10 point preference. A 10 point preference would have automatically moved this applicant to the top of the selection list.²³

HUD did not identify or properly classify all veterans. Some veterans should have had preference over all other applicants. Because HUD failed to properly follow veteran preference, the entire Schedule A hiring process is questionable. HUD’s apparent circumvention of veteran preference starkly contradicts the Secretary’s desire for a “bullet proof” selection process that would not be viewed as political.”

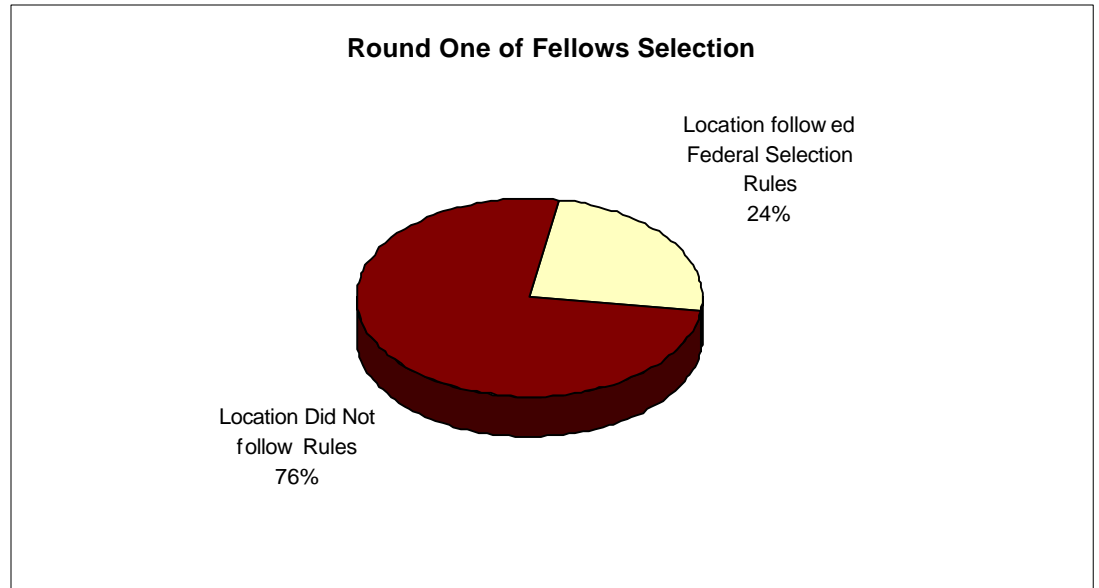
**HUD did not use
Excepted Service
Selection Rules.**

HUD did not always use the excepted service selection rules including the “Rule of Three” for the first round of Fellows hiring. When applications are numerically scored and ranked, excepted service selection regulations require that “... the agency must make its selection for each vacancy from not more than the highest three names available for appointment...”²⁴

²² 5 CFR, part 302.401, discussed in more detail later in this finding.

²³ 5 CFR part 302.304(b)(1).

²⁴ 5 CFR, Part 302.401.



Not following the “Rule of Three” adversely affected the selection process. For example, even though HUD selected only a few candidates in places like Atlanta, New York, Philadelphia and San Francisco, some of the selectees were in the 50th or lower position on the selection roster. As the chart above shows, HUD did not follow federal selection rules for 76% of the locations that received a Fellow in round 1. Since there is no objective criteria like the candidate’s total score to support the selections, HUD did not meet the Secretary’s goal of a selection that would not appear political.

Other hiring irregularities.

In addition to not following excepted service ranking and selection rules, other irregularities occurred during the hiring of the Fellows. Even though a staffing guide was prepared outlining the selection and ranking process, HUD did not follow it. HUD selected two individuals whose names did not appear on the best qualified list for Las Vegas and Greensboro. A sufficient number of qualified individuals were already on the lists for those locations. Further, HUD informed all best qualified applicants of round 1 that they would be included in the evaluation process for round 2 selections. In reviewing the inclusion of round 1 applicants for round 2, HUD’s method of determining who was included on the best qualified lists appears haphazard at best. Round 1 applicants appear to have been included or excluded randomly with no correlation to their total score. Finally, HUD stated in its selection guide that only individuals who scored 70 points

**Ethics problems with
Community Builders.**

or better on their application score would proceed forward in the hiring process. However, 23% of the selectees in round 2 had a application score of 69 or less. Two selectees had a score of 35 points. Since HUD failed to follow even its own selection guidance, both rounds of hirings are questionable.

The Fellows, specifically the first class, have had difficulties with ethics violations; i.e., conflict of interest. According to the Assistant General Counsel, Ethics Law Division, not all Community Builders were receptive to ethics rules or are able to grasp an understanding of the rules. HUD told the Fellows that they were there to fix HUD's problems and to do so meant thinking "outside the box." Consequently, some Fellows from the first class believe that they are above the rules. In fact, some Fellows claimed they would have never taken the job if HUD had asked them beforehand to sever their prior commitments and relationships. According to staff, HUD had a hard time getting Financial Disclosure Statements from some of the Fellows. HUD hired many Fellows from entities that did business with HUD. As a result, there was an inherent potential for a conflict of interest. As a result, the position necessitates safeguards. HUD has provided ethics training, but it has not had the desired effect. Thus, we recommend that the Ethics Division of the Office of General Counsel have each Community Builder sign a general Ethics Agreement.

The Ethics Division wanted to be involved with the hiring of the first class of Fellows. However, the former Acting Assistant Secretary of Administration instructed the Ethics Division to wait until HUD hired the Fellows. The Ethics Division was involved with the hiring of the second class of Fellows. The Ethics Division identified potential conflicts of interest and relied on field management and the Office of General Counsel staff to resolve the issues before HUD hired the Fellows and Specialists. Further, the announcement of the second class included the following ethics proviso: "Community Builder Fellows may not retain a paid position in the private or public sector during their fellowship; however, the program encourages companies, non-profits, foundations, universities, and government offices to allow employees to participate by arranging sabbaticals from their current jobs."

During the hiring of the second class, the Ethics Division tracked the possible ethical problems for each Fellow. If the Ethics Division believed that the Fellow would adhere to the ethics requirements, the Ethics Division took no further action. In some cases, it asked for further assurance and prepared a specific ethics agreement for the Fellow's signature.

Although the Ethics Division has taken the ethics issue seriously,²⁵ some field offices we reviewed seemed less concerned. Consequently, HUD continues to experience violations of ethics rules by the Fellows. During our review, we reviewed complaints involving 24 Community Builders. Two we did not address,²⁶ fifteen complaints we dismissed as invalid complaints, two involve substantial increases in salary, and five are probable ethics violations. Of the five, one involves misrepresentation of credentials; another a misuse of franked mail to gain support of proposed state legislation; and the remaining three are conflict of interest violations.²⁷

**The future of
Community Builders is
unclear.**

HUD has yet to determine the future of the Community Builders. The 2-year appointment for the first Fellows class will expire in September 2000. At this time, HUD does not have any ongoing attempts to assess and evaluate the success of the Community Builders, nor are we aware of any plans to start one.²⁸ Further, HUD would not divulge whether it would hire a third class. Hiring 460 individuals for the public relations and outreach functions every 2 to 4 years invites political interference and influence.²⁹

HUD Comments

HUD disagreed with the finding and recommendations. HUD's complete response is at Appendix A. In his response, the Deputy Secretary stated Booz-Allen found appropriate empirical methodologies were used to develop staffing levels for HUD 2020. The Deputy Secretary stated Community Builders fit the criteria for Schedule A. He also

²⁵ The Ethics Division has terminated five Community Builders for various ethical and conduct related violations.

²⁶ Complainants allege that Fellows made significantly more money than they did in their previous jobs.

²⁷ We have made the appropriate referrals.

²⁸ Senator Kerry has asked the Department for a review of the program and "case studies" describing what the Community Builders are doing. The Department was gathering this information for the Senator contemporaneous with this audit.

²⁹ A Fellow filed a Hotline complaint with the OIG stating he was being pressured to support new voter registration to meet the administration's goals. In his letter, he said if Community Builders was a political program: "... they should have indicated as such."

maintained HUD had followed legal and regulatory requirements and provided a memo signed to that effect from the General Deputy Assistant Secretary for Administration and General Counsel. He stated HUD properly applied veterans preference and the rule of three and he also took exception to our use of the terms patronage and political influence. The Deputy Secretary dismissed the equal opportunity employment complaints stating there has not been a single finding of discrimination and stated we made unsubstantiated claims about the hiring process. The Deputy Secretary also said the report was mistaken when stating HUD budgeted Community Builders at the GS-12 level. He added that HUD used the same process to determine Community Builder grades as it did for all other grades.

In disagreeing with the recommendations, the Deputy Secretary stated recommendation 1B was unnecessary. He stated OPM was consulted during the hiring process and had not objected. The Deputy Secretary took exception to the term “public relations” saying recommendation 1C was also unnecessary. He went on to say independent organizations had determined the Community Builders were beneficial. The Deputy Secretary dismissed recommendation 1D stating the Department had already completed it to the extent appropriate. The Deputy Secretary stated we had no basis for recommendation 1E saying the Department had applied veterans preference. He closed saying 1F was ill-advised because it would treat Community Builders different from other HUD employees.

OIG Evaluation of
HUD Comments

The Booz-Allen review of HUD 2020 does not contradict any information presented in the finding. Notwithstanding the General Deputy Assistant Secretary for Administration and General Counsel memo stating HUD followed legal and regulatory requirements – HUD did not apply veterans preference and the rule of three. We have attached as Appendix E, a letter from the Deputy Director, Office of the Assistant Secretary for Administration, stating exactly the opposite to a veteran asking the specific question. HUD defends its view of cross-fertilization stating it was never contemplated that the Community Builders would return to the same employer. However, in a draft legal opinion

prepared by the Associate General Counsel for Human Resources Law in 1997, HUD noted non Schedule A temporary appointments would require HUD to: “. . . give preference to current Federal employees (including any HUD employees) who have been notified that they are to be separated, because of downsizing and reorganization activities, anywhere in the Executive Branch.” The opinion went on to say: “The preference would militate against the purpose of the program, which is to provide fellowships in community building for those individuals graduating from universities and those in community positions who would subsequently teach, advise or return to the community at the end of the term at HUD” [emphasis in original]. Furthermore, HUD’s advertising brochure for Community Builders said the following: “. . . the program encourages companies, non-profits, foundations, universities, and government offices to allow employees to participate by arranging sabbaticals from their current jobs.” HUD also cited Special Counsel v. Peace Corps, and O’Brien v. Office of Independent Counsel regarding the term “policy-determining.” However these cases define “policy” for the Whistleblower Protection Act (5USC§2302) and not Schedule A. HUD also states Schedule A was appropriate because qualification standards and requirements established for the competitive service were not practicable. However, the same memo then explains they applied those qualifications standards and requirements.

The draft did not allege political patronage. The statement was: “*We do not consider it a stretch for opponents of the Community Builder concept to claim the program is actually patronage.*” We also noted hiring 460 individuals for the public relations and outreach functions every 2 to 4 years *invites* political interference and influence. The Department has an obligation to avoid the appearance of impropriety in hiring. It did not do so in hiring the Community Builders.

The Deputy Secretary dismissed the equal opportunity employment complaints stating there has not been a single finding of discrimination and stated we made unsubstantiated claims about the hiring process. However, the Department ranked 73 out of 79 in the FY 1996 Equal Employment Opportunity Commission report on the performance of agencies in completion of the formal EEO

process. In that report, EEOC says HUD took an average of 880 days to complete a formal EEO complaint. According to HUD's own report, the time for completion increased to 930 days in 1997 and 952 days in 1998. Thus, any findings of discrimination involving community builder hiring will not be known for some time.

The Deputy Secretary did not provide any information regarding what grade HUD budgeted the Community Builders, but included in his response the minutes of a management meeting where it is stated they were "costed" as 12s for budget purposes. The Deputy Secretary provided nothing new regarding HUD's process to determine Community Builder grades.

Regarding the Deputy Secretary's comments on the recommendations, we see no reason to alter them. While he states OPM was consulted during the hiring process and had not objected, OPM did not pass judgment on HUD's actions. In a July 26, 1999 letter to the Chairman of the Subcommittee on Civil Service, the Director of OPM referred Congress to HUD for specific answers on how HUD implemented Schedule A. Furthermore, under 5USC§5.3, the OPM Director has enforcement authority over civil service laws, rules, and regulations. Regarding HUD's exception to our use of the term public relations, we have included in the Introduction to this report the Secretary's opinion of their importance to customer relations and their job descriptions. Finding 2 describes their activities in getting HUD's message out to the public. The Deputy Secretary also said independent organizations had determined the Community Builders were beneficial. One of those organizations cited was Ernst & Young, LLP. The Deputy Secretary included an "interim status update" with his response. However, Ernst & Young state HUD dictated their scope by providing 25 case studies for their review. Finally, we do not think it ill-advised to have Community Builders sign ethics agreements and we do think HUD treats Community Builders different from other HUD employees.

Recommendations

- 1A. The Department should eliminate the Community Builder position. HUD should reassign the career staff to areas that will resolve long-term systemic

problems and release the Fellows. The Department needs to revisit its decision to hire temporary employees. HUD should assess the benefit of the Specialist and make a determination on whether to retain or eliminate based upon that assessment.

OR

- 1B. Ask the OPM for an immediate review of HUD's use of the Schedule A Authority. The Department should not extend or hire any external Community Builders until OPM has reviewed the program. (We have already broached this subject with OPM.)
- 1C. Reconsider using Schedule A authority to hire employees to perform public relations and outreach. If continued, HUD should justify the benefits of temporary employees compared to their cost and devise some means of selection to minimize the potential for political interference or influence.
- 1D. If HUD continues the Community Builders it must:
 - Determine and document the specific duties that the position would perform.
 - Determine and document the skills needed to perform the duties.
 - Determine the number of people needed to perform the duties.
 - Document the grades needed for specific jobs.
 - Assess and evaluate the success of the position.
- 1E. Notify every unsuccessful external Community Builder applicant that the Department did not properly adhere to veteran preference. Inform the unsuccessful applicants that if they have veteran status, they are entitled to file a complaint with the Department of Labor.
- 1F. Require all present and future Community Builders to sign an Ethics Agreement and eliminate immediately those who violate the ethics requirements.

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The Community Builders’ Value is Minimal

The Community Builders’ positive impact on HUD’s mission is indeterminable. The Secretary established a visionary mission that HUD cannot measure or realistically accomplish. HUD’s Business Operating Plan does not accurately reflect all the Community Builders’ activities. Further, most of the Community Builders’ goals are activities rather than actual accomplishments. Though most Community Builders claimed to have impact on HUD’s goals, only a few provided specific examples of actual accomplishments. However, the impact Community Builders have had according to customers and Public Trust Officers has been minimal. Also, most of the field offices had an inadequate system in place to document and report the Community Builders activities. One effect of Community Builders is HUD has dramatically increased the number of employees that function outside the program areas.

The purpose of Community Builders is intangible.

HUD established an exalted mission for the Community Builders. However, the mission did not state specifically what Community Builders will accomplish. As the table of quotations shows, the Community Builders’ purpose is everything from providing “one-stop customer service” to solving “the toughest economic and social problems facing communities.” Though admirable, without specific details on what “one-stop customer service” is or what the “toughest economic and social problems” are, it is impossible to determine what actions or services HUD needs to perform or provide to solve the problems.

Source	Community Builder Mission or Purpose
Secretary Cuomo	“What the Peace Corps is to global development, what Americorps is to local empowerment, we hope Community Builders will be to urban renewal.”
Application Brochure	Community Builders will be actively involved in helping to solve some of the “toughest economic and social problems facing communities.”
Application Brochure	“Community Builders are HUD’s front door, providing information and access to HUD’s services. Community Builders always find answers - they never say ‘it’s not my job.’ They are trained in all aspects of the agency and serve as team builders, fostering partnerships both inside and outside the agency. Community Builders empower communities by providing technical expertise in finance and economic

	development programs.”
HUD 2020 Program Services and Operations and Manual	The Community Builder “will provide communities with the broadest possible menu of information, support, and tools for facilitating comprehensive community-based problem solving, building local capacities to address community needs, and developing long-term partnerships integral to sustainable communities.”
Press Release	“These Generalist will serve as one-stop customer service representatives in HUD’s 81 field offices around the nation – providing assistance and information on economic development, homeownership, public housing, homeless assistance, and HUD’s other programs.”
Secretary Cuomo	“Our new Community Builders are talented professionals who are on a mission to turn back decades of decline in urban America and bring a new prosperity to people and places in need.”
Classification provided to PricewaterhouseCoopers	Exhibit a broad knowledge of all HUD’s programs, know the local politics, and promote economic development through initiation and implementation of new and existing programs.

HUD does not accurately collect and report Community Builders activities.

HUD does not know all the activities that the Community Builders perform. Many of the goals set under HUD’s Business Operating Plan - Performance Analysis System (BOP-PAS) for the Community Builders are activity based and appear rudimentary in relation to HUD’s stated purpose for the Community Builders. Also, the field offices vary in how they collect and maintain documentation to support the accomplishments reported into BOP-PAS. At ten of the sites we reviewed, field office procedures were insufficient to ensure the accuracy of the data. Although encouraged to initiate their own activities, HUD does not have a consistent system to record and track Community Builder initiatives unrelated to BOP-PAS. If HUD wants to objectively evaluate the accomplishments of Community Builders, it needs to correctly document and report their activities. HUD should document work plans and accomplishments of the Community Builders.

BOP-PAS System.

The BOP is part of HUD’s Strategic Planning System to comply with the Government Performance and Results Act.³⁰ HUD considers the system to be the centerpiece of its performance management effort. The BOP-PAS system measures the performance of HUD based upon its efforts to accomplish 207 goals under one of its 6 strategic objectives:

- Fight for Fair Housing
- Increase Affordable Housing and Homeownership
- Reduce Homelessness
- Promoting Jobs and Economic Opportunity
- Empowering People and Communities
- Restoring Public Trust³¹

The Community Builders report their activities against one of their 19 assigned goals.³² HUD classifies 15 of the Community Builders’ 19 goals as activities performed, rather than outcomes measured. In simplest terms, activities measure processes while outcomes measure results.

Examples include:

- *Activity Measure* - Strategic objective: “Promoting Jobs and Economic Opportunity.” A goal is to promote linkages between EZ/ECs and potential partners. Community Builders can accomplish this goal by holding 65 meetings nationwide to foster dialogue with possible partners. In essence, Community Builders can meet this goal without the formation of a single partnership.
- *Activity Measure* - Strategic objective: “Increase Affordable Housing and Homeownership.” A goal is to participate in a variety of homeownership fairs, coordinating as appropriate with the Office of Housing. HUD measures this goal by the number of fairs with Community Builder participation. This goal only indirectly relates to HUD’s objective of increasing affordable housing and homeownership. HUD should evaluate how successful the fairs are in terms of attracting and assisting potential homebuyers. It is unclear why the Office of Housing, which should be the

³⁰ The Act required federal agencies to develop strategic and annual performance plans that establish performance goals.

³¹ The Community Builders do not have any goals under this objective.

³² See Appendix B for a listing of the Community Builders’ goals and measures.

most knowledgeable about HUD products, is not the lead for this goal.

- *Outcome Goal* - Strategic objective: “Empowering People and Communities.” This goal requires the Community Builder to promote and facilitate the formation of community partnerships to increase local capacity to address community needs. The outcome measure is the number of partnerships formed. However, the BOP does not measure what the partnerships accomplish.

The examples provided above do not translate into meeting the Community Builders’ mission. Specifically, how does participation in a homeownership fair solve “the greatest economic and social problems of our time?”

HUD implemented the BOP this year and will revise it for fiscal year 2000. The Deputy Secretary believed that HUD did a good job on the BOP considering it was the first year. HUD staff stated the BOP-PAS goals for the Community Builders were more process oriented because the Community Builder program was in its infancy and the Community Builders did a lot of “front end work.” The career Community Builders have been on board since the end of 1997 and the first class of Fellows have completed half of their 2-year appointment. By this time, HUD should have more than “front-end work” from the Community Builders.

Field Offices have inadequate systems to document and report activities.

HUD delegated the responsibility for the BOP to the Senior Community Builder. This includes developing the local BOP and recording achievements in the BOP-PAS system. HUD did not establish standard protocols for documenting and maintaining data to support BOP activities. Additionally HUD did not establish procedures for recording the non-BOP activities of Community Builders.³³

At 10 of the 11 sites reviewed, the Field Offices had inadequate systems in place to document and report the Community Builders activities. Field Offices relied upon informal procedures for determining what activities the

³³ Booz-Allen & Hamilton also noted in its fiscal year 1999 mid-year evaluation that the BOP-PAS goals only “partially reflect the entire spectrum” of the Community Builders work. The report concluded that the Community Builders feel there is not a clear correlation between the BOP-PAS goals and their daily activities.

Community Builders completed such as informal discussions, weekly meetings or electronic messages. At two sites³⁴ Community Builders did not prepare any type of written report to document their activities. At the field offices that did prepare written reports, the reports lacked sufficient detail to determine the nature and value of the activity claimed. The following examples came from Community Builder activity reports:

- Boston, Massachusetts – Attended Congressman’s conference on expiring uses held at Roxbury Community College.
- Denver, Colorado – Under the “Fighting for Fair Housing” objective, the report stated a Community Builder received and reviewed HOC desk reference piece.
- Houston, Texas – The Community Builder reported he worked three home buyer fairs.
- Los Angeles, California -- Coordinated President Clinton’s visits on new market tour.
- New York, New York – A Community Builder reported that he attended a meeting with the Executive Director of a Community Group Consortium to discuss their satellite child care program.

As the above examples indicate, the information in the reports lack sufficient information for management to know the issue being addressed, whether the activity appropriately addresses the issue and/or whether any additional activities need to be performed.

As a result, HUD cannot be certain that Community Builder activities were accurately reported in the BOP-PAS System. The review noted specific instances where the data reported in the BOP-PAS system was not accurate. For instance, in Detroit, the Field Office reported as a Community Builder activity a meeting that had not taken place. In New York, the Community Builder activity reports could only support two of the eight BOP goals reported.

³⁴ Richmond, Virginia and Seattle, Washington.

In its mid-year evaluation, Booz Allen-Hamilton noted that only half of the Community Builders assigned the responsibility for initial review of all performance data were “adequately trained to conduct the analysis and some [Community Builders] desire additional training in the analysis process.” Considering, the emphasis that HUD has placed on the BOP, it should develop standard procedures for the Field Offices to follow that would enable HUD to rely on the information including adequately training the staff.

Community Builders believe they are having significant impact.

As part of the Fellowship program, HUD directed the Senior Community Builders to encourage the Fellows to come up with their work plans and innovative projects to undertake. Therefore, the Fellows have significant latitude in deciding what community problems to address and how to address them. Accordingly, the value of any activities undertaken is very much dependent upon the abilities and initiative of the individual Community Builders.

The vast majority of Community Builders claimed to have impacted HUD positively. Of the 59 Community Builders that responded, 57 Community Builders (97%) believed they were having a positive impact. The Community Builders thought they added value by sharing information about HUD’s programs, developing relationships with communities, helping entities plan for the future, and solving problems. However, 62 of the 77 Community Builders interviewed stated that they had not been involved in leveraging private funds to be used for HUD programs. Thirteen Community Builders responded positively; however, only three Community Builders spoke in specific terms. Further, 61 of these Community Builders stated that they had not been involved in providing additional HUD funds for any community need that would not have been provided without their assistance.

The Community Builders interviewed listed the following as their “greatest accomplishments:”

Boston, Massachusetts - A Community Builder aided a Homeless Veterans Shelter in obtaining a waiver to split its 80-unit single room occupancy grant into smaller grants so it could obtain some units.

Boston, Massachusetts - A Community Builder in Massachusetts assisted the City of Quincy to convert a closed military base into elderly and assisted-living housing. Regulations allow HUD to sell land and buildings on closed military bases at a substantial discount if the purchase is used for the public good. However, HUD did not have a precedent to do so. The Community Builder worked with HUD's CPD, General Services Administration, and the Department of the Navy's Facilities Management Division to obtain the necessary approvals and convey the land to the City of Quincy. The City plans to use the property to create over 100 units of elderly and assisted-living housing.

Denver, Colorado – A Community Builder was proud that he got the University to apply for HUD funding.

Detroit, Michigan – A Community Builder stated that through the BOP, he has received respect for himself and his knowledge of the programs from the divisions in the office. He believes it is helping bridge the gap between the program staff and the Community Builders.

Houston, Texas -- A Community Builder stated she is working with Veterans Affairs to restore an elderly couple's benefits.³⁵

Knoxville, Tennessee – The Community Builder believed her greatest accomplishment was working with communities to show that “HUD is human.”

Los Angeles, California -- A Community Builder helped farm workers living in substandard housing by getting the County to approve the use of \$800,000 in CDBG funds to build housing.

Seattle, Washington – A Community Builder cited his work on the Section 8 local response Task Force funded by local governments. Among other activities, he provided statistics and advice about HUD programs. He worked to obtain property tax relief for non-profits who purchased multifamily projects.

³⁵ Possible violation of 18 U.S.C. 205.

Community Builders have had marginal impact.

The majority of customers and Public Trust Officers interviewed did not believe the Community Builders were of benefit to HUD or its customers. Of the 91 customers interviewed, 45 (49.4%) customers believed the Community Builders added value. However, 32 (35.2%) customers did not believe the Community Builders added value. Surprisingly, nine customers actually stated that the Community Builders had an adverse effect. The sample of customers was selected from the Community Builders' activity reports. Only 25 of the 54 (46.3%) program directors interviewed thought that the Community Builders added value. Public Trust Officers questioned whether Community Builders had adequate knowledge of the programs to help clients.³⁶

Fellows lack sufficient knowledge of HUD programs.

To assist HUD customers, a person needs to have more than a cursory knowledge of HUD programs and requirements. HUD staff provided a 2-week orientation course for all Community Builders. The 2-week orientation included: (1) lectures by the HUD Assistant Secretaries on their vision of their program area; (2) information on the Community Builders' role; (3) discussion sessions on various housing topics; and (4) ethics. Many of the Community Builders stated they are still learning HUD's requirements. Only 23% of the Public Trust Officers believed the Community Builders had an adequate understanding of HUD requirements. Furthermore, 17% of the Public Trust Officers provided instances where a Community Builder had provided incorrect information.

In its mid-year evaluation dated June 3, 1999, Booz-Allen & Hamilton reported "Field Office staff continue to experience negative feelings toward Community Builder Fellows. It was reported that Fellows are gaining an understanding of the regulatory and policy framework within which HUD operates, however, there continues need for progress."

Specific examples of where Community Builders lacked sufficient knowledge include:

Ascension Parish - Donaldsonville, Louisiana - A Community Builder recommended that a City take an action that would violate HUD requirements. The Community

³⁶ Many Public Trust Officers were apprehensive about speaking with us for fear of reprisal. Consequently, we believe some may have been less than candid during our review.

Builder contacted the Mayor of Donaldsonville and suggested that the mayor transfer an unexpended grant from the Parish housing authority. Since the City and housing authority are separate entities, the Mayor and/or Executive Director cannot arbitrarily transfer grants to each other. The Senior Community Builder stated that they were “thinking outside the box” and trying to keep the money in the community.

Fort Worth, Texas - A HUD customer claimed that a class provided by a Community Builder did not reduce the mortgage insurance premium as claimed. Besides HUD Single Family staff providing the classes, HUD can authorize an agency to provide the training that will reduce the amount of mortgage insurance premium. However, HUD had not approved the Community Builders to provide this training. According to the customer, the Community Builder’s class did not meet the requirements and the underwriter has refused to accept the class.

Knoxville, Tennessee - A customer explained that his meeting with a Community Builder was a “good gesture” about possibilities, but his tribe needed real and specific help with the details.

HUD has not clearly defined Community Builders’ responsibilities.

According to Secretary Cuomo, HUD has clearly distinguished between the roles of Community Builder and Public Trust Officer. The Public Trust Officers possess the program management expertise and the Community Builders perform customer relations and client contact. He conceded problems arise when “you get down to actual case specifics.” The Secretary made these comments almost 2 years after announcing the position. In several instances, Community Builders have injected themselves into programmatic matters.

Alexandria, Louisiana - A Community Builder and CPD staff interfered with a Public Trust Officer’s attempt to bring a housing authority within compliance of its Annual Contributions Contract. The nonprofit wanted to use public housing units as transitional housing.³⁷ The City was going to provide a grant to the non-profit. PIH rightly informed the housing authority that transferring its units to a non-profit would violate its waiting list, by allowing non-

³⁷ The New Orleans office nominated this as a Best Practice.

preferential people to move up the list, and also, the housing authority could not include the units in its computation of Operating Subsidy and Comprehensive Grant.

In response to the housing authority's hesitation in continuing the project, the City attorney stated that the Community Builder rescinded PIH's letter. The City Attorney incorrectly believed that the Community Builder had program authority. The Community Builder and CPD Director sent a letter to the housing authority providing options to continue the program. The housing authority felt pressure to continue the program though it was not in its best interest. The Community Builder believed this was a perfect example of two disciplines, PIH and CPD, not coordinating and understanding the Community Builder's function. Community Builders should not pressure housing authorities or other grantees or interfere with a Public Trust Officer function.

Property Disposition Center -- Because of Community Builder interference in the property disposition process, Multifamily housing officials delayed the disposition of one multifamily property in Dallas, Texas; and two in St. Louis, Missouri. Community Builders interfered in the normal process pressuring multifamily housing officials into prolonged negotiated sales to nonprofit entities through a city or local housing authority. As a result, HUD incurred \$4.7 million in holding costs or lost sales proceeds. Also, since the two properties in St. Louis are still in HUD's inventory, HUD continues to incur additional holding costs.

- Dallas, Texas -- the Senior Community Builder³⁸ interfered with the sale of Crest A Apartments. In September 1998, the Senior Community Builder caused the cancellation of a Request for Proposals where an entity not favored by tenants was to purchase the property. The Multifamily HUB Director canceled the Request for Proposals in favor of a negotiated sale through the Dallas Housing Authority to a nonprofit that the tenants supported. The sale took an additional 8 months to negotiate. During this time, HUD incurred \$1.9 million in holding cost. The nonprofit purchased

³⁸ This Senior Community Builder also served as the Secretary's Representative for the Southwest District.

the property for \$10; HUD had \$17 million invested in the property.

- The St. Louis Senior Community Builder interfered in the sale of the Jeff-Vander-Lou #15 and #18 properties. HUD has had the Jeff-Vander-Lou properties #15 and #18 in inventory for over a year awaiting a negotiated sale to a nonprofit through the City of St. Louis. Multifamily officials have scheduled and canceled open market sales twice since September 3, 1998, in favor of a negotiated sale to the City. As of September 14, 1999, the parties still had obstacles to resolve. As a result of the Community Builder's interference, HUD has not yet disposed of the properties. HUD has incurred \$2.8 million in lost sales proceeds or holding costs and HUD's costs will continue to grow as long as HUD holds the properties.³⁹

Other - According to a complaint received⁴⁰, a Community Builder responded to constituents' questions regarding HUD requirements with indifference and contempt. For instance, when asked about laws and guidelines, the Community Builder responded: "We skirt around them and often cross far over the lines." When asked about the eligibility of a project, the Community Builder responded: "If I work hard enough I can justify almost any CDBG site."

Customers and Public Trust Officers positively view the Specialists.

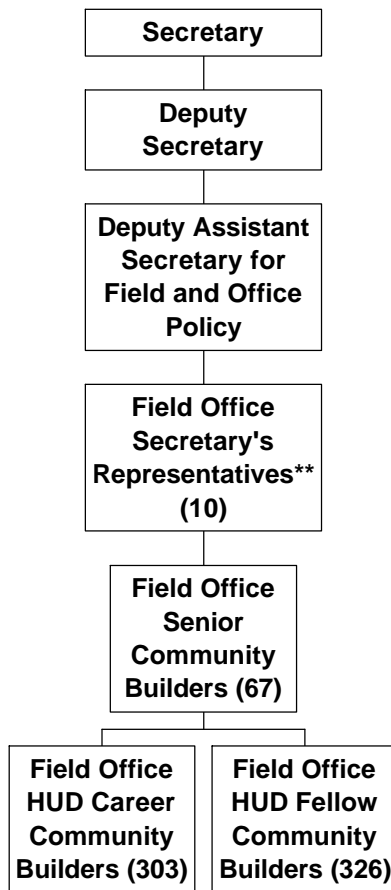
Both customers and Public Trust Officers spoke very highly of the Specialists. HUD has 82 Specialists assigned to the program areas. The Fellows and Specialists differ in their reporting protocol and qualification requirements. The Specialists report directly through their assigned program areas and work in specific areas such as economic development, Real Estate Assessment Center, and HOPE VI. The Fellows' qualification requirements included such statements as a strong record of career achievement, commitment to public service, and a broad range of knowledge and a solid educational background. The requirements for most of the Specialists' positions were more stringent. For example, HUD required the HOPE VI Specialists to have 5 years of experience in the field of residential or commercial real estate, general knowledge of

³⁹ Audit Related Memorandum 99-FW-177-0803.

⁴⁰ Complaint signed by three individuals including a city councilman.

community revitalization principles and practices, and a bachelor’s degree in real estate development or a related field. If HUD had hired only Specialists and had them report directly through the program areas, HUD may have accomplished more of its stated mission.

Community Builders report outside program areas.



As shown in the accompanying organizational chart, the career Community Builders and Fellows reporting structure is independent of the Program Assistant Secretaries. The numbers in parentheses represent the number of staff associated with each title. **The Secretary’s Representatives report to the Deputy Assistant Secretary for Field and Office Policy only on issues involving Community Builders. This arrangement does provide the political management with greater capabilities to communicate its message. For example, on September 2, 1999, the Secretary held a public interest briefing broadcasted to all field offices. The Deputy Assistant Secretary for Field and Office Policy tasked the Community Builders to contact and inform constituents in cities doing business with HUD of the broadcast. The Community Builders asked Public Trust Officers for the names and phone numbers of potential contacts in cities. The Community Builders invited the constituents to a meeting to hear the briefing. Also, the Deputy Assistant Secretary for Field and Office Policy asked the Community Builders to provide local groups and customers with a Department paper called *Losing Ground*. This paper discussed the Administration’s view of possible negative effects of the proposed Congressional budget for HUD, which was also the topic of the briefing. The Deputy Assistant Secretary also told the Community Builders to provide attendees with the budget’s specific impacts for their local jurisdictions. She also asked them to forward to headquarters the attending constituents’ phone and fax numbers and addresses so Intergovernmental Relations could add them to HUD’s mailing list.

Later, on September 8, 1999, the Deputy Assistant Secretary made it “the highest priority” for Community Builders to carry out press outreach on the budget. They were directed to arrange press conferences, conference calls, and telephone interviews. The lines between Community Builders and public affairs were blurred when the Chief of Staff requested the Secretary’s Representative Community Builders “*to carry out press outreach on the budget today, tomorrow and Friday. . . Please work with your PAOs on this effort.*” At least one Secretary’s Representative forwarded the request to her Community Builders. The Deputy Assistant Secretary provided the Community Builders with a list of press stories noting that Denver and Boston were well covered. The list showed 58 stories published in various cities around the country with titles such as: “S. Jersey could lose \$3.7 million if HUD funding cut passes”, “City may feel federal cuts in spending,” “Area cites could lose HUD funds”, and “HUD says House-backed cuts will cost Colorado \$16 million, 952 jobs.”

The foregoing resulted in Secretary’s Representatives putting Community Builders to work. In one region, the Secretary’s Representative told Community Builders to:

“ . . . look over their markets and see if they have an area that has been untouched and try and get some coverage – like with the groups that met last Thursday for the call – maybe two or three of them would meet and call in press to cover the issue or maybe you can get your housing authority people to meet with local reporter to discuss the effects on the authority and get some coverage.”

In another region, the Secretary’s Representative was featured in the following press release from the Pennsylvania League of Cities and Municipalities:

“HARRISBURG, Pa., Sept. 8 /PRNewswire/ -- Mayor Timothy Fulkerson, New Castle, Pennsylvania League of Cities and Municipalities' Second Vice President and Legislative Committee Chair, will join Mayor Stephen Reed, Harrisburg, and Karen A. Miller,

Secretary Andrew Cuomo's Representative for the Mid-Atlantic area of the U.S. Department of Housing and Urban Development (HUD), at a press conference called to oppose pending Congressional budget cuts to HUD on Thursday, September 9, at 2:00 p.m., in the atrium of the Harrisburg City Government Center.

“League Legislative Committee Chair, Mayor Timothy Fulkerson, stated that it was time for city officials and those in the Housing and Development Community to step forward to voice strong opposition to such ill conceived proposals.

“Programs which would be severely curtailed by the budget cuts include the Community Development Block Grant program (CDBG), the HOME housing stimulus program, the Public Housing Modernization Fund program, and the Community Empowerment Fund which stimulates business location in distressed areas, among others.

“Others scheduled to participate in the 2:00 p.m. press conference include Roger Sillner, President of the Pennsylvania Association of Housing and Redevelopment Agencies and Andy Frishkoff, Executive Director of the Low Income Housing Coalition.”

On September 9, 1999, the public affairs officer sent out the following instructions to the field public affairs staff:

“Attached is an op-ed penned by the Sec. re: the proposed cuts to the HUD budget. Here's what I need you all to do ASAP.

“1) Localize the op-ed. Using the local information re: effect of budget cuts, please fill in the blanks in the op-ed. You can put in state or city numbers. Do whatever will get your specific local media interested. (I think most are going to want city information.) Here's the local information in case you deleted the earlier copy.

“2) Find out who to send it to. Call your local daily newspapers and ask who the editorial page editor is and get a fax number for them.

“3) Fax the localized op-ed to the editorial editor.

“4) Follow up with the editorial page editor by phone to encourage use of the op-ed as soon as possible. The House is voting on the budget TODAY or TOMORROW; we expect the Senate to take up our appropriations bill very soon. I will provide regular updates on the progress of our budget so you can use that information as a reason to again reach out to editorial page editors who have not yet published the editorial.

“BUT before you do anything, please check the attached list to see if any of your local papers are on it. If they are, please reach out to them first. We have compiled the names & phone numbers for their editorial page editors to help you out.

“Please send me an e-mail with all of your local op-eds and your plan of attack for getting the piece placed in as many newspapers as possible in your area.”

The public affairs officer attached the op-ed (see Appendix C) along with a list of 57 local editors and papers in 45 states. She also attached local statistics for 1,106 cities (samples shown at Appendix C).

On September 29, 1999, the Deputy Assistant Secretary for Public Affairs⁴¹ sent the following message to Community Builder Fellows:

“Today Secretary Cuomo met personally with several members of Congress about the Fellowship program . . . Several of you have asked for the names of members who have spoken in favor of the Fellowship program during the Senate debate last week. Twelve

⁴¹ The Deputy also serves in the capacity of the Director of the Fellowship Office.

senators spoke in favor of the CB Fellows program. These members are: [names provided in original]. . . If you have any questions, please contact your liaison to the Community Builder National Office or me via telephone.”

The foregoing activities are highly questionable given Public Law 105-277, Section 637 which states:

“No part of any funds appropriated in this or any other Act shall be used by an agency of the executive branch, other than for normal and recognized executive-legislative relationships, for publicity or propaganda purposes, and for the preparation, distribution or use of any kit, pamphlet, booklet, publication, radio, television, or film presentation designed to support or defeat legislation pending before Congress, except in presentation to the Congress itself.”

In the 1999 Mid Year Performance Management System Evaluation,⁴² several field offices were noted as raising concerns about the role of the Secretary’s Representatives. In field offices where a Secretary’s Representative is located, Community Builder staff reported they supported the functions of the Secretary’s Representative. They said this support decreased their ability to perform their duties at the level to which they aspired.

**Overall value of
Community Builders.**

By this time, the Community Builders should have measurable accomplishments. The career Community Builders have been on board for almost 2 years. Many of the career Community Builders performed similar roles in their past jobs. The first class of Community Builders, all Fellows, are almost half-way through their 2-year fellowship. The second class of Community Builders have completed almost 6 months. HUD has 778 Community Builders in its 81 field offices nationwide.

Without practical HUD knowledge, Community Builders cannot provide the accurate answers and solutions to customers’ questions and problems. If the Community Builders’ job is primarily to disseminate information, their ability to do so exists only near the end of their term, if ever.

⁴² Prepared by Booz, Allen & Hamilton, June 3, 1999.

The primary information the Community Builders seem to have disseminated is political. Further, HUD has successfully implemented other tools to disseminate program information including the HUD Internet site, brochures, and advertisements. Through the Notice of Funding Availability and grant agreements, HUD encourages customers to partner and leverage funds. If HUD lacks specific expertise, it should recruit individuals to fill specific needs.

HUD Comments

HUD disagreed with the finding and recommendations. HUD's complete response is included as Appendix A. In his response, the Deputy Secretary stated the Community Builders have a measurable positive impact. He quoted Anderson Consulting as saying HUD had customer service at levels comparable to Baldrige Quality Award winners. The Deputy Secretary also said we misunderstood the Business Operating Plan. He stated we inappropriately used an allegation of one individual to indict 700 employees. Additionally, he said our facts were wrong in several examples and provided several examples where the Community Builders may have had positive impact. The response took exception to our stating the Community Builders report through the Department's political chain of command. The Deputy Secretary states the Community Builders are not involved in "public relations" and asked us to remove the term from the report. He also stated the Department's brochures and press releases were non-authoritative and we should not quote from them. In particular, the Deputy Secretary objected to the reference to the Secretary's statement made regarding the Community Builders and their role in customer relations. The Deputy Secretary asked us to remove the statement that the primary information the Community Builders disseminated was political unless we performed a statistical analysis of all their dissemination.

The Deputy Secretary agreed with recommendations 2B and 2C, but considered recommendation 2D unnecessary (These were recommendations 2A, 2B, and 2C in the draft, respectively. Recommendations 2A and 2E in this report were not in the draft.).

**OIG Evaluation of
HUD Comments**

The Deputy Secretary quotes Anderson Consulting as saying HUD had customer service at levels comparable to Baldrige Quality Award winners. HUD did not provide us with Anderson Consulting's report nor did it provide the contract and scope of services for Anderson Consulting's review. Therefore, we withhold any comment on Anderson Consulting's review.

The Deputy Secretary wrongly states that we criticize the BOP System for having more activities than goals. What we reported was that HUD assigned the Community Builders rudimentary activities. Further, we reported that HUD did not include all of the Community Builders' activities in the BOP system as noted by Booz-Allen & Hamilton in its June 3, 1999, mid-year evaluation.

HUD depends upon the BOP to develop and implement its strategy and integrate the Department's program areas. As we stress in the finding, HUD needs to ensure the BOP-PAS system contains accurate and documented information. We commend HUD in developing a system to track "more of the day today projects and accomplishments of individual Community Builder." However, we did not review the system due to HUD not planning on implementing it until after the issuance of the report.

With respect to the examples that HUD cites as wrong, we found no evidence to change the descriptions for Fort Worth, Texas; Alexandria, Louisiana; and Ascension Parish, Louisiana. We did clarify matters as evidence indicated. Upon further review, we removed the example cited from Bryan, Texas from the final report.

We do not know how HUD validated the "positive impact" of the Community Builders. As reported in the finding, 10 of the 11 sites reviewed had an inadequate reporting system. Furthermore, the Deputy Secretary did not indicate how the Community Builders were uniquely qualified to perform the tasks or why Public Trust Officers could not perform the tasks.

In our view, the Community Builders are performing public relations functions. The Secretary made it quite clear it was

one of their important functions (see the Introduction to this report). Further, the position description for the GS-13 Community Builder Fellow requires the individual to: “Participate in the development of public affairs events to promote program and Secretarial initiatives.” Finally, we asked 69 Community Builders themselves and 39 (56.5%) said they spent 50% or more of their time on public relation activities.

We were also not inclined to remove our conclusion that the primary information the Community Builders disseminated was political. As discussed in Finding One, HUD did not establish a need for the Community Builder or properly hire them. HUD established vague job responsibilities and assigned rudimentary goals to the Community Builders. Further, the Community Builders have no connection with programmatic functions. Taking the whole job into consideration, we question whether the primary purpose for Community Builders was to broaden the capabilities of the politically controlled workforce.

We have made other clarifications and changes as appropriate.

Recommendations

If HUD does not eliminate the Community Builder position, then we recommend that you:

- 2A. Establish a realistic mission for the Community Builders and develop their job descriptions and work plans accordingly.
- 2B. Continue to improve the BOP-PAS System. These improvements include collecting and measuring the actual work performed by the Fellows and Specialists.
- 2C. Establish procedures and forms for the Community Builders to report their planned activities and accomplishments.
- 2D. Clearly delineate the roles and responsibilities of the Community Builders from those of the Public Trust Officers.

- 2E. Ensure that the Community Builder's role and activities are clearly separated from Public Affairs and that HUD adheres to Public Law 105-277.

HUD Allocated Large Resources to the Community Builder Position

HUD's allocation of limited resources favors the Community Builders at the expense of its Public Trust Officers. HUD created the Community Builder position without any increase in funding. Thus, every dollar and person assigned to Community Builders came from an existing source – primarily from what HUD now calls its Public Trust Officers. HUD allocated a large amount of its resources to outreach and customer relations in the form of higher grades, travel and training funding, and personnel. This bias has caused many Public Trust Officers to conclude that their role is not important to the current administration. While HUD recognized some of these problems early on, it has delayed any tangible action to correct them. At the same time, HUD continued to start new initiatives requiring more oversight and monitoring while it was decreasing the staff assigned to do so, along with their travel and training funds. HUD's Community Builders used limited resources for outreach and customer relations at a time when HUD should be focusing on critical monitoring and enforcement activities relating to existing programs.

HUD is the only “high risk” agency in the federal government. Congress, the General Accounting Office, and HUD's Inspector General have repeatedly cited the Department for failing to modernize operations and fight waste, fraud, and abuse. Citing various reports, HUD created the Community Builder position and named its other employees Public Trust Officers.⁴³ HUD claimed that the Community Builders would be responsible for outreach and customer relations while the Public Trust Officers would be responsible for monitoring and enforcement. Secretary Cuomo stated that the “Community builders and public trust officers are equal partners. They are flip sides of the same coin, you need both. They are different areas of expertise, no one is better.”⁴⁴

Community Builders and Public Trust Officers are not equal partners.

We disagree with the premise that Community Builders and Public Trust Officers are equal partners. The Public Trust Officers perform the vast majority of activities to accomplish HUD's strategic objectives, including:

⁴³ This is a position in title only.

⁴⁴ Business Operating Plan Conference June 16, 1999.

- Increasing Single Family Mortgage Insurance endorsements for underserved populations;
- Ensuring entities comply with fair housing laws through compliance reviews;
- Ensuring that entities leverage other resources with their HOME and Continuum of Care funds;
- Increasing the amount of housing assistance and supportive services to low-income persons living with HIV/AIDS;
- Improving overall quality of public and assisted housing;
- Reviewing, assessing and rating Consolidated Plans; and
- Revitalizing severely distressed public housing.

Of the 207 goals listed to accomplish HUD's 6 Strategic Objectives, the Community Builders are the lead program area for 19 (9 percent) of them. As discussed in Finding 2, many of the Community Builders' goals are activities, as opposed to achievements.

Static resources.

In general, all of HUD's salaries and administration expenses, including travel and training, are provided through one appropriation. The Secretary has latitude in spending these funds. Congress appropriated \$1,000,826,000 and \$985,826,000 for HUD's salaries and expenses in 1998 and 1999, respectively. As Community Builders are not a program with a special appropriation, HUD must pay their salaries and expenses from its salary and administration expense appropriation. As such, when HUD allocates resources or people to the Community Builder position, it takes those resources away from Public Trust Officers. For HUD to accomplish its mission, it must allocate funds and people between HUD's strategic objectives functions to maximize results.

A principal Community Builder function is to expand HUD's customer base. However, an expanded customer base is limited by the amount of funds appropriated for the specific program. Further, an expanded customer base is limited by the amount of technical assistance and monitoring

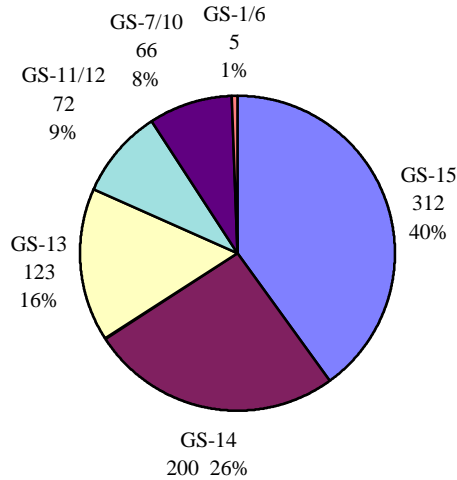
that Public Trust Officers can provide. HUD's "high risk" status would indicate the Public Trust Officers have no additional capacity. HUD should correct long-term systemic problems of its current customers before trying to recruit more. Also, HUD already encourages and requires that customers leverage HUD funds.

**Community Builders
compose a large
number of the higher
grades in the field.**

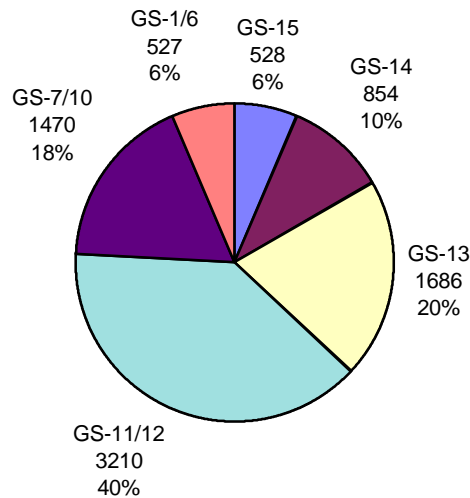
As of July 1999, HUD had 778 Community Builders and 8,275 Public Trust Officers at the GS-1 through GS-15 pay levels.⁴⁵ As shown in the graph below, 82 percent of the Community Builders are GS-13s through GS-15s while only 36 percent of the Public Trust Officers are in these upper pay grades.

⁴⁵ HUD has a total of 9,199 employees with 146 employees compensated under Senior Executive Service, Executive Service, or other pay scale.

Community Builder Staff



Public Trust Officers



HUD uses the Office of Personnel Management’s general schedule (GS) to compensate employees. The schedule divides the salaries by grades and steps. The salary ranges for the grades, excluding locality pay:

GS-1 to -6	\$13,362 through \$29,833	GS-13	\$53,793 through \$69,930
GS-7 to -10	\$25,501 through \$44,658	GS-14	\$63,567 through \$82,638
GS-11 to -12	\$37,744 through \$58,808	GS-15	\$74,773 through \$97,201

The following graph further highlights the difference in grades between the Community Builders and other program areas at the 11 field offices that we reviewed. For these 11 sites, Community Builders represent 52% of the GS-15s and 27% of the GS-14s. Community Builders only represented 9% of the total number of GS employees at the reviewed sites.

Grades of personnel at sample sites by program office							
<u>Grade</u>	<u>CBs</u>	<u>PIH</u>	<u>CPD</u>	<u>FHEO</u>	<u>HSNG</u>	<u>OTHER</u>	<u>TOTALS</u>
GS-1/6	2	9	10	11	19	55	106
GS-7/10	14	28	24	25	135	89	315
GS-11/12	17	156	92	87	380	114	846
GS-13	33	81	35	20	145	95	409
GS-14	53	15	10	21	40	60	199
GS-15	62	12	6	9	11	20	120
Totals	181	301	177	173	730	433	1,995

HUD believed it was necessary to hire the Community Builders at higher pay grades to attract the “best and brightest.” As discussed in Finding 1, HUD did not define the Community Builder role or the skills necessary to perform the activities of that role before hiring the Community Builders. Also, Findings 1 and 2 discussed that HUD did not perform any evaluation as to whether a Community Builder’s grade related to her actual activities. Further, HUD has not conducted or contracted for any study of equality in grade between the Community Builders and Public Trust Officers.

The difference in grades has resulted in many complaints from the Public Trust Officers, especially in CPD. Public Trust Officers complain the Community Builders, specifically the Fellows, do not have sufficient knowledge to perform their duties. Also, the Public Trust Officers believe they could perform the duties better if provided the resources. The Deputy Secretary acknowledged that CPD had been performing the tasks of the Community Builders for the last 6 years.

CPD personnel prepared a report recommending that many of its positions be upgraded, including the journey level of the CPD Representative and Financial Analyst from GS-12

to GS-13. The report cited the following as a typical CPD Representative's workload:

- Monitoring 14 formula and competitive grant programs,
- Servicing four to six communities, and
- Managing \$20 to \$76 million in federal funds.

The report stated that HUD had not updated the position descriptions of CPD employees to reflect the changes in workload and skills needed as a result of the 2020 management reforms.

Draft parity study.

HUD contracted with PricewaterhouseCoopers to assess parity across selected program areas.⁴⁶ The parity report only discussed the career employees, not the Fellows. PricewaterhouseCoopers stated the duties of the GS-15 Community Builders "indicate" HUD should reclassify the positions as GS-14 Community Builders. According to the report, HUD had 128 of these GS-15 Community Builders that should be reclassified at the GS-14 level. The report stated that HUD properly graded the Senior Community Builder at the GS-15 level based on the duties and responsibilities described to them.

HUD has not addressed the underlying issue of the appropriateness of the grades of the Community Builders.⁴⁷ Instead of determining if the duties of the Community Builders necessitate the higher grades, HUD has tried to appease Public Trust Officers by offering approximately 400 enhanced Public Trust Officers positions.⁴⁸ In announcing the positions, Secretary Cuomo stated:⁴⁹

"We have about, give or take 400 community builders, 400 on a universe of 10,000. We are going to have about 400 grade promotions to the higher grades for program offices, PTO positions all across the nation...we're going to do 400 total, which is just about the same numbers as we have community builders. It's because I don't want that to be an issue,

⁴⁶ HUD accepted PricewaterhouseCoopers' draft as a final deliverable due to a lack of funds.

⁴⁷ According to the General Accounting Office: "HUD has not yet developed a process for identifying and justifying its staff resource requirements."

⁴⁸ Business Operating Plan Conference in June 1999.

⁴⁹ Business Operating Plan Conference in June 1999.

legitimate or not, I just don't want it to be an issue. I don't want PTO's to compare themselves to community builders or community builders to compare themselves to public trust officers, and feel that one of them came up short."

HUD advertised for these positions on August 16, 1999, almost 2 years after Secretary Cuomo announced the positions of the Community Builders. During this 2-year period, HUD hired 778 Community Builders.

Grade levels impact HUD's budget.

The high grade levels of the Community Builders adversely affect HUD's budget. As previously discussed, HUD has almost complete discretion over its appropriated salaries and expense funds. HUD can allocate staff to any particular area or program. Secretary Cuomo stated that the Community Builder Fellows would not impact HUD's budget because HUD would continue to downsize through attrition. However, according to a management committee meeting on October 7, 1997, HUD budgeted the Community Builders at GS-12 level.⁵⁰ As clearly as can be seen in the graphs, HUD hired the vast majority of Community Builders at pay grades higher than GS-12. Some received substantial increases from their prior jobs. One Fellow, who previously worked for a nonprofit, explained that as a Community Builder, she made \$25,000 more, only had to work 40 hours a week, and didn't have to work weekends or holidays.

To further complicate matters, HUD advertised the Fellows positions with a possible promotion potential to GS-15.⁵¹ HUD can promote a Fellow if: (a) there is available work at the next level; (b) the person is working at an acceptable level for a year; and (c) HUD has funds for the increase. A Union Official conjectured that HUD had not promoted any of the Fellows because it would "break the bank." Union Officials have stated that if the Community Builders were part of the bargaining unit, the Union would pressure HUD to promote these individuals or explain why it will not. HUD will need to further reduce the funds provided to the Public Trust Officers or seek additional funds from Congress if HUD chooses to promote the Community Builders or hire a new class of Fellows.

⁵⁰ The salary range for GS-12 is \$45,236 through \$58,808, excluding locality adjustments.

⁵¹ Many of HUD's positions are career ladder GS-12, including the CPD Representative.

Significant funds needed to train Community Builders.

In a time when HUD’s training funds have shrunk to a point of non-existence, HUD has spent a significant amount of money training Community Builders. HUD’s Training Academy’s budget decreased approximately 51% from \$22,362,000 to \$11,356,000 between 1998 and 1999. HUD established a training program for the Community Builders, including an orientation to HUD and training at universities. In addition to a 2-week HUD orientation, the Community Builders attended a 2-week training course at Harvard University called “Leadership.”⁵² This training included policy and skill building modules including real estate development, mobilizing people, designing an ideal community, and working with elected officials. The Associate Community Builders attended two 1-week courses at either DePaul University, Portland State University or the University of Maryland. The training included modules on interest based negotiation and market analysis along with field trips.

The training cost for the Community Builder to date is:

Name of Training	Number of Participants	Enrollment Costs	Estimated Travel Costs ⁵³
Harvard University - Internal Community Builders	175	\$965,500	\$103,685
Harvard University - Community Builders Fellows	250	\$1,385,000	\$148,050
Community Builders Orientation	768	Performed by HUD Staff	\$1,609,631
Harvard University Community Builders Specialists ⁵⁴	66	\$224,400	\$36,000
Associate Community Builders at one of the three universities	271	\$460,919	\$129,436
Totals		\$3,039,819	\$2,026,802

HUD allocated 27 percent and 10 percent of its training budget to Community Builders for 1998 and 1999, respectively.⁵⁵ Public Strategies Group⁵⁶ expressed concern that the Harvard “two-week training sessions alone will not provide the Community Builders with the skills they need to

⁵² HUD paid for empty training slots when it could not fill the classes.

⁵³ Based upon information from the HUD Training Academy Project’s Officer.

⁵⁴ The Specialists received 1 week of training because Harvard could not accommodate HUD’s schedule.

⁵⁵ HUD does not separately budget other program areas.

⁵⁶ A company hired by HUD to assess its 2020 reform plan.

be successful in these demanding roles.” In response, HUD plans to send those who previously attended the Harvard University training back for an additional week of training. This is a significant amount of training for a 2-year appointment. Unless HUD changes the Community Builders’ training agenda or discontinues the position, these costs will continue as HUD hires new classes of Community Builders.

In November 1997, Secretary Cuomo emphasized that HUD needed to have a training package for the Public Trust Officers “that has an internal and an external component, a university course and a full internal training course which are as highly professionalized as the Community Builders training. There will be about 7,000 Public Trust Officers so we can’t have the tail wagging the dog.” Further, the Secretary recognized that the “attention given to the Community Builders has made them [Public Trust Officers] seem like step children.”⁵⁷

Unlike the Community Builders, Public Trust Officers do not have a similar formal training agenda. Since October 1998, only 117 or (1.5 percent) Public Trust Officers have attended a 1-week Harvard training course. HUD’s Training Academy is planning to have focused training for the recently advertised Public Trust Officers positions. HUD staff explained that it does not have a centralized training program for existing Public Trust Officers because the positions are not new; therefore, the people do not need any orientation or new training. According to HUD, the various local offices and program areas are responsible for training and orientation of recently hired Public Trust Officers.

Travel funds for Community Builders adversely affects other programs.

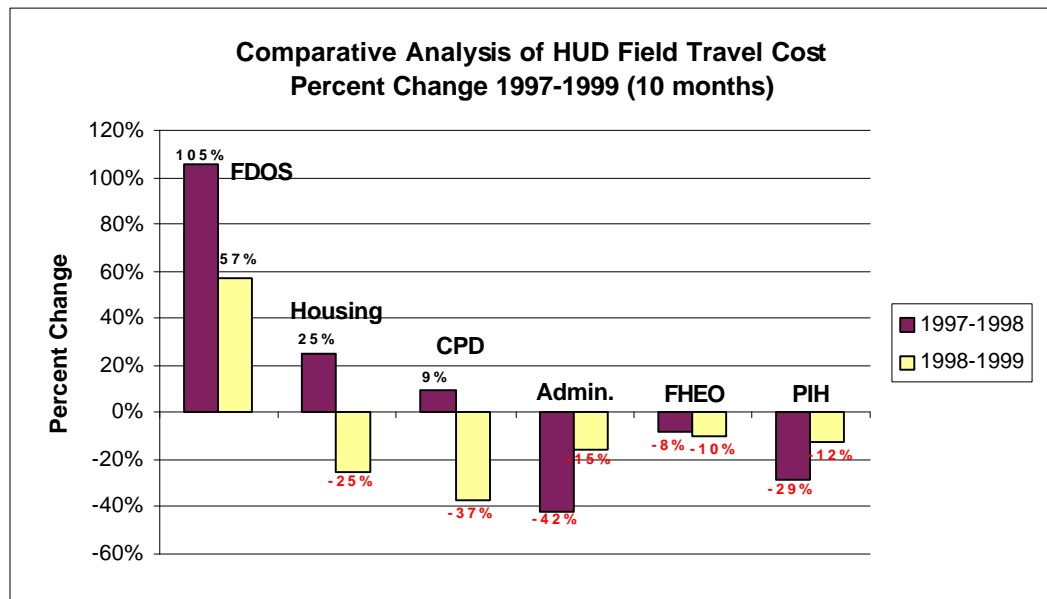
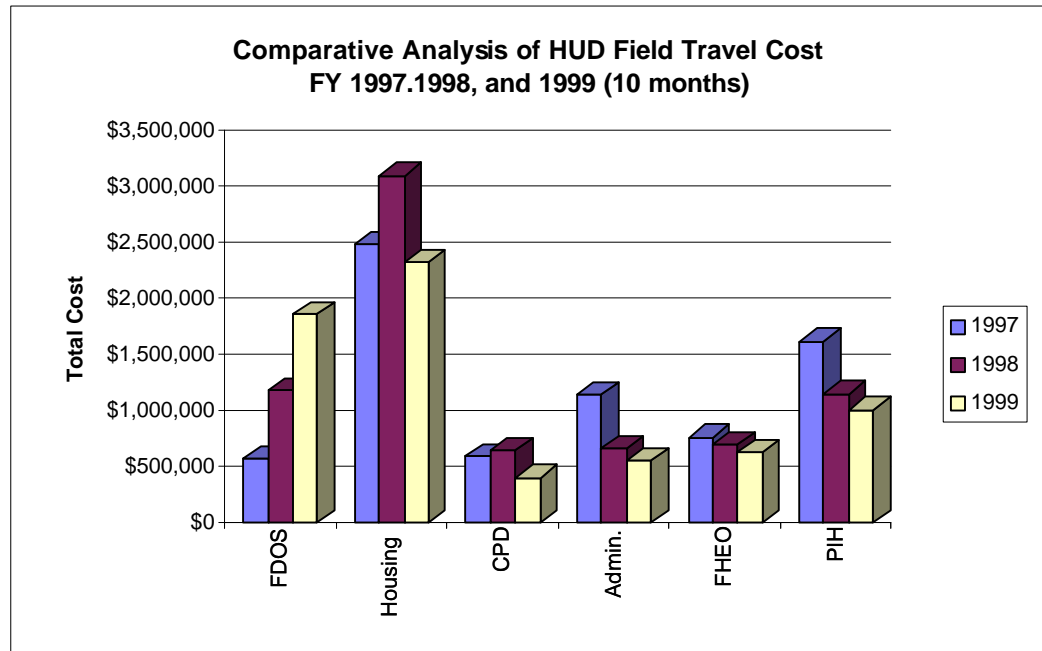
As the following graphs illustrate, HUD has decreased the travel funds to all program offices except for Field Direction and Operational Support (FDOS), which includes all the Community Builders, except the Specialist.⁵⁸ The costs below only represent travel costs for the field offices. It does not include Headquarters, the Training Academy, or information technology’s travel. In some cases, Community Builders may have paid for Public Trust Officers’ travel. For travel, HUD spent \$8.6 million, \$8.9 million, and \$6.7

⁵⁷ Management Committee Meeting on November 4, 1997.

⁵⁸ The Specialist’s travel is budgeted through their respective program area.

Finding 3

million for fiscal years 1997, 1998, and 1999 through July, respectively.



HUD can provide only so much monitoring and technical assistance without going to its customers to verify information. We have reported that HUD needs to improve its monitoring of multifamily projects and housing authorities. Further, CPD needs to complete

implementation of its performance oriented monitoring strategy.⁵⁹

According to the General Accounting Office,⁶⁰ HUD continues to have problems monitoring many program areas. HUD needs an effective monitoring system “because its housing and community development programs rely extensively on the integrity of thousands of diverse individuals and entities.” The report included several examples of HUD’s monitoring problems. The report also noted that HUD staff had expressed concerns about not having enough travel funds to conduct on-site monitoring of program activities.

The January 1999 *National Performance Report* cited a delay in receiving travel funds as a cause for not meeting its monitoring goals. Further, field office managers cited various reasons for not monitoring multifamily projects, such as lack of available travel funds when needed.

Personnel moved to staff Community Builders.

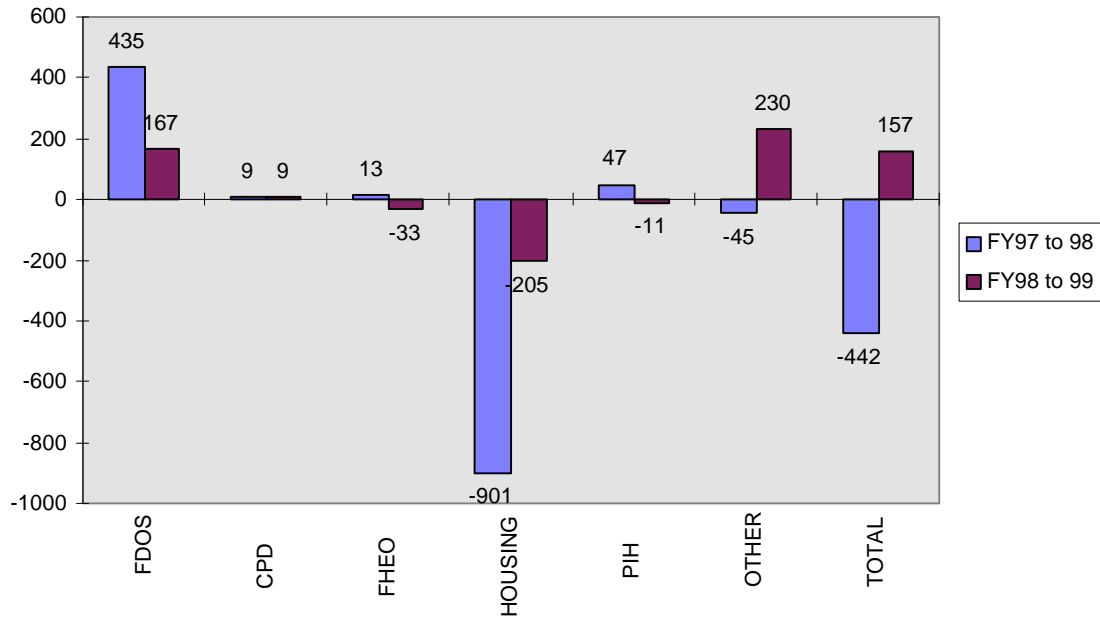
As shown in the following chart, HUD has moved personnel from other program functions to staff the Community Builders (FDOS).⁶¹

⁵⁹ U.S. Department of Housing and Urban Development Audit of Fiscal Year 1998 Financial Statements. Office of Inspector General 99-FO-177-0003 (March 29, 1999)

⁶⁰ Major Management Challenges and Program Risks -- Department of Housing and Urban Development, General Accounting Office (GAO/OCG-99-8, January 1999).

⁶¹ FODS is the classification for field operations that include the Community Builders along with other management employees.

Change in Staff Headcount by Program Office



During this same time period, HUD added several initiatives and programs. The GAO, in its March 3, 1999 Congressional testimony refers to 19 new HUD programs in the Department's fiscal year 2000 Budget submission. Some of the recent additions include:

- HUD Healthy Homes Initiative.
- Teacher Next Door Program.
- Youth Peacemaker Corps.
- National Rebuilding Initiative Financial Consortium.
- Center for Community and Interfaith Partnerships.
- Economic Development Initiative.
- Brownfields Economic Development Initiative.

Discretionary funds available to Community Builders.

The Community Builders have access and control over approximately \$500,000 of discretionary funds. The funds come from HUD's Homeownership Centers. HUD does not budget or account for these funds as Community Builder funds.

HUD Comments

The Deputy Secretary's entire response and attachments is included as Appendix A. The Deputy Secretary explained that more than 600 Community Planning and Development

employees spent some of their time on tasks that are now completed by the Community Builders. The same was true of other program areas. The Deputy Secretary stated that the hiring of the Community Builders “frees thousands of Public Trust Officers to devote 100% of their time to monitoring and program functions.” Therefore, the Deputy Secretary believed that the hiring of the Community Builder is a cost-effective way for the Department to fulfill programmatic, monitoring and customer service functions.

The Deputy Secretary stated that Community Builders and Public Trust Officers are equal partners. Community Builders and Public Trust Officers take the lead responsibility for 9% of the strategic goals, as asserted by OIG. Community Builders make up about 8 ½% of the Department’s employees.

The Deputy Secretary stated the findings were based on a bias against new HUD customers in favor of current customers; further, the suggestion to focus on current customers rather than reaching out to new customers advances a preference of the OIG favoring current customers that have access to and familiarity with HUD over traditionally under served customers and communities.

The Deputy Secretary stated that the report inaccurately claims that \$500,000 of FHA funds allocated to Homeownership Centers to support education and outreach were under the control of Community Builders.

The Deputy Secretary did not agree with recommendation 3A that an “in-depth grade analysis” be performed. The Deputy Secretary stated HUD used the Office of Personnel Management’s Position Classification Standards to set the grades for Community Builders. This is the same process used for all HUD employees.

The Deputy Secretary stated that the Department already fulfills recommendation 3B.

The Deputy Secretary believed that the Department already appropriately allocated their resources and therefore, disagreed with recommendations 3C and 3D.

OIG Evaluation of
HUD Comments

As discussed in Finding 1, HUD never provided a justification for the number of Community Builders. HUD provided absolutely no support for the statement that the hiring of 778 Community Builders freed “thousands of Public Trust Officers to devote 100% of their time to monitoring and program functions.”

While the goals that Community Builders were responsible for were in proportion to their staffing level, as indicated in Finding 2, most of the Community Builders goals were activities rather than outcomes. Further, the impact of Community Builder position is minimal.

The evidence presented in Finding 1 on the awarding of grades refutes the statements made by the Deputy Secretary. Furthermore, when asked, one staff member involved in hiring the Community Builders responded that generally, Community Builders were hired as close to their current salary as possible plus a two-step increase.

We made modifications and clarifications as needed in the body of the finding.

Recommendations

If HUD continues to allocate resources to the position, HUD should:

- 3A. Perform an in-depth grade analysis to determine the appropriate grades of the Community Builders and Public Trust Officers.
- 3B. Allocate training resources to ensure that all staff have the skills and abilities to perform their duties.
- 3C. Allocate travel funds to maximize HUD’s strategic objectives.

Management Controls

In planning and performing our audit, we obtained an understanding of the management controls that were relevant to our audit. Management is responsible for establishing effective management controls. Management controls, in the broadest sense, include the plan of organization, methods, and procedures adopted by management to ensure that its goals are met. Management controls include the processes for planning, organizing, directing, and controlling program operations. They include the systems for measuring, reporting, and monitoring program performance.

Significant Controls

We determined the following management controls were relevant to our audit objectives:

- Hiring Community Builders;
- Planning Community Builder activities;
- Supervising Community Builders; and
- Measuring and reporting results.

We evaluated all the relevant control categories identified above by determining the risk exposure and assessing control design and implementation.

Significant Weaknesses

It is a significant weakness if management controls do not give reasonable assurance that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss, and misuse; and that reliable data is obtained, maintained, and fairly disclosed in reports. Our review indicated that HUD had significant weaknesses in its hiring, planning, and supervision of community builders. Weaknesses also exist in measuring and reporting the results of Community Builder activities.

HUD did not properly hire the Community Builders. As discussed in Finding One, HUD violated federal requirements and stated intentions in hiring the Community Builders. HUD violated federal selection process and Veterans Preference, apparently did not base the pay grades on selection ratings, hired individuals who did not meet HUD pre-stated minimum scores, and determine the skills and number of people needed to perform the duties.

As discussed in Finding 2, questions exist about the reliability and validity of data reported by the Community Builders as accomplishments. Auditors found that documenting and reporting Community Builder activities is poor. Some Community Builders report their activities orally and some not at all. In addition 36% of the Community Builders develop their own work agendas. The items on those agendas may not even relate to HUD's goals and, thus, are not measurable under its current measurement system. Therefore, the measurement and reporting of activities and accomplishments is suspect.

These weaknesses are more fully described in the findings section of this report.

Auditee Comments

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE DEPUTY SECRETARY
WASHINGTON, D.C. 20410-0050

September 29, 1999

MEMORANDUM FOR: D. Michael Beard, District Inspector General,

FROM: Saul N. Ramirez, Jr., Deputy Secretary, SD

SUBJECT: The Department of Housing and Urban Development's Response to the Audit of the Community Builder Program by the Office of Inspector General

I am attaching HUD's response to the Office of Inspector General's draft audit report regarding the Community Builder program. The Department has very serious concerns about both the substance of the draft report and the process that was followed during the course of the audit. These concerns are explained in the attached response. I would like to raise two other issues. First, during our exit conference yesterday, Assistant Inspector General for Audit Kathryn Kuhl-Inclan said that the OIG needed time to "rebut" the Department's response. I sincerely hope that was a slip of the tongue and that the OIG will take our feedback seriously and change the language and findings of the draft report to reflect legitimate issues that we have raised. Second, as I noted in a previous memorandum to Kuhl-Inclan, we are concerned that the premature release of the draft report and its use as a reference on the floor of the Senate makes it impossible as a practical matter for the OIG to make changes to the draft report. We expect the OIG to abide by Kuhl-Inclan's personal assurances to me that the premature release of the draft report would not in any way inhibit the OIG's willingness to revise the draft report.

Attachment

cc: Susan Gaffney, Inspector General
Kathryn Kuhl-Inclan, Assistant Inspector General-Audit

**THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT'S
RESPONSE TO THE AUDIT OF THE COMMUNITY BUILDER PROGRAM BY
THE OFFICE OF INSPECTOR GENERAL**

The Department has grave concerns about the Office of Inspector General's (OIG's) report of its audit of the Community Builder Program (the "Report"). The Report contains numerous factual and legal errors and fails to note the positive impact that Community Builders are having throughout the Country. In short, both the OIG's findings and recommendations simply are not supported by the facts and the law. The Department pointed out some of these errors to OIG staff during exit meetings held September 15, 1999 and September 28, 1999. We have not received definitive answers as to whether the Report will change in response to our oral comments. As a result, this response must address the draft report given to the Department.

The Report:

- Levels allegations that are unsubstantiated, misleading and/or inaccurate. For example, when referencing both positive and negative comments regarding Community Builders, the Report notes that the OIG failed to verify, the veracity of comments or statements. In other words, the OIG did not check its facts to ensure that the information in its Report is accurate. This is inexplicable. Other examples include:
 - The Report inaccurately alleges that the Community Builder program is political. Yet all of the Community Builders were hired through a competitive process run by HUD's civil servants. In fact, the hiring panels and the selecting officials were all civil servants. Moreover, the Report claims that the number of HUD employees reporting to political management increases under this program; that is factually inaccurate, since most Community Builders report to senior civil servants in HUD's field offices.
 - The Report inaccurately alleges that the Community Builders are paid more than they should be. Yet the salaries of all of the Community Builders were set solely by HUD civil servants using standard OPM guidelines. Perhaps the OIG would prefer to see Community Builders paid less, but that is a personal preference on the part of the OIG, not a defensible audit assertion.
 - The Report inaccurately alleges that the Community Builders do "public relations" and says that their work is of "uncertain value." Yet the Report fails to point out that the OIG could not find a single mention of the term "public relations" in the position descriptions for Community Builders. Moreover, the Report says that the advent of the Community Builders has "created friction" in part because "HUD assigned the Community Builders with the 'fun' part of the job" and that "existing staff had been performing the work" now done by Community Builders. Yet if, as the Report states, the work of Community Builders was the same work as was being done previously by "existing staff" it is inexplicable that the OIG, to the best of our knowledge, has never before issued a report labeling this work, as it was previously done by permanent

HUD employees, as mere "public relations" or of "uncertain value." This double standard undermines all of the OIG's assertions about the nature and value of the Community Builders' work.

- The Report alleges problems with HUD's hiring process for Community Builders, yet the OIG's opinion of the use of Schedule A hiring authority runs directly counter to that of the senior I{JJD civil servants who controlled the hiring process and to HUD's civil service attorneys who approved the process.
- The Report alleges "ethics problems with Community Builders" in a headline but then concedes, four paragraphs later, that "HUD has taken the ethics issues seriously, and has fired five Community Builders for various ethical.. .violations."
- Contains extensive factual inaccuracies. For example, the Report states that HUD's travel budget has been declining over the past three years. In fact, the Department's travel budget has been \$13.6 million, \$15.7 million and \$17.1 million for fiscal years 1997, 1998 and 1999, respectively. Another example: the Report refers to a homebuyer counseling course that was conducted in Fort Worth, Texas. The Report claims that the Community Builder taught the class and it therefore did not meet the necessary requirements to reduce a customer's mortgage insurance premium. The facts are that a Community Builder arranged for the course as a service to HUD customers and a qualified individual from the Consumer Credit Counseling Service of North Central Texas taught the course.
- Contains extensive legal inaccuracies. For example, the OIG mistakenly claims that Community Builders do not fit the criteria for hiring under Schedule A. The OIG's position is not supported by the facts or the law. HUD's Office of General Counsel fully analyzed the applicability of Schedule A hiring authority to the Community Builders and concluded that the use of Schedule A was appropriate.
- Treats OIG opinions as if they were legal certainties. For example, the Report claims that HUD improperly used Schedule A hiring authority in hiring the Fellows. Yet the law is clear on this point: HUD was well within its discretion in using Schedule A, even if the OIG *preferred* a different hiring process.
- Fails to screen out potential bias or even notify readers of such potential bias. For example, the OIG did not even attempt to find out if the HUD employees interviewed for this Report had competed unsuccessfully to become a Community Builder and might thus be biased towards the program. In fact the Report does not even attempt to notify readers of such potential conflicts of interest.
- Intentionally misleads the reader. For example, the Report cites the Public Strategies Group for its statement that the two week training at Harvard by itself is not sufficient. The Report does this without bothering to note that HUD provides its own extensive training to Community Builders and sends them back to Harvard for a third week of training part of the way through their tenure with the Department. HUD followed the advice of the Public Strategies Group on this point.
- Selectively quotes from independent experts. The OIG cites other sources to criticize the Community Builder program without disclosing the positive comments those same sources have made. The Public Strategies Group, Booz-Allen and the General Accounting Office all have noted HUD's progress under HUD 2020. To mention just

one example, Booz-Allen has said, "A number of accomplishments demonstrate that HUD is meeting its twin missions. The creation of the Community Builder position enabled HUD to reach out to communities and coordinate the provision of HUD's resources in a new way. Reports from Field Offices show that Community Builders are meeting with local governments and community organizations to help them more effectively use HUD products and services. At the same time, the Field Offices are monitoring grantees, cleaning up public housing developments, and helping more households purchase and maintain ownership of homes."

- Includes unverified comments/statements. The Report admits, "In some instances, we did not verify the veracity of comments or statements." In other words, the OIG did not check its facts to ensure that the information in its Report is accurate. This is inexplicable and troubling for a federal audit.
- Omits facts that contradict the Report's conclusions. For example, the Report criticizes Community Builders for doing "public relations" work, but fails to point out that the OIG could not find a single mention of the term "public relations" in the position descriptions for Community Builders. Plus, there are numerous examples of substantial accomplishments by Community Builders throughout the country that have not been taken into account in the Report.
- Uses one or two isolated (and negative) examples to represent the entire program. For example, the OIG's references a single unadjudicated complaint from an applicant for a Community Builder position to impugn the entire hiring process. The Report fails to note that to date there have been no findings of discrimination with respect to any Community Builder hiring decision. Some complaints have already been dismissed. The Report also elevates an allegation that one Community Builder said he or she "skirts]" the rules into a criticism of the program, even there is no evidence that the OIG made any attempt to look into the accuracy of this allegation or its representational value.

This response generally follows the format of the Report and sets forth the Department's major concerns with the audit. First, the response provides a brief background on the Community Builder Program. Next, pages 7 through 13 of the response summarizes a portion of the errors and mischaracterizations contained in the Report. Finally, pages 14 through 36 of the response describe in detail these errors and mischaracterizations.

Background:

The Community Builder Program is an Innovative Approach to Addressing the Needs of the Department and its Customers

Many independent experts have recommended that HUD make a change like the Community Builder program. For example, a nationally recognized leader in the management of public organizations – the National Academy of Public Administration – in 1994 issued a report titled Renewing HUD: A Long-Term Agenda for Effective Performance. The 1994 NAPA report recommended that HUD:

Revise the employee incentive system (expectations, rating criteria, and promotion considerations) to emphasize that working with communities and other agencies is as important as enforcing regulations.

Analyze how HUD's program areas must change the way they do business to provide holistic services to communities rather than solely program-focused assistance.

Allocate a small number of staff to the state coordinator based on the amount of HUD activity in a state and needs of the communities in each state.

HUD followed NAPA's advice very closely when creating the Community Builder program. Through the Community Builder program, the Department recognized the importance of improving customer service and using a single point of contact.

Another independent group of management experts, the Public Strategies Group, looked extensively at the role of Community Builders in the new HUD. PSG cautioned:

A common source of dysfunction in government agencies stems from the commingling of both service and compliance functions within programmatic cylinders, requiring agency employees to assume dual roles . at times, seeking to offer assistance, facilitate and problem solve, and at other times to perform oversight and enforce compliance.

Recognizing these pitfalls of the typical government agency, PSG reviewed HUD's 2020 Management Reform plan, which laid out the basis for the Community Builder program, and concluded:

HUD 2020's central strategy of separating service and compliance functions and clarifying the roles and responsibilities of HUD employees so they perform one or the other . but not both . functions provide much-needed clarity for management and employees, which should lead to both better service and stronger compliance.

HUD's Community Builders strategy is a potentially powerful way to reconnect the Department to the communities it serves.

It was clear to the Department in 1997, when PSG made its recommendations regarding HUD's operations, and remains clear today that the Community Builder program

addresses longstanding needs of the Department. The evidence is clear - the design of the Community Builder Program is sound.

Disbanding the program as recommended by the Report would be a huge step backward for a Department that even the General Accounting Office admits "has made credible progress since 1997 in laying the framework for improving the way the Department is managed." GAO, January 1999.

Evidence of HUD's progress and the important role of Community Builders is abundant. For example:

- Booz-Allen, in its Mid-Year Evaluation of HUD's Performance Management System said, "A number of accomplishments demonstrate that HUD is meeting its twin missions. The creation of the Community Builder position enabled HUD to reach out to communities and coordinate the provision of HUD's resources in a new way. Reports from Field Offices show that Community Builders are meeting with local governments and community organizations to help them more effectively use HUD products and services. At the same time, the Field Offices are monitoring grantees, cleaning up public housing developments, and helping more households purchase and maintain ownership of homes." Booz-Allen, Mid-Year Evaluation 1999.

Other independent experts have looked at the Community Builder Program and determined that it is having a positive effect. For example, Anderson Consulting surveyed HUD customers and found:

HUD is providing customer service at levels comparable to Baldrige Quality Award winners. . . Also, HUD's 2020 management reforms have provided useful methods for continuing improvement in customer service. This includes the Community Builder initiative. Not only are the respondents familiar with the Community Builder initiative, but they have also had a positive effect in CPD, FHEO, and PIH organizations in their ability to conduct business.

Ernst & Young currently is conducting an analysis of the Community Builder Program. In a letter to the Department, Ernst & Young indicated the following preliminary findings:

Based on the case studies reviewed and the interviews conducted to date, Community Builders have been successful in facilitating positive communication between HUD and the communities they serve. Participants interviewed indicated that Community Builders are effectively serving as the "front door" of HUD, as

envisioned in the Department's *2020 Management Reform Plan*.

Interviewees generally provided very positive feedback regarding the work of the Community Builders. They consider Community Builders to be responsive to their concerns and timely in addressing them. A number of interviewees indicated that:

- The Community Builders have been very effective in bringing their private sector expertise to the public sector.
- The Community Builders have been proactive in identifying opportunities and areas of need within their communities.
- The Community Builders are acting as a point of contact which makes HUD seem much more accessible to interviewees.
- The Community Builders are very knowledgeable about HUD programs and non-HUD programs alike.
- The Community Builders are efficient. They are able to provide information on several programs rather than the client having to contact numerous departments.
- The Community Builders are professionally competent and are well respected figures in their communities.
- The Community Builders are a "New Face" for HUD. Several respondents commented that their perception of HUD is much improved due to their interactions with the Community Builders.

In fact, one interviewee indicated the Community Builder program was the most innovative program he has seen in his twenty (20) years of government service.

The OIG's findings and recommendations are directly at odds with the findings of every independent expert that has analyzed the Community Builder program. The Report is not an accurate reflection of the work and impact of Community Builders and certainly cannot reasonably serve as the basis for a decision as significant as the elimination of the program.

Summary Of The Errors And Mischaracterizations In The OIG's Report On The Community Builder Program

I. The Hiring Process for Community Builders was Well Planned and Implemented (Audit Finding #1)

- The Report mistakenly claims that the hiring process for Community Builders was not well planned or implemented.
- A. The Department Used Appropriate Empirical Methodologies to Develop Staffing Levels for Community Builders
 - Independent experts have validated HUD's planning process.
 - "Booz-Allen found that appropriate empirical methodologies were used by HUD to develop staffing levels... These included: activity-based workload analysis, best practices, historical workload analysis, HUD standards, and professional judgment."
- B. The Hiring Process Followed Legal and Regulatory Requirements
 - The attached memorandum from General Deputy Assistant Secretary for Administration Joseph Smith and General Counsel Gail Laster makes clear that the hiring process was properly implemented.
 - The memo also points out numerous factual and legal errors in the OIG's analysis of hiring issues.
- C. HUD Properly Applied Veterans Preference and The Rule of Three Was Not Violated
 - The Report, without any substantiation, claims that there were irregularities" in the hiring process for Community Builders.
 - The only issues raised by the Report relating to this issue are the Department's application of veterans preference and the rule of three.
 - HUD applied veterans preference by adding to the scores of veterans who sought Community Builder positions.
 - As noted in the attached memorandum from Smith and Laster - and contrary to the mistaken contentions made by the OIG - the Department did not violate the rule of three in hiring Community Builders.
- D. To Date There Has Not Been A Single Finding Of Discrimination With Respect To A Community Builder Hiring Decision
 - The Report refers to two equal employment opportunity complaints to imply that there were problems within the Community Builder hiring process. These complaints are merely allegations and have not been adjudicated.
 - The Report identifies a very low number of complaints for a hiring process as extensive as the Community Builder Program.
 - The OIG fails to recognize that there have not been any findings of discrimination based upon the hiring of Community Builders.

- E. The Report Makes Unsubstantiated Claims About The Community Builder Hiring Process
- The Community Builder hiring process absolutely did not involve "political patronage" or "political interference and influence" as alleged by the OIG.
 - Hiring decisions for Community Builders were made by career employees – not political appointees.
 - The OIG's only evidence to support this claim comes from two complaints that OIG admits it did not check for accuracy.
 - Plus, even if the two complaints were valid – which we dispute – they would not support the inflammatory accusations made by the OIG.
- F. The Report Misrepresents the Department's Budgeting Process for Community Builders
- The Report mistakenly claims that the Department, at an October 7, 1997 Management Committee meeting, budgeted Community Builders at the GS-12 level.
 - Community Builders were not budgeted at the GS-12 level.
 - The Report also wrongly implies that the salary grades for Community Builders were determined differently than they were for other positions in the Department.
 - The Office of Human Resources used the same process to determine Community Builder salary grades as it does to determine salary grades for all positions.
- G. HUD Has Taken Ethics Issues Seriously
- The OIG admits that "HUD has taken the ethics issue seriously... However, the Report still casts any ethics issues raised in the most negative light possible.
- H. The OIG's Recommendations Are Not Supported By The Facts
- The OIG recommends that the Program be disbanded. Even if we accepted the OIG's criticisms of the hiring process as valid – which we do not – that is not a sufficient reason for disbanning the Program.
 - This recommendation simply expresses a policy preference by the OIG.
- II. Community Builders Have A Positive Impact On The Department That Is Measurable (Finding #2)**
- A. The Department Tracks And Measures The Progress Of Community Builders
- The OIG claims that the value of Community Builders to the Department is indeterminable.
 - The Report confuses the roles of the Department's strategic planning, Business and Operating Plan (BOP) system and the Community Builder Information system.
 - Together, these tools allow the Department to track with precision the work and positive contributions of Community Builders.

- B. The OIG Did Not Check The Facts About the Community Builder Program
 - The OIG notes repeatedly that it did not even bother to verify facts included in the text of the Report.
- C. The OIG Failed To Make Any Inquiry Into The Possible Biases Of Interviewees
 - During both exit conferences, the OIG admitted that it made no inquiries into the possible biases of interviewees.
 - The OIG' s negligence on this point, coupled with its failure to check the facts, makes it very likely that the Report includes both biased and inaccurate information.
- D. The Report Fails To Explain Or Justify Its Procedure For Selecting Interviewees
 - The OIG should inform readers about their procedure for selecting interviewees so that the information in the Report can be properly evaluated.
 - For example, if a significant number of complainants were interviewed this may have skewed the OIG's findings.
- E. The Report Relies Upon A Single, Uncorroborated Complaint To Raise A Negative Inference About The Entire Program
 - The Report relates a complaint asserting that a Community Builder said, "We skirt around" the rules.
 - There is not one iota of evidence that the OIG investigated this complaint to determine its validity. As a result, we do not know whether a Community Builder actually said anything resembling the quote relayed in the Report.
 - The OIG inappropriately uses an allegation about one individual Community Builder to indict the entire group of more than 700 employees.
- F. Many Of The Facts Relied On By The OIG Are Wrong
 - Because OIG did not check its facts, the Report contains numerous mistakes and omissions regarding the activities and contributions of Community Builders.
 - For example, the Fort Worth homebuyer counseling course referred to in the Report was properly taught by a qualified individual from the Consumer Credit Counseling Service of North Central Texas - not the Community Builder.
 - The Report also misstates the facts concerning Community Builder activities in Alexandria and Ascension Parish, Louisiana as well as Bryan, Texas.
 - **The Department and the 787 Community Builders that the OIG wants to fire deserve a fully considered analysis of the program - one which the OIG is either unwilling or unable to give.**

G. The OIG May Have Violated Government Auditing Standards By Including Inaccurate and Unverified Information In The Report

- By including inaccurate and unverified information in the Report, the OIG may have violated Government Auditing Standards.
- Government Auditing Standards state: "Accuracy requires that the evidence presented be true and that findings be correctly portrayed." Id. at § 7.54. Failure to adhere to this requirement "can damage the credibility of the issuing audit organization and reduce the effectiveness of its reports." Id. at § 7.54.
- Unverified information also may violate the standard that states: "The report should include only information, findings, and conclusions that are supported by competent and relevant evidence in the auditor's working papers." Id. at § 7.55.

H. Community Builders Have Had A Positive Impact On HUD's Customers

- The OIG failed to note the many positive accomplishments of Community Builders.
- A Denver Community Builder helped to mediate resolution of a serious tenant-owner dispute at a low-income housing development by acting as an honest broker between residents (who were primarily Spanish-speaking) and the landlord.
- A Fort Worth Community Builder was instrumental in breaking a logjam that was keeping the City of El Paso from developing a community center on Housing Authority property.

I. Community Builders Report to Civil Servants

- The Report criticizes the Program because Community Builders report through a political chain of command.
- The immediate supervisor for most Community Builders is a civil servant.
- The Report fails to note that all HUD employees - like employees at every agency within the Federal Government - ultimately report through a political chain of command.

J. Community Builders Perform Vital Work For The Department And Its Customers - Not "Public Relations"

- The Report mistakenly criticizes Community Builders for performing functions that were previously performed by permanent HUD staff
- The OIG did not criticize this work as "public relations" in past audits.

K. The Department Deals With The Press Appropriately - This Function Has Not Changed Since The Advent Of Community Builders

- While the OIG is critical of the Department's public affairs work, this is a perfectly appropriate function performed by every Federal agency.

L. The Report Unfairly Characterizes The Duties Of Community Builders In Order To Criticize The Department

- The Report cites comments from the Secretary, brochures and a press release to criticize an alleged lack of precision in Community Builder duties.

- However, the Report fails to use the most authoritative source for this information – Community Builder position descriptions.
- M. The Report Is Misleading In Describing The Reasons For Establishment Of The Community Builder Program
- The Report uses a statement made by Secretary Cuomo at a "recent conference" in an attempt to establish the reasons for starting the Community Builder program.
 - A recent statement by the Secretary simply could not serve as the basis for starting a program in 1997.
- N. Community Builders Disseminate Vital Information To HUD Customers
- The Report incorrectly states that the "primary information" disseminated by Community Builders is political.
 - The OIG is wrong. Community Builders primarily disseminate information about HUD and its programs.
 - The OIG has no meaningful evidence to support such a claim.
- O. OIG Recommendations Are Based Upon A Misunderstanding Of the BOP System, And Inaccurate And Unverified Facts
- The OIG recommends improvements to the BOP system and a procedure to track Community Builder activities.
 - The Department was implementing these measures prior to the audit and these efforts will continue.

III. Resources for Community Builders Have Been Allocated Appropriately (Finding #3)

- The division of responsibility between Community Builders and Public Trust Officers is a more efficient use of Department resources than in the past.
- A. Community Builders and Public Trust Officers Are Equal Partners
- Contrary to the OIG's assertions, Community Builders and Public Trust Officers take the lead on strategic objectives exactly in proportion to their numbers.
- B. The OIG's Budget Figures Are Incorrect
- The OIG mistakenly claims – based upon incorrect budget figures --that travel spending for the Department has decreased due to the travel of Community Builders.
 - Not only is the link to Community Builders wrong, but travel spending has not decreased.
- C. The OIG's Findings Are Based On A Bias Against Potential New HUD Customers In Favor Of Current Customers
- The OIG states that HUD should focus on current customers rather than reaching out to new customers.
 - This finding simply advances an unspoken policy preference of the OIG favoring current customers over traditionally underserved customers and communities.
- D. The Report Inaccurately And Unfairly Quotes The Secretary

- The Report -- in two separate places -- quotes the Secretary as saying that the Department currently is "the poster child for inept government."
 - The quotes are taken out of context.
 - The Secretary has always been clear that the Department was viewed as "inept" but that perception has changed since 2020 Reform was implemented.
- E. The Report Mischaracterizes FHA Funds Used To Increase Homeownership
- The Report inaccurately claims that there are "\$500,000 of discretionary funds" under the control of Community Builders.
 - The funds referred to are Federal Housing Administration funds that have been allocated to HUD's Homeownership Centers to support education and outreach activities that are linked to FHA's strategic objectives.
- F. Management Response to OIG Recommendations
- The OIG recommends an in-depth grade analysis for Community Builders and Public Trust Officers, but grades have already been determined on the same basis as other federal employees.
 - Training plans already are made for the entire Department.
 - Training and travel funds are allocated appropriately.
- IV. **The OIG's Process In Preparing The Report Of The Community Builder Audit Unfairly Disadvantaged The Department**
- The OIG provided copies of its draft report to Republican Senators Christopher Bond and Wayne Allard. This action breached the OIG's procedures regarding the confidentiality of draft audit reports.
 - OIG staff were instructed not to provide notice to HUD that the draft report was being released.
 - The Department's opportunity to effectively respond to the draft report has been short-circuited by this premature release.
- A. The Report Makes Admittedly False Accusations About The Audit Process
- The Report attributes statements to the Deputy Secretary that even OIG admits were only alleged to have been made by "the tenth floor."
 - The OIG also misstates the Department's position regarding the audit - the Department simply insisted on an entrance conference in accordance with Government Auditing Standards.
- B. The OIG Selectively Quotes Information That Misleadingly Suggests Criticism Of Community Builders
- The OIG cites the General Accounting Office, Booz-Allen and the Public Strategies Group in an attempt to criticize the Department.
 - These quotes are highly misleading without the inclusion of the multiple accolades that each of these organizations has given the Department.
 - The OIG cannot have it both ways. Either it cites the comments in a balanced way - positive and negative - or it does not cite them at all.

Detailed Description Of The Errors And Mischaracterizations In The OIG's Report On The Community Builder Program

I. The Hiring Process for Community Builders was Well Planned and Implemented (Response to Audit Finding #1)

A. The Department Used Appropriate Empirical Methodologies to Develop Staffing Levels for Community Builders

The Department planned its hiring of Community Builders to meet its needs and the needs of its customers. Booz-Allen & Hamilton reviewed the HUD 2020 plan including the Community Builder program. They found that HUD had properly analyzed its staffing needs in developing its plans and noted:

- "Booz-Allen found that appropriate empirical methodologies were used by HUD to develop staffing levels... These included: activity-based workload analysis, best practices, historical workload analysis, HUD standards, and professional judgment."

Booz-Allen's finding directly contradicts the incorrect conclusion of the OIG that needed staffing levels were not determined. The OIG's failure to take into account one of the most important evaluations of HUD's reform efforts - the Booz-Allen *HUD 2020 Implementation Plan Review* - demonstrates the hurried and incomplete character of this audit.

B. The Hiring Process Followed Legal and Regulatory Requirements

The OIG mistakenly claims that Community Builders do not fit the criteria for hiring under Schedule A. The OIG's position is not supported by the facts or the law. HUD's Office of General Counsel fully analyzed the applicability of Schedule A hiring authority to the Community Builders and concluded that the use of Schedule A was appropriate. A copy of the OGC memo is attached to this response. The Report, therefore, unconvincingly calls into question the legal analysis of the OIG's own counsel.

The Report mistakenly conjures up a requirement that Schedule A hiring must create a "cross-fertilization" of knowledge and skills between the Department and the private sector. No such requirement exists in the law. The proper analysis of "crossfertilization" as noted in a memorandum to the Deputy Secretary from HUD's General Counsel and General Deputy Assistant Secretary for Administration and attached to this response holds:

A "cross-fertilization" is merely 1 of 5 optional components of a fellowship program that is subject to Schedule A hiring authority. See 5 C.F.R. §213.3102(r). Moreover, the

Community Builder program does create the very "crossfertilization" that is *optional* under the regulations. Community Builder Fellows will return to their communities across the nation following their tenure with HUD. Their experiences with the Department under the Community Builder program will undoubtedly enhance their future work and development when they leave HUD. The Draft Report seems to mistakenly equate these fellowships to an exchange program in which participants would return to their former employers. Fellowships, however, are fundamentally different. It was never contemplated that these individuals would return to the same employer. In fact, steps were taken to ensure that Community Builders had limited or no contact with their former employers to reduce the appearance of the loss of impartiality or preferential treatment consistent with HUD's Standards of Conduct requirements. (See 5 C.F.R. § 2635.502.) Instead, it was expected that they would go into many different areas and would carry their knowledge of housing and community development issues into many walks of life.

In sum, the Community Builder program contemplates a more far-reaching "crossfertilization" than the narrow and incorrect construction of the term applied in the Report and, even if one believed it did not, that would be irrelevant because "crossfertilization" is not required.

The Report also misapplies language in the regulations regarding Schedule A hiring that does not allow "policy-determining" positions to be filled through Schedule A. The OIG mistakenly considers Community Builders to be "policy-determining." There is no foundation for the OIG's mistaken analysis. The "policy-determining" language is simply "a shorthand way of describing positions to be filled by political appointees." O'Brien v. Office of Independent Counsel, 74 M.S.P.R. 192, 1997 MSPB Lexis 425, *28 (1997). The facts are clear that Community Builders are not political appointees and hiring decisions for Community Builders were made by career employees.

The memo from Laster and Smith states:

Moreover, the position descriptions developed for Community Builders indicate that they "explain Departmental policies, program requirements and funding criteria." None of these are "policy-determinant" functions. These functions, similarly, are performed by Public Trust Officers in various HUD program offices. These individuals are not considered political appointees nor are they in policy determinant positions. The Draft Report refers to only a single use of the word "policy" in the Community Builder

position description. Even this single mention makes clear that the Community Builder merely coordinates with Public Trust Officers to help resolve policy and regulatory issues. This does not indicate that Community Builders determine the policy of the agency any more than it indicates that Public Trust Officers determine policy. Therefore, the Draft Report is erroneous with respect to this requirement.

In addition, as pointed out by Smith and Laster, Schedule A was the appropriate vehicle to hire Community Builders because using "the qualifications standards and requirements established for the competitive service" was not practicable. 5 C.F.R. § 213.3101. HUD needed to impose an additional layer of scrutiny and more interviews than are possible under competitive staffing procedures in order to identify the applicants who would bring the right mix of skills to the job of Community Builder. That is exactly what was done. The Office of Personnel Management has supported the use of Schedule A rather than competitive hiring processes for fellowship positions like the Community Builders. "OPM finds that it is impracticable to examine for fellowship and similar programs because they represent non-traditional employment situations." 62 Fed. Reg. 42943 (1997). In effect, the OIG suggests a change in the Community Builder hiring process that would weaken HUD's ability to evaluate applicants and alter the nature of the program in a way that is utterly inconsistent with the goals of the program and is not required by relevant law.

C. HUD Properly Applied Veterans Preference and The Rule of Three Was Not Violated

The hiring process for Community Builders was completed correctly – without any of the "irregularities" alleged in the Report. As explained in greater detail in the memo from Smith and Laster, veterans preference was applied in hiring Community Builders and the rule of three was not violated. Even if one were to accept these criticisms – which are completely unfounded – it would merely amount to criticisms that there were administrative oversights in the process. The Report does not even allege anything that would rise to the level of an "irregularity." The OIG's use of that term is unnecessarily inflammatory. The term implies that some type of impropriety occurred in the hiring process. The term is particularly inapplicable here because the OIG's criticisms are incorrect. The term "irregularity" should be struck from the Report along with the OIG's faulty analysis of the Community Builder hiring process.

D. To Date There Has Not Been A Single Finding Of Discrimination With Respect To A Community Builder Hiring Decision

The OIG's reference to an adjudicated complaint from an applicant for a Community Builder position is misleading and inappropriate. First and foremost, to date there have been no findings of discrimination with respect to any Community Builder hiring decision. Some complaints have already been dismissed. The complaint referenced

by the OIG was filed by one individual and absolutely no class of plaintiffs has been certified at this time. The Report should exclude this misleading reference to the alleged number of individuals in an uncertified class. Plus, contrary to the contention in the Report, this single complaint is the only one that alleges interference in the process by Schedule C employees.

The Department does not believe that an even-handed review of Community Builder hiring would include information from this unadjudicated EEO complaint and place such emphasis on its contentions. Even if included, the OIG should point out that the complaint not only references the plaintiff's non-selection as a Community Builder but includes allegations regarding his non-selection for 26 other jobs going back several years. The plaintiff blames these non-selections on an imagined "cabal of African American executives and managers" who have control of HUD's merit staffing process. The facts call into question the legitimacy of the complaint. Yet the OIG does not mention any of the facts that would give a reader a full understanding of this complaint. In short, the attention and importance placed on this single complaint as well as its description by the OIG is unfair and unwarranted.

B. The Report Makes Unsubstantiated Claims About The Community Builder Hiring Process

The Report alleges that the Community Builder hiring process is "political patronage" and "invites political interference and influence." However, there is no evidence in the Report because no such evidence exists that Community Builders were hired as "patronage" positions. The OIG references an uncorroborated complaint about a supposed Administration voter registration goal that occurred after the Community Builder was hired. Not only has OIG failed to investigate and present any evidence to support this complaint, it simply does not say anything about the hiring process. In fact, the complaint most likely indicates that the individual Community Builder never was a political supporter of the Administration.

The OIG also references an allegation made in an equal employment opportunity complaint against the Department that a Secretary's Representative was called for information about a Community Builder prior to making a hiring decision. Even if this call occurred - which the Report and the OIG have not verified - it is appropriate for a hiring official to seek input from people (including Secretary's Representatives) who have knowledge of the applicant's abilities. If the OIG takes the position that HUD should not ask Secretary's Representatives about the work of job applicants, then it should state that clearly in the Report. Regardless of OIG's position, this allegation does not support any inference that there was "political patronage" or "political interference and influence." The OIG has not looked into the facts of this complaint in any way. Rather, the OIG simply repeated the allegations. At the final exit conference for this audit, OIG staff said they accepted the claims in an affidavit entered in connection with unresolved litigation "at face value." The OIG's failure to check the legitimacy of this claim falls short of its responsibility for accuracy and fairness in conducting and reporting on audits.

As noted in the attached memorandum from the General Deputy Assistant Secretary for Administration and the General Counsel, hiring decisions for Community Builders were made by career employees. By definition, these could not have been patronage positions. The Report's assertions relating to "patronage" and "political interference" are false and wholly unsupported by any reliable facts.

F. The Report Misrepresents the Department's Budgeting Process for Community Builders

The Report claims that the Department, at an October 7, 1997 Management Committee meeting, budgeted Community Builders at the GS-12 level. That assertion is wrong. We have attached the minutes of the October 7, 1997 Management Committee meeting to this response and they do not reflect any such decision. In short, Community Builders were not budgeted at the GS-12 level.

In addition, the Report implies that the salary grades for Community Builders were determined differently than they were for other positions in the Department. That is untrue. The Office of Human Resources used the same process to determine Community Builder salary grades as it does to determine salary grades for all positions. Career employees in OHR decided upon the salary grades consistent with the classification guidance issued by the Office of Personnel Management.

G. HUD Has Taken Ethics Issues Seriously

The Report states, "HUD has taken the ethics issue seriously, and has fired five Community Builders for various ethical and conduct related violations." However, the OIG only makes this point after spending a full page writing about "ethics problems" for Community Builders. Even here, where the OIG admits that the Department has responded appropriately to ethics issues, the Report is presented in the most negative and misleading light possible.

H. The OIG's Recommendations Are Not Supported By The Facts

1A. *The Department should terminate the Community Builder Program.*

Response: This recommendation cannot stand. As noted above, the hiring process was completed in a professional and appropriate manner and both the planning and implementation of the process fulfilled all relevant requirements. In short, there is no factual or legal support for the OIG's first finding. Even if we accepted this finding as accurate - which we cannot - it does not support a recommendation that the Community Builder program be terminated. Therefore, this recommendation only can be based upon the OIG's policy preference. A preference that is not explicitly acknowledged in the Report.

- 1B. *Ask the Office of Personnel Management for an immediate review of HUD 's use of the Schedule A Authority. The Department should not extend or hire any external Community Builders until OPM has reviewed the program.*

Response: This recommendation is unnecessary. Given that the OIG's objection to the use of Schedule A authority is not supported by the facts or the law there is no justification for a review by OPM. The Department consulted with OPM during the hiring process for Community Builders. OPM did not raise objections to the hiring process. Plus, as set out in 5 C.F.R. § 213.3101, OPM assigned a number to facilitate HUD's use of Schedule A authority to hire Community Builders.

- 1C. *Reconsider the use of temporary employee for the public relations and outreach function. If retained, then HUD should justify the benefits of temporary employees compared to their cost and devise some means of selection to minimize the potential for political interference or influence.*

Response: The Department objects to the mischaracterization of Community Builder duties as "public relations." As noted in section II.G of this response, HUD does not use this term to describe Community Builder functions and it is not an accurate description of their work. Even ignoring the incorrect characterization of Community Builders, this recommendation is unnecessary because HUD already has fully planned and considered the structure and functions of the Community Builder program. The benefits of these employees are manifest as noted by Ernst & Young, Anderson Consulting, the Public Strategies Group and other independent organizations that have reviewed the program. The "potential for political interference or influence" already has been minimized in this program. While the OIG ignores the basic facts, the Staffing Guidance – which was provided to OIG – directs that career employees act as selecting officials for Community Builders. The OIG' s concern regarding "political influence" has no basis in fact.

- 1D. *If HUD continue the Community Builder Program it must:*
- *Determine and document the specific duties that the position would perform.*
 - *Determine and document the skills needed to perform the duties.*
 - *Determined [sic] the number of people needed to perform the duties.*
 - *Documented [sic] the grades needed for specific jobs.*
 - *Assess and evaluate the success of the position.*

Response: Each of these items already has been completed to the extent appropriate:

- The OIG has position descriptions that describe the duties of Community Builders and the skills needed for the job.
- Booz-Allen has noted that appropriate workload analyses were performed to determine the number of Community Builders needed.
- Ernst & Young has completed a preliminary analysis of the effectiveness of Community Builders and further studies will be performed as appropriate to continue to track the success of the program as it matures.

- The item that has not been completed is not appropriate . there is no need to pre-determine the grades for specific jobs. This recommendation evidences the OIG's outmoded bureaucratic view of government programs. The Department looks for the most qualified, motivated individuals to bring their talents and energies to the communities they serve as Community Builders. Predetermined grades do not necessarily fit the experience and skills of the people who are best-suited to take these jobs. Rather than falsely constrain the program, the Department will continue to search for and hire the best qualified applicants as Community Builders.

1E. *Notify every unsuccessful external Community Builder applicant the Department may not have properly adhered to Veterans Preference. Inform the unsuccessful applicants that if they have veterans status, they are entitled to file a complaint with the Department of Labor. The notification should clearly state what veterans preference is, and how a veteran should file a complaint with the Department of Labor.*

Response: The Department properly applied veterans preference. The OIG has absolutely no basis for this recommendation. In fact, this recommendation amounts to an irresponsible invitation to thousands of individuals to file meritless litigation against the Department. This would waste taxpayer dollars on litigation costs to combat suits even though the Department acted properly and in accordance with the law. **It is stunning that an OIG would recommend a course of action that will waste taxpayer dollars without any justification.**

1F. *Have all present and future Community Builders sign an Ethics Agreement.*

Response: This recommendation is ill-advised. Community Builders have been and will continue to be treated like all other HUD employees with regard to Ethics Agreements and will sign them only where appropriate. There is no reason to treat Community Builders any differently than Public Trust Officers in this area.

II. Community Builders Have a Positive Impact on the Department that is Measurable (Response to Audit Finding #2)

Although the Community Builder program is a new one, it is already improving the way HUD and its customers do business. Contrary to the findings in the Report, these improvements are significant and measurable. For example, Anderson Consulting talked to HUD's customers and found:

HUD is providing customer service at levels comparable to Baldrige Quality Award winners. . . . Also, HUD's 2020 management reforms have provided useful methods for continuing improvement in customer service. This includes the Community Builder initiative. Not only are the respondents familiar with the Community Builder initiative, but they have

also had a positive effect in CPD, FHEO, and PIH organizations in their ability to conduct business.

A. The Department Tracks And Measures The Progress Of Community Builders

The Business Operating Plan (BOP) serves as a management tool for the Department to track the work of the entire Department including that performed by Community Builders which aids HUD's efforts to meet its strategic goals and objectives. The BOP system sets forth a hierarchy including goals and the activities that may help accomplish those goals. The entire BOP system and the goals expressed in it feed into the overall strategic objectives of the Department expressed in the Annual Performance Plan. The OIG misinterprets the functioning of the BOP system. The OIG criticizes the BOP system for having more activities than outcome goals. The criticism is misguided. Numerous activities may help to achieve a single goal. The BOP system was designed to reflect this fact. The OIG's narrow conception of a performance measurement system would presumably require definition of such narrow goals that only one activity could possibly help accomplish them. Such narrow goals would not help inform the work of Community Builders nor the management of the Department.

The Report misses the importance of Community Builders to the BOP system and HUD's Annual Performance Plan. Community Builders serve as the central coordinating point to ensure that HUD effectively implements its strategy and integrates the Department's program areas and initiatives in a coherent way to address the challenges faced in their local communities. The Report's quibbles with the number of activities and objectives not only shows a misunderstanding of the BOP system, but does an injustice to the importance of both Departmental coordination and community participation in achieving HUD's mission.

The OIG confuses the BOP system with a system for tracking more of the day-to-day projects and accomplishments of individual Community Builders. The Department has a system to perform that function - the Community Builder Information system. This system is being piloted in 12 HUD offices and will be implemented nationwide during the first quarter of fiscal year 2000. The system provides a tool for project planning and support for individual Community Builders and it gives local and national management to assess and track the progress of Community Builder projects. This system directly addresses some of the concerns raised by the OIG but - for no apparent reason - is not mentioned in the Report.

B. The OIG Did Not Check The Facts About the Community Builder Program

In addition, the Report fails to uncover any solid information about the impact of Community Builders in their localities. For both positive and negative comments regarding Community Builders, the Report notes that the OIG failed to verify the veracity

of comments or statements. **In other words, the OIG did not check its facts to ensure that the information in its Report is accurate. This is irresponsible.** This oversight is not cured by simply qualifying the statements as "allegations" or "contentions" and removing the footnotes which state that the OIG did not verify the statements. We should expect more from the OIG than unverified comments of third parties. We can only conclude that the extraordinary acceleration of this audit led to incomplete work and a need to include unverified information in the Report. This is an unfortunate turn of events that calls into question the reliability of the entire Report.

C. The OIG Failed To Make Any Inquiry Into the Possible Biases Of Interviewees

The OIG's failure to check the facts is made extremely problematic by its admitted failure to make any inquiry into the possible biases or motives of interviewees. During both of the exit conferences held with the OIG, the Department asked whether OIG staff had noted whether individuals that complained about the Community Builder program had been turned down for jobs as Community Builders. OIG staff indicated on both occasions that they had not done anything to look into that possible bias. By failing to check the facts of statements made and failing to examine critically the biases of interviewees, the OIG has allowed unreliable and unsubstantiated claims into the Report.

In addition, the OIG is factually wrong in its claims about the group of individuals that could have biases about the program. For example, during the September 28, 1999 exit conference, OIG staff stated as an indisputable fact that no one from HUD's Office of General Counsel applied for a Community Builder position. The OIG relied on this "fact" to make the assumption that no one from OGC could have a bias against Community Builders due to non-selection for a job. In fact, not only did individuals from OGC apply for Community Builder positions, but more than one are now serving as Community Builders. In sum, the OIG's failure to subject the information it received to any critical scrutiny calls into question the validity of the entire Report.

D. The Report Fails To Explain or Justify Its Procedure For Selecting Interviewees

The OIG also fails to explain its procedure for selecting which individuals to interview. This procedure should be spelled out with precision in the Report. The OIG should include any information about how many HUD clients were interviewed. The OIG staff should address whether:

- They talked to Mayors and County Executives. They are among HUD's largest clients and may have a very helpful perspective on the Community Builder program.
- Any significant number of interviews were conducted with individuals who had complained about Community Builders. If so, how many? If many complainants were interviewed it magnifies the OIG's negligence in not making any inquiry into the biases of interviewees.

E. The Report Relies Upon A Single, Uncorroborated Complaint To Raise A Negative Inference About The Entire Program

The Report relates a complaint asserting that a Community Builder said, "We skirt around" the rules. There is not one iota of evidence that the OIG investigated this complaint to determine its validity. As a result, we do not know whether a Community Builder actually said anything resembling the quote relayed in the Report. Nonetheless, the OIG relates this allegation as if it were absolutely true.

Even if a Community Builder made a statement about skirting the rules - which has not been established by the Report - it would not logically lead to the conclusion that the entire Community Builder program should be eliminated. The OIG inappropriately uses an allegation about one individual Community Builder to indict the entire group of more than 700 employees.

F. Many Of The Facts Relied On By The OIG Are Wrong

Had the OIG checked its facts it would have discovered that some of the statements critical of Community Builders were false. For example:

- The Fort Worth Homebuyer Counseling Course was Done Right. The Report refers to a homebuyer counseling course that was conducted in Fort Worth, Texas. The Report claims that the Community Builder taught the class and it therefore did not meet the necessary requirements to reduce a customer's mortgage insurance premium. The facts are that a Community Builder arranged for the course as a service to HUD customers and a qualified individual from the Consumer Credit Counseling Service of North Central Texas taught the course. The course fulfilled all relevant requirements. A homebuyer was initially turned down for the mortgage insurance premium reduction because the lender made a mistake. When this came to our attention, HUD provided the lender with the appropriate information and the situation should have been resolved. **If only the OIG had checked these facts during its audit, it would have become clear that the Community Builder not only acted appropriately, but helped arrange for an important service for potential homebuyers in Fort Worth.**
- The Community Builder in Alexandria, Louisiana Properly Helped to Coordinate HUD's Response. The OIG failed to check its facts regarding the situation in Alexandria, Louisiana. In that case, the Housing Authority acted without HUD approval to place homeless families in its public housing units due to the high vacancy rate it was experiencing. The Community Builder brought together Public Housing and Community Planning and Development staff to collaborate on a response to this problem. At no time did the Community Builder pressure the Housing Authority to violate Department rules nor did the Community Builder act outside of appropriate

authority. The Community Builder simply helped the Department formulate a coordinated response to a difficult situation. Once again, the OIG's facts were wrong.

- The Community Builder in Ascension Parish, Louisiana Brought Together HUD Program Staff and Members of the Community to Help the PHA. The Report incorrectly describes the actions of a Community Builder in Ascension Parish, Louisiana. In that case, funding for the development of public housing units for the local housing authority was under threat of recapture. In response, the Community Builder and individuals from Public & Indian Housing and other HUD program areas convened a place based strategy team to assist the PHA with a comprehensive plan for developing affordable housing units. Several meetings were convened with private individuals and public representatives of the community – including the Mayor of Donaldsonville. Ultimately, HUD approved an extension of time to help the PHA resolve the issue. It would seem that someone misinterpreted these efforts to help the PHA and the OIG accepted this as fact. A simple check to verify the facts would have shown that the Community Builder acted appropriately and improved a difficult situation.

The OIG's descriptions of the situations in Bryan, Texas and other localities also are wrong. The complete failure of the OIG to verify the basic facts of situations it relates in its Report is not professional. The Report states, "In some instances, we did not verify the veracity of comments or statements." Yet the OIG has decided to eliminate the Community Builder program based upon this Report. The OIG would be the first to criticize the Department for making important management decisions based upon unverified rumors. **The Department and the 787 Community Builders that the OIG wants to fire deserve a fully considered analysis of the program – one which the OIG is either unwilling or unable to give.**

G. The OIG May Have Violated Government Auditing Standards By Including Inaccurate and Unverified Information

The OIG's inclusion of these inaccurate and unverified statements in the Report may violate Generally Accepted Government Auditing Standards (GAGAS). The GAGAS require that reports be accurate. "Accuracy requires that the evidence presented be true and that findings be correctly portrayed." GAGAS § 7.54. The OIG admits that it has not checked to see whether the information it reports is true. This type of information should not appear in an audit report. "The report should include only information findings, and conclusions that are supported by competent and relevant evidence in the auditors' working papers." GAGAS § 7.55. It is apparent that the Report contains certain statements and comments regarding Community Builders that are not supported by "competent and relevant evidence." In fact, many of the OIG's assertions may not be supported by any evidence at all. **Failure to adhere to the GAGAS requirements for accurate reporting "can damage the credibility of the issuing audit organization and reduce the effectiveness of its reports."** GAGAS § 7.54. Unfortunately, by reporting

unverified information, it appears that the OIG may have damaged its own credibility exactly as envisioned by the GAGAS.

H. Community Builders Have Had A Positive Impact On HUD's Customers

If the OIG had bothered to note the true impact of Community Builders, it would have found numerous positive accomplishments in many areas including:

- Community Builders defuse volatile situations by listening, providing information, and facilitating better local communications.
 - A Denver Community Builder helped to mediate resolution of a serious tenant-owner dispute at a low-income housing development by acting as an honest broker between residents (who were primarily Spanish-speaking) and the landlord.
 - New Orleans Community Builders helped address neighborhood fears about the construction process so that 200 units of desperately needed affordable housing in Lafourche, LA could be completed.
 - Community Builders break logjams by bringing all parties to the table and sticking with situations until they are resolved.
 - A Fort Worth Community Builder worked with all parties to find a solution to a longstanding disagreement so that HUD, the city, and the housing authority could work together to create approximately 60 scattered site homes for Public Housing residents in areas that Fort Worth had targeted for revitalization.
 - A Fort Worth Community Builder was instrumental in breaking a logjam that was keeping the City of El Paso from developing a community center on Housing Authority property, using city CDBG funds.
 - A Detroit CB helped PTO staff and a developer to cut through red tape in City departments, thus allowing completion of a much needed 202 Elderly project.
 - Community Builders build local capacity and consensus to spur community development.
 - Los Angeles Community Builders helped a number of local groups to find common ground and pursue economic development, leading to a microloan program in Ventura, California.
 - At the request of Public Trust Officers, a Virginia Community Builder worked with two public housing tenant councils in the Hampton area to strengthen the effectiveness of their Tenant Opportunity Programs.
 - Virginia Community Builders also facilitated a strategic planning retreat for leaders in Roanoke, VA, to develop a refocused vision, mission, and 3-year goals for a major redevelopment effort.
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- Boston Community Builders provided guidance and technical assistance to improve the effectiveness of the City of Boston's Empowerment Zone Task Force.

- Boston Community Builders conducted a series of strategic management workshops to help representatives of New Bedford community groups build skills in community needs assessment, project feasibility, planning, and management.
 - All Texas CBs are involved in a partnership between HUD and the Texas Rural Development Council that will let TRDC provide expert consulting support to 30 rural communities this year, instead of 6 per year as in the past.
 - Local officials asked that a Knoxville Community Builder serve as a resource for advice and logistical assistance to help top local officials put together the staff and build the community support necessary to make the new Knoxville Empowerment Zone successful.
 - Seattle CBs are implementing a comprehensive strategy to help PHAs involve tenants in their planning processes.
- CBs increase homeownership and affordable rental housing.
 - A Community Builder in Denver was instrumental in boosting homeownership for Native Americans by planning a Homeownership Fair as part of a traditional Indian PowWow.
 - Detroit CBs worked with PTOs to organize and deliver a Housing Fair at one of Detroit's largest churches to market and promote information on HUD programs and services - an event so successful that more are planned in other underserved parts of the city.
 - Seattle CBs have stimulated collaboration among Section 8 administrators and public housing authorities to address the lack of Section 8 housing outside south Seattle and certain areas of south King County.
 - Community Builders help communities deal with emergencies.
 - Boston Community Builders quickly housed 128 people, including 70 children, who were left homeless after a major fire in downtown Holyoke, MA.
 - A Fort Worth Community Builder helped residents of an affordable housing project in Howe, Texas, make it through a heat wave despite an old and seriously inadequate air-conditioning system.
 - Community Builders promote innovation.
 - Detroit CBs developed a partnership with the Detroit Lions and the PHA to reward youth involved in public housing after-school academic programs or drug elimination programs.

I. Community Builders Report to Civil Servants

The Report mischaracterizes the reporting structure for Community Builders. For example, the Report criticizes the Community Builder program because Community Builders "report through the

Department's political chain." Report at 32. However, the Report fails to note that all HUD employees – like employees at every agency within the Federal Government – report through a political chain of command. In fact, all employees of the OIG report through a political chain of command to a political appointee, the Inspector General. Our form of government calls for political control of the Executive Branch. Apparently, the OIG favors changing the American system of government to bureaucratic control of executive agencies – a model like that employed by Japan.

In addition, the vast majority of Community Builders report directly to civil servants. There are 68 Senior Community Builders all of whom are career employees. The Senior Community Builders supervise the work of the Community Builders in their offices. The only Community Builders – other than the Seniors -- that report directly to political appointees are those located in the ten offices headed by the Secretary's Representatives. **The Report ignores this basic fact and mistakenly implies that political control of Community Builder work is different than the control exercised over the work of all other employees of the Federal Government.**

J. Community Builders Perform Vital Work For The Department And Its Customers -- Not "Public Relations"

Further, the Report repeatedly refers to a "public relations" function performed by Community Builders. The OIG's use of that term is improper. Community Builders perform customer service and outreach functions – not public relations. The OIG should recognize and clearly state in the Report that Community Builders do not perform any functions that were not performed by HUD employees in the past. The Report creates the misimpression that Community Builder functions are new to the Department. These functions are not new and HUD has not described them as "public relations." During the exit conference held on September 28, 1999, OIG staff was unable to cite to any source for their use of the term "public relations." This term is inaccurate and should not be used in the Report.

The Report also unfairly criticizes Community Builders for carrying out routine, accepted Department functions. For example, the Report criticizes Community Builders for providing information to the press. Report at 33. The Department for years has had personnel in the field designated to answer inquiries from and provide information to the press. Whether or not the Department has Community Builders, Department employees will have to provide information to the press about HUD and its activities. The OIG is so single-minded in its criticism of any effort to keep the press informed of HUD activities that it uses as an example a press release that mentions the Secretary's Representative for the Mid-Atlantic area. The OIG overlooks the fact that the press release has nothing to do with Community Builders. There is no connection at all between the press release and the subject of the audit.

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K. The Department Deals With The Press Appropriately – This Function Has Not Changed Since The Advent Of Community Builders

The OIG criticizes, without any basis, the Department's legitimate communications with the press. The OIG mistakenly attributes a direction to the Secretary's Representatives to contact the press regarding HUD' s budget as a directive to all Community Builders. It should be noted that press relations is an explicit part of the job descriptions for Secretary's Representatives. The list of press stories and the editorial were distributed by the Office of Public Affairs (not the Deputy Assistant Secretary for Field Policy and Management as alleged in the Report) and were sent to the Secretary's Representatives and the individuals in each field office with public affairs responsibilities. The Report inaccurately implies that this message went to all Community Builders. It simply went to Department employees with legitimate public affairs responsibilities. These responsibilities were carried out long before the advent of Community Builders and will continue in the future because they are a legitimate and necessary part of the mission of this Department.

While the OIG seems to deny the value and legitimacy of a public affairs function, that is inconsistent with the OIG's own behavior. In fact, the OIG has its own press operation – separate and apart from the Department's Public Affairs office. The OIG's position with regard to the public affairs functions of the Department and Community Builders is hypocritical and fails to note that it is an accepted and necessary function for any Federal agency to communicate information to the public.

L. The Report Unfairly Characterizes The Duties Of Community Builders In Order to Criticize The Department

The Report cites comments made by Secretary Cuomo and information from brochures and a press release to describe Community Builder duties. The OIG then uses this information to assert that the Department is not clear about the precise actions it wants Community Builders to take. However, the Report noticeably fails to quote the entire position description for Community Builders. The position descriptions are an authoritative source of the duties that Community Builders are supposed to perform and demonstrate that the Department tasks them with specific and substantive jobs. The OIG' s selective quoting from non-authoritative sources that serve very different purposes is misleading and should be removed from the Report.

M. The Report Is Misleading In Describing the Reasons For Establishment of the Community Builder Program

The Report uses a statement made by Secretary Cuomo at a "recent conference" in an attempt to establish the reasons for starting the Community Builder program. The OIG' s reasoning on this point is faulty. A recent statement by the Secretary simply could not serve as the basis for starting a program in 1997. In addition, the OIG has access to

voluminous documentation discussing HUD 2020 reform and the reasons for the Community Builder program. These documents include the recommendations made by NAPA, the Public

Strategies Group and others. The OIG should fairly represent the reasons for starting the program including these expert recommendations or remove this discussion from the Report.

N. Community Builders Disseminate Vital Program Information To HUD Customers

The Report incorrectly states that the "primary information" disseminated by Community Builders is political. That is wrong and must not be included in the Report unless the OIG has researched all Community Builder information dissemination and found it to be a statistically valid statement. Community Builders expend significant time and effort disseminating information about HUD and its programs to HUD customers. That type of communication with HUD customers is essential to the joint efforts of the Department and its customers to address the needs of communities around the Nation. The Report should remove its unsupported hyperbole regarding the information dissemination functions of Community Builders or relate the statistical methodology it employed to come to this incorrect conclusion.

0. OIG Recommendations Are Based Upon A Misunderstanding Of the BOP System. And Inaccurate And Unverified Facts

2A. *Continue to improve the BOP-PAS System. These improvements include collecting and measuring the actual work performed by the Generalists and Specialists.*

Response: The Department agrees that continued improvement of the BOP system is a laudable goal and will endeavor to make improvements wherever possible. However, the OIG does not seem to have an understanding of the BOP system. It should not be a tool for measuring every day-to-day activity performed by a HUD employee. In order to be helpful in the management of the Department and the strategic planning process, the BOP system must take a higher level view of activities and objectives of Community Builders. The Office of Field Policy and Management is pilot testing a system that will track Community Builder projects and activities in a way that adds value to the management of the Department rather than detracting from it.

2B. *Establish procedures and forms for the Community Builders to report their planned activities and accomplishments.*

Response: As noted above, this is already underway.

2C. *Clearly delineate the roles and responsibilities of the Community Builders from that of Public Trust Officers.*

Response: The Department already has clearly delineated the roles and responsibilities of the Community Builders from that of Public Trust Officers. This recommendation is unnecessary because it was accomplished prior to the OIG audit.

III. **Resources for Community Builders Have Been Allocated Appropriately (Response to Audit Finding #3)**

Community Builders perform customer service and outreach functions for the Department that previously were shared among many HUD employees. For example, prior to HUD 2020 management reform, more than 600 Community Planning and Development employees spent some of their time on tasks that are now completed by the Community Builders. The same was true of other program areas – significant numbers of Housing, Public Housing and Fair Housing employees previously performed some of these functions. Now, the Department does this work through the focused efforts of 787 Community Builders. This frees thousands of Public Trust Officers to devote 100% of their time to monitoring and program functions. **Contrary to the OIG's contentions, Community Builders are a cost-efficient way for the Department to fulfill programmatic, monitoring and customer service functions.**

A. Community Builders and Public Trust Officers Are Equal Partners

The Report inaccurately asserts that Community Builders and Public Trust Officers are not equal partners in HUD's mission. HUD employees are working together and collaborating to solve problems in a way that was not possible prior to 2020 management reform. Employees know their individual area of expertise, making the agency more efficient. The OIG's evidence that there is a disparity relies upon the wrong numbers. The total number of national program goals for the field is 74 – not 207 as asserted by the OIG. However, even if we accepted the OIG's numbers, they actually demonstrate just how equal the division of labor is at the new HUD. As noted by the Report, Community Builders have the lead responsibility for 9% of the Department's strategic objectives. The Report fails to recognize is that Community Builders make up about 8 ½% of the Department's employees. **Accordingly, the Community Builders and Public Trust Officers take the lead on strategic objectives exactly in proportion to their numbers.**

B. The OIG's Budget Figures Are Incorrect

The OIG also has used incorrect the budget figures to justify this finding. The Report states that "HUD has decreased the travel funds to all program offices except for ODS." Report at 42. This is simply false. The Department's travel spending has had appropriate incremental increases over the past three years and individual program offices including Housing, Community Planning and Development and FHEO have increased their travel spending. The travel figures that appear in the Report – "\$8.6 million, \$8.9 million, and \$6.7 million for fiscal years 1997, 1998, and 1999" – are not even close to the actual figures. The actual figures are \$13.6 million, \$15.7 million and \$17.1 million for fiscal

years 1997, 1998 and 1999, respectively. We request that the OIG explain these faulty numbers and remove this mistaken finding from its Report.

C. The OIG's Findings Are Based On A Bias Against Potential New HUD Customers In Favor Of Current Customers

Most troubling is the injection of the OIG's own policy preferences into this audit. The OIG concludes that "HUD should correct long-term systemic problems of its current customers before trying to recruit more." In other words, the OIG favors the current HUD customers that already have access to, and familiarity with, Federal resources over traditionally underserved customers and communities. This raises important questions that the OIG should address:

- Why does the OIG want to stop HUD from helping underserved communities - which typically have the fewest resources - learn about and access HUD programs? These communities often include higher percentages of racial and ethnic minorities and recent immigrants than HUD's traditional customers.
- Why does the OIG want to prevent the Department from helping those who are most likely to face the dual challenges of poverty and discrimination?

The OIG does not explain this counterintuitive stance and does not acknowledge that it is simply advancing its own policy preference in reaching this conclusion. The OIG may recommend attempts to address problems with current HUD customers, but the relative importance of working with current customers versus new customers is a policy call for the leadership of the Department - not the OIG - to make. The OIG should remove this discussion from the Report or explicitly note that it simply reflects the policy preferences of the OIG and not an objective audit finding or conclusion.

D. The Report Inaccurately And Unfairly Quotes the Secretary

The Report, both in the Executive Summary and at page 36, quotes the Secretary as saying that the Department currently is "the poster child for inept government." At an exit conference on September 28, 1999, OIG staff indicated to us that the quote was inaccurate, taken out of context and would be removed from page 36 of the Report. This action does not address the false inference created by the use of the quote in the Executive Summary. The Secretary has made clear that the Department once was viewed as "inept" by the public, but that perception has changed since the 2020 reform efforts have been implemented. Now, thanks in large measure to the work of Community Builders, the Department has regained the trust and confidence of the public.

E. The Report Mischaracterizes FHA Funds Used To Increase Homeownership

The Report claims that there are "\$500,000 of discretionary funds" under the control of Community Builders. That is inaccurate. The funds referred to are Federal Housing Administration funds that have been allocated to HUD's Homeownership Centers to support education and outreach activities that are linked to FHA's strategic objectives. The OIG was provided with a memorandum from Assistant Secretary William Apgar dated February 5, 1999 that set forth guidelines for the use of these funds. In it, Assistant Secretary Apgar made clear:

Please keep in mind that all outreach and educational event should support the FHA related field-Business and Operating Plan (BOP) strategic objectives of increasing FHA's share of first-time homebuyers, reducing the cost of providing mortgage insurance and increasing affordable housing and homeownership.

The Report ignores the guidelines distributed by Assistant Secretary Apgar and mischaracterizes the funds as "discretionary."

F. Management Response to OIG Recommendations

3A. *Perform an in-depth grade analysis to determine the appropriate grades of the Community Builders and Public Trust Officers.*

Response: The Office of Human Resources used the Office of Personnel Management's Position Classification Standards to set the grades for Community Builders. This is the same process used for other HUD employees and, in fact, is based on OPM guidance that is used for employees throughout the Federal Government. Accordingly, the appropriate grades for Community Builders have already been determined and Community Builders should not be treated differently than other Federal employees as suggested by the OIG.

3B. *Prepare and maintain a training development plan for all employees. HUD should based the developmental plans on the skills needed to perform their current and expected tasks.*

Response: The Department already fulfills this recommendation. Each year HUD conducts an annual training needs survey that covers all of its employees and is distributed to Principal Staff in the Department. The survey requests an identification of training needs in each organization. This year information obtained through the survey will be used to develop a training plan that focuses on priorities of the Department's Business and Operating Plan and the FY 2000 Annual Performance Plan. Organizations have been asked to ensure that core competencies, capacity building competencies, and critical job/organizational requirements are met in conjunction with these priorities.

3C. *Allocate training resources to ensure that all staff have the skills and abilities to perform their duties.*

Response: HUD appropriately allocates training resources to maximize the effectiveness of those dollars in helping the Department achieve its goals and objectives. The allocation of scarce resources is a management decision that the Department will continue to carry out in an even-handed and professional manner. Given the OIG's success convincing Congress to increase its budget, perhaps it could advocate for additional training dollars for the Department.

3D. *Allocate travel funds to maximize HUD's strategic objectives.*

Response: The Department already is using its travel funds to achieve its goals and objectives. In addition, with the creation of the Community Builder position, field offices are now coordinating travel plans across program lines and leveraging their travel dollars.

IV. The OIG's Process In Preparing the Report of the Community Builder Audit Unfairly Disadvantaged The Department

During debate on the appropriations bill, Senator Christopher Bond – Chairman of the VA-HUD Senate Appropriations Subcommittee – referred to several findings in the OIG's Report. However, the Report was only a draft and OIG staff previously had assured the Department that it had not been distributed outside of the OIG to anyone. The Deputy Secretary requested an explanation of the situation from the OIG. In response, Kathryn Kuhl-Inclan, Assistant Inspector General for Audit, admitted that the OIG had provided the draft report to both Senators Bond and Allard in response to written requests. In a subsequent memorandum from Deputy General Counsel Kevin Simpson and during the exit conference with the OIG held on September 28, 1999, the Department asked for an explanation of the OIG's failure to inform the agency and/or the Congressional ranking minority members that the draft report was being released. Ms. Kuhl-Inclan stated she was instructed not to inform the Department or any other members of Congress of the release, but would not indicate who gave that instruction. The memoranda relating to this issue have been included as attachments to this response in order to give the reader of the Report a fuller perspective on the OIG's troubling procedural irregularities.

The Department has been aggrieved by this process. The opportunity to effectively respond to the Report has been short-circuited by the premature release of the draft report and Senator Bond's remarks regarding the draft report on the floor of the Senate. In order to better understand and respond to this breach of trust, the Department has requested that OIG provide it with copies of all letters requesting the draft report and all responses and transmittal letters from the OIG. At the exit conference, OIG staff refused to provide us with those documents. In the exit conference, OIG staff could offer no explanation as to why neither the Department nor Congressional Democrats were notified of the premature release of the Report.

A. The Report Makes Admittedly False Accusations About the Audit Process

The Report wrongly claims that the Deputy Secretary insisted that "the planning of our audit be suspended until an entrance conference with him was held." Report at 7. This charge is nonsensical. The Deputy Secretary could not insist that audit planning be suspended – he does not direct the activities of OIG auditors. Plus, the Deputy Secretary made clear to the OIG in an interview and during the initial exit conference that he never insisted that audit planning be suspended. When asked for evidence of the Deputy Secretary's action, OIG staff admitted that a HUD employee said "the tenth floor" had merely asked that interviews take place after the entrance conference. This comment is perfectly reasonable, does not support the Report's charge that there was a suspension of audit planning, and was not even attributed to the Deputy Secretary. The Department has a legitimate interest in having entrance conferences at the outset of an audit. The OIG has not recognized the legitimacy of this interest. In sum, the OIG's comments regarding the Department's actions during the audit are completely inaccurate and it is irresponsible to include these comments in an audit report.

B. The OIG Selectively Quotes Information That Misleadingly Suggests Criticism Of Community Builders

The OIG cites numerous sources to criticize the Community Builder program without disclosing the positive comments those same sources have made. For example, the Report includes quotes from the General Accounting Office's report on high risk. The OIG does not bother to say that GAO also said:

HUD is making significant changes and has made credible progress since 1997 in laying the framework for improving the way the Department is managed. HUD's Secretary and leadership team have given top priority to addressing the Department's management deficiencies.

...

A major contributor to this progress is HUD's June 1997 2020 Management Reform Plan, a set of proposals intended to, among other things, correct the management deficiencies that we and others identified.

...

HUD continues to make credible progress in overhauling its operations to correct its management deficiencies.

The failure to temper the Report with any of the positive information from the GAO is misleading. It is also misleading for the OIG to cite a comment from Booz-Allen without adding that Booz-Allen in the same document that OIG cites said:

A number of accomplishments demonstrate that HUD is meeting its twin missions. The creation of the Community

Builder position enabled HUD to reach out to communities and coordinate the provision of HUD's resources in a new way. Reports from Field Offices show that Community Builders are meeting with local governments and community organizations to help them more effectively use HUD products and services. At the same time, the Field Offices are monitoring grantees, cleaning up public housing developments, and helping more households purchase and maintain ownership of homes

In addition, Booz-Allen has said:

These [HUD 2020] reforms, when implemented, should present a significant improvement in HUD's performance; lower the risk of fraud, waste and abuse in its programs; and position the Department to better serve America's communities.

HUD has made significant progress toward achieving the many management reforms that are critical to making the Department function effectively.

Perhaps most misleading of all, the Report cites the Public Strategies Group for its statement that the two week training at Harvard by itself is not sufficient. The Report does this without bothering to note that HUD provides its own extensive training to Community Builders and sends them back to Harvard for a third week of training part of the way through their tenure with the Department. HUD followed the advice of the Public Strategies Group on this point. Plus, the Public Strategies Group has been clear in its praise of HUD 2020 Reform and the Community Builder program. They have said:

Community Builders represent the first significant infusion of new talent at HUD in a decade and could be the prototype for a new type of public servant in the 21st century.

HUD's Community Builders strategy is a potentially powerful way to reconnect the Department to the communities it serves.

The greatest strength of HUD 2020 is that it achieves a mission clarity that many public organizations fail to achieve.

Taken as a whole, the HUD 2020 Management Reform Plan, as it is being implemented today represents one of the

most ambitious, fundamental, and exciting reinvention plans in the recent history of the federal government.

In our opinion, if HUD continues down the road it is going today.. the agency that was a symbol for government scandal in the 1980's could very well be a model for reinvention in the 1990's. In the process, it could write one of the great reinvention stories of recent history.

The OIG has unfairly represented the Community Builder program and HUD 2020 reform by selectively quoting only remarks that sound negative from these sources. Given that the OIG has already started the public distribution of the draft only way to provide balance and give a fair presentation is for the OIG to include all of these statements from the GAO, Booz-Allen and the Public Strategies Group.

Conclusion

Because of the extensive inaccuracies of fact and law as well as numerous faulty conclusions, the Department hopes the OIG will make the necessary and extensive revisions - not just to the facts - but to the conclusions drawn from those facts prior to the release of a final version of this Report.

US. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-3000

OFFICE OF THE ASSISTANT SECRETARY
FOR ADMINISTRATION

September 28, 1999

MEMORANDUM FOR: Saul N. Ramirez, Jr., Deputy Secretary, SD

/s/
FROM: Joseph Smith, General Deputy Assistant Secretary for
Administration, A

/s/
Gail Laster, General Counsel, C

SUBJECT: Draft Report Regarding Community Builders

This memorandum addresses several administrative and legal issues regarding the hiring process as outlined in the Office of Inspector General's (OIG) Draft Report on Community Builders.

With respect to the Community Builder hiring process, the QIG was provided with the Staffing Guidance that outlined the process used for hiring Community Builders. The Staffing Guidance directed that "no political or non career employee of the Department serve as a selecting official; all selections will be made by senior-level career employee." This process was followed. Rating and ranking panels were set up to evaluate candidates. The Staffing Guidance further states that "All panel members shall be career employees of HUD." Community Builder Fellowship Program: Staffing Guidance (June 19, 1998). This process was followed. The QIG was informed of these directives and given a copy of the Staffing Guidance. Yet the Draft Report concludes that there was political control of the hiring process. We believe this conclusion is unsubstantiated and should be deleted from the Draft Report.

In addition, contrary to the allegations in the Draft Report, Schedule A authority under the Excepted Service was absolutely appropriate and permissible with respect to the hiring of Community Builders. The use of Schedule A hiring authority is also consistent with OPM regulations. OPM regulations set forth a class of positions within Schedule A of the Excepted Service. Schedule A of the Excepted Service is one of a number of schedules which authorizes agencies to hire persons who ordinarily will not become competitive service employees. Schedule A covers those positions for which it is impracticable to examine and which are not confidential or of a policy

determining character, 5 C.F.R. § 213.3101, such as interpreters and lawyers. The § 213.3102(r) class of positions covers non-permanent employment, such as fellowships, internships and similar programs. In addition, the class covers positions in programs that provide developmental work opportunities and learning experiences for individuals who have completed their education, or who are bringing specialized private sector experience to the agency. It is clear that the Community Builders program is envisioned to provide the equivalent of an internship or fellowship in community building for those individuals graduating from universities with various levels of degrees and those in community positions who would subsequently teach, advise or return to the community at the end of their employment with HUD. The Community Builder program, as it applies to external hires, therefore, falls squarely within the parameters of OPM regulations at 5 C.F.R. § 213.3102(r).

Additional points which should be noted include:

A. HUD's use of Schedule A hiring authority was appropriate and legal.

- 1. The Draft Report** indicates that Schedule A was inappropriate for Community Builders because it did not create a "cross-fertilization" between the agency and the private sector. Draft Report at 17. However, the Draft Report fails to take into account that "cross-fertilization" is not required under OPM regulations. A "cross-fertilization" is merely 1 of 5 optional components of a fellowship program that is subject to Schedule A hiring authority. See 5 C.F.R. § 213.3102(r). Moreover, the Community Builder program does and will create the very "cross-fertilization" that is *optional* under the regulations. Community Builder Fellows will return to their communities across the nation following their tenure with HUD. Their experiences with the Department under the Community Builder program will undoubtedly enhance their future work and development when they leave HUD. The Draft Report seems to mistakenly equate these fellowships to an exchange program in which participants would, return to their former employers. Fellowships, however, are fundamentally different. It was never contemplated that these individuals would return to the same employer. In fact, steps were taken to ensure that Community Builders had limited or no contact with their former employers to reduce the appearance of the loss of impartiality or preferential treatment consistent with HUD's Standards of Conduct requirements. (See 5 C.F.R. § 2635.502.) Instead, it was expected that they

would go into many different areas and would carry their knowledge of

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housing and community development issues into many walks of life. In addition, the agency faced a limited pool of applicants because it sought people with college degrees, strong qualifications and professional experience.

2. **Community Builders are not "policy-determining"**

positions. The Merit Systems Protection Board has ruled that the term "policy-determining" in this context is "a shorthand way of describing positions to be filled by political appointees." Special Counsel v. Peace Corps, 31 M.S.P.R. 231, MSPB, July 11, 1996. Community Builders are not political appointees. Community Builders were hired by career not political employees. Moreover, the position descriptions developed for Community Builders indicate that they "**explain** Departmental policies, program requirements and funding criteria." None of these are "policy-determinant" functions. These functions, similarly, are performed by Public Trust Officers in various HUD program offices. These individuals are not considered political appointees nor are they in policy determinant positions. The Draft Report refers to only a single use of the word "policy" in the Community Builder position description. Even this single mention makes clear that the Community Builder merely coordinates with Public Trust Officers to help resolve policy and regulatory issues. This does not indicate that Community Builders determine the policy of the agency any more than it indicates that Public Trust Officers determine policy. Therefore, the Draft Report is erroneous with respect to this requirement.

3. **Use of Schedule A was appropriate because the use of "the qualification standards and requirements established for the competitive service" was not practicable.** 5 C.F.R. §213.3101.

OPM guidance clearly supports the impracticality of competitive staffing for programs like Community Builders. "OPM finds that it is impracticable to examine for fellowship and similar programs because they represent non-traditional employment situations." 62 Fed. Req. 42943 (1997). HUD needed to construct a hiring process with sufficient rigor to meet the purposes of the Community Builder program and utilized Schedule A authority for precisely that reason. The Community Builder program was a new initiative. Therefore, in order to identify and select qualified Community Builder applicants that would bring specialized private sector and learning experiences, HUD used a Schedule A hiring authority in a manner that incorporated merit staffing principles. The process was not governed by competitive staffing regulations. The process included reviewing applicants for minimum

qualifications, a Human Resources screening score, a score from a panel of civil servants

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and an interview score prior to placing applicants on a best qualified list. Merit staffing only includes a review for minimum qualifications and a final score – interviews are only granted to those on the resulting best qualified list.

B. There were no irregularities in the hiring process.

The Draft Report concludes that the Department did not properly apply veterans preference and the rule of three. We want to emphasize that in hiring Community Builders, veterans preference was applied. In addition, neither example cited in OIG's Draft Report constitutes a violation of the rule of three. The report itself notes that a veteran was on the best qualified list and that individual was selected for a Community Builder position. This is consistent with the rule of three. It should be noted further that:

1. HUD applied veterans preference consistent with relevant regulations and OPH guidance. The regulations for Schedule A authority found in 5 C.F.R. § 302.3101(c) state " . . . each agency shall follow the principle of veteran preference as far as administratively feasible." Therefore, even if veterans preference could have been applied in a different way, there was no irregularity in the hiring process as concluded by the OIG's Draft Report. In light of applicable regulations, HUD applied veterans preference as follows:

- Human Resources evaluated all applications to determine minimally qualified applicants. Minimally qualified applicants were further evaluated against an established criteria and assigned a score to determine highly qualified candidates.
- Veteran applicants who were determined to be minimally qualified were evaluated against this same established criteria and assigned a score. However, additional points were added to their scores based on their veteran preference status (i.e., 10 points for disabled veterans; 10 points for recipients of Purple Heart; 10 points for widow/widower or mother of a deceased veteran; 10 points for spouse or mother of a disabled veteran. 5 points were awarded to all other veterans eligible for preference.) This is consistent with relevant authorities regarding the application of veterans preference.
See 5 U.S.C. § 2108 (1999)

The Draft Report identified only two complaints relating to veteran status. In light of the fact that HUD received over

8,000 applications for its first announcement for external hires of Community Builders and

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eventually hired over 400 individuals for these positions, the Department should be commended on its application of the veterans preference. The extremely low ratio of complaints provides strong evidence that the process was implemented in a fair and professional manner.

The Report also indicates that the selection process "spawned several equal employment opportunity complaints." Draft Report at 16. The significance of this remark is unclear - every office within the Department including the OIG receives equal employment opportunity complaints. The receipt of the single complaint included in OIG's Draft Report should in no way be construed to mean that the hiring process was flawed or replete with irregularities. We recommend that the OIG reconsider including this information in its final report.

2. **The Draft Report does not make a proper application of the rule of three with respect to the Community Builder hiring process.** HUD followed appropriate procedures in rating and selecting Community Builders. OIG's Report does not cite any specific regulatory or statutory violations of the rule of three. The examples used in the Draft Report are not indicative of violations of the rule of three. It is equally important to note that the written instructions to panel members required that each application be carefully reviewed for any indication that the candidate is a veteran and that veterans preference points be conveyed on the Candidacy Evaluation Sheet to each candidate who is a veteran.

The Department's hiring process for Community Builders followed relevant requirements. It was implemented after several meetings with OPM and was consistent with applicable regulations and authorities. We recommend that the Draft Report be revised to accurately reflect the hiring processes used to implement the Community Builder program. We stand behind the Community Builder hiring process and hope that our concerns will be communicated to the OIG.

Concurrences:

MEMORANDUM FOR: Saul N. Ramirez, Jr., Deputy Secretary, SD

FROM: Joseph Smith, General Deputy Assistant Secretary for
Administration, A
Gail Laster, General Counsel, C

SUBJECT: Draft Report Regarding Community Builders

K. Simpson

S. Hutchinson

W. King

B. Edwards

U. S. Department of Housing and Urban Development
Washington, D.C. 20410-0500

January 6, 1998

OFFICE OF GENERAL COUNSEL

MEMORANDAM FOR: Andrew N. Cuomo, Secretary, S

FROM: Gail W. Laster, General Counsel, C

SUBJECT: Use of Schedule A Authority for External Hiring of
Community Builders

You have asked for a legal opinion as to whether the Department may externally hire individuals to fill positions in the Community Builders program under the Schedule A authority set forth in the recently published OPM regulation entitled "Fellowship and Similar Appointments in the Excepted Service," to be found at 5 C.F.R. Part 213. In my opinion, the Department may hire individuals from outside the Department to fill positions in the Community Builders program under the Schedule A authority of 5 C.F.R. §213.102(r).

The cited OPM regulation sets forth a class of positions within Schedule A of the Excepted Service. Schedule A of the Excepted Service is one of a number of schedules which authorizes agencies to hire persons who ordinarily will not become competitive service employees. Schedule A covers those positions for which it is impracticable to examine and which are not confidential or of a policy determining character, 5 C.F.R. §213.3101, such as interpreters and lawyers. The §213.102(r) class of positions covers non-permanent employment, such as fellowships, internships and similar programs. The class covers positions in programs that provide developmental work opportunities and learning experiences for individuals who have completed their education, or who are bringing specialized private sector experience to the agency. Based upon the many meetings that my staff have attended, it is clear that the Community Builders program is envisioned to provide the equivalent of an internship or fellowship in community building for those individuals graduating from universities with various levels of degrees and those in community positions who would subsequently teach, advise or return to the community at the end of the term at HUD. The Community Builder program, as it applies to external hires, would, therefore, fall squarely within the parameters of 5 C.F.R. §213.102(r).

My staff has also compared the potential staffing of external hires by temporary or term appointments as well as through Schedule A appointments under §213.102(r). The attached chart demonstrates the various differences. A salient difference among the three types of service is that temporary or term appointments require the Agency to give "preference" to current Federal employees (including any HUD employees) who have been notified that they are to be separated, and former Federal employees who have been separated, because of downsizing and reorganization activities, anywhere in the Executive Branch. This preference would militate against the purpose of the program, which is to provide internships or fellowships in community building for those individuals graduating from universities and those in community positions who would subsequently teach, advise or return to the community at the end of the term at HUD. Other differences are that temporary or term service would require the agency to consider candidates in "rank" order. Fellowships and internships are non-traditional employment situations which suggest less stringent selection criteria because the applicants come from targeted academic or professional disciplines or because of a candidate's interest in an agency's programs. See 62 Fed. Reg. 42943 (August 11, 1997).

Fellowship Appointments under Proposed Rule of 5 C.F.R. Part 213	1-Year Temporary Appointment	Term Appointments
Hiring process: Positions are in the excepted service , thus competitive service administrative requirements would not be applicable.	Vacancies must be announced; Agencies must establish register and chose from the best qualified. If OPM register not used Agency must send public notice to OPM of openings.	Vacancies must be announced; Agencies must establish register and chose from the best qualified. If OPM register not used Agency must send public notice to OPM of openings.
Appointments: Appointments under this authority may be made for up to four years.	<u>One year appointment</u> , which may be extended for <u>one additional year</u> only. Agency may not fill position by temporary appointment for more than 24 months within preceding three years.	Appointment for period of more than one year, but not more than four years.
Management retains the right to terminate the appointment during first 12 months.	Management retains the right to terminate the appointment at any time.	Management retains the right to terminate the appointment at any time during the first 12 months.
Veterans preference: Veterans preference applies but <u>OPM may exempt</u> agency from strict compliance.		

<p>Non veterans: Termination of the appointment after the initial 24-month period and prior to the expiration date of the term must be for cause. Due process applies.</p> <p>Veterans: termination of appointment after the initial 12- month period must be for cause. Due process applies.</p>		<p>Non veterans: Termination of the appointment after the initial 24-month period and prior to the expiration date of the term must be for cause. Due process applies.</p> <p>Veterans: termination of appointment after the initial 12-month period must be for cause. Due process applies.</p>
<p>Competitive status: Candidates do not acquire competitive status on basis of appointment.</p>	<p>Candidates do not acquire competitive status on basis of temporary appointment.</p>	<p>Candidates do not acquire competitive status on basis of term appointment. Term ends automatically unless earlier terminated.</p>
<p>Current Government employees: Not Applicable.</p>	<p>Current Government employees with status would have to voluntarily relinquish their competitive status.</p>	<p>Current Government employees with status would have to voluntarily relinquish their competitive status.</p>
<p>Benefits: Candidates hired under this authority are eligible to participate in benefits programs.</p>	<p>Outside: Candidates from outside the Government not eligible to participate in health benefits, life insurance or retirement programs.</p>	<p>Candidates eligible to participate in health benefits, life insurance and retirement programs.</p>

	Inside Candidates from inside the Government are eligible if already have one year of current continuous service.	
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ERNST&YOUNG LLP

Internal Correspondence Washington Office

To: Douglas Kantor, HUD

From: Ernst & Young LLP

Date: September 21, 1999

"Analysis of Community Builder Program"

Background

Ernst & Young is providing this memorandum as an interim status update of our Analysis of the Community Builder Program engagement.

We are finalizing our procedures and drafting our report on the effectiveness of the Department of Housing and Urban Development's Community Builder program. Based on the case studies reviewed and the interviews conducted to date. Community Builders have been successful in facilitating positive communication between HUD and the communities they serve. Participants interviewed indicated that Community Builders are effectively serving as the "front door" of HUD, as envisioned in the Department's *2020 Management Reform Plan*.

Our work to date has included:

- Review of a sample of 25 case studies provided by HUD covering a cross section of programs and each HUD region;
- Research regarding the history, design and purposes of the Community Builder program;
- Interviews of Harvard University Kennedy School of Government personnel; and
- Interviews of over 50 HUD customers and stakeholders listed in the case studies with knowledge of the selected cases. The interviewees included Housing Authorities, Civic Leaders, other Federal, state and local government personnel and others.

Interviewee Responses

Interviewees generally provided very positive feedback regarding the work of the Community Builders. They consider Community Builders to be responsive to their concerns and timely in addressing them. A number of interviewees indicated that:

- The Community Builders have been very effective in bringing their private sector expertise to the public sector,
- The Community Builders have been proactive in identifying opportunities and areas of need within their communities.

HUD Community Builder Status Memo

September 21, 1999

- The Community Builders are acting as a point of contact which makes HUD seem much more accessible to interviewees,
- The Community Builders are very knowledgeable about HUD programs and nonHUD programs alike.
- The Community Builders are efficient. They are able to provide information on several programs rather than the client having to contact numerous departments.
- The Community Builders are professionally competent and are well respected figures in their Communities.
- The Community Builders are a "New Face" for HUD. Several respondents commented that their perception of HUD is much improved due to their interactions with the Community Builders.

In fact, one interviewee indicated the Community Builder program was the most innovative program he has seen in his twenty (20) years of government service.

Working Partnerships

The case studies indicate that Community Builders have performed outreach to a diverse group of community partners including private businesses, not-for-profits, health organizations, Federal agencies, resident groups, religious organizations, universities, investment banks, local government entities, and Housing Authorities. According to the case studies and the interviews, successful partnerships have been developed to date with a number of groups including:

- National Housing Ministries
- Non-Profit Center of Milwaukee
- Cleveland Browns football team
- Federal Reserve Bank of Los Angeles
- Cherokee Nation Housing Authority
- AIDS Task Force
- Hawaii Governor's Office of State Volunteers
- Credit Counseling Center, Inc.
- Capitol Region Council of Churches
- Temple University
- University of Pennsylvania
- Harrison Plaza Resident Council
- Northwest Opportunities Vocational Technical Academy
- Council of Churches of Bridgeport, CT
- Valley Catholic Charities
- FEMA

HUD Community Builder Status Memo

September 21, 1999

Customer and Stakeholder Concerns and Recommendations

When asked, most of the interviewees did not express concerns or provide recommendations regarding the Community Builders. Some interviewees who did respond in this area provided comments such as additional clarification is needed regarding the roles and responsibilities of the Community Builder as well as Community Builders should have better familiarity with the community they serve. In addition some interviewees indicated that some individual Community Builders had not yet been in place long enough to see all of their projects to completion. There were some differences of opinion among customers and stakeholders. For example, some customers thought that Community Builders should receive more of the Department's resources while others did not want resources diverted away from enforcement activities.

Summary

Almost all of the interviewees told us that the Community Builder Program positively changed their perception of HUD. Please note that this is an interim status report. We will give you a final report on this project shortly after we complete our procedures and finish summarizing the results.

MANAGEMENT COMMITTEE
MINUTES OF MEETING OCTOBER 7, 1997

ATTENDEES:

Andrew Cuomo, Secretary
Dwight P. Robinson, Deputy Secretary
Jon Cowan, Chief of Staff
Nic Retsinas, Assistant Secretary for Housing
Jacquie Lawing, Deputy Chief of Staff
Hal DeCell, Assistant Secretary for CIR
Susan Gaffney, Inspector General
Kevin Marchman, Acting Assistant Secretary for PIH
Mark Kinsey, OFHEO
Richard Keevey, Special Advisor to the Secretary
William Dobrzykowski, Acting Chief Financial Officer
George Anderson, Executive Vice President, GNMA
Bert Benavides, Special Assistant to the Secretary
David Jacobs, Director, Office of Lead Hazard Control
Larry Thompson, General Deputy A/S, PD&R
Eva Plaza, FHEO
Susan Forward, FHEO
Gail Laster, OGC
William Apgar, PD&R
George Weidenfeller, Deputy General Counsel for Operations
Frank Davis, Director, ODOC
Willie Gilmore, Deputy A/S for Administration
Joe Smith, Housing
Patricia Enright, Public Affairs
Terry Nicolosi, Director, Executive Secretariat
Pat Morgan, CPD
Mary Ellen Bergeron, Special Assistant to the Deputy Secretary
Gary Eisenman, Deputy General Counsel
Kathryn Kuhl-Inclan, OIG
Bill Anderson, ODEEO
Joanne Simms, OHR
D. J. LaVoy, Administration
David Gibbons, Office of Budget
Michael Najjum, GNMA
Tony Britto, Housing
Charles Gardner, Housing
Karen Cato-Turner
Edward Kraus, Enforcement Center
Nancy Smith, Field Management
Barry Riebman, Field Management
Mirza Del Rosario, PIH
Karen Newton, PIH
David Robinson, Office of the Deputy Secretary
Les Graham, IT

Comments - Deputy Secretary Robinson

Mr. Robinson introduced and welcomed Bill Apgar, President Clinton's choice for Assistant Secretary for Policy Development and Research. Kevin Marchman also introduced Karen Newton, who has joined us as the Director of the Office of Troubled Agency Recovery.

Agenda Items and Results

HUD 2020 Human Resources Update – Willie Gilmore

Willie Gilmore said he would report on the status of a number of items. The first is the NAPA contract. NAPA will be looking at three areas. They will develop a model contracting system for the Department and have met with Housing as a basis for a preliminary proposal. They will meet with other program offices also. They will also do a resource allocation system to assist us in allocating-scarce resources as budgets get smaller. The third area will be a look at 2020 reform, but the details are not yet final for this area. As a result of concerns raised in their discussions with field staff, NAPA wants to look at the administrative organization to do the Department's work.

Administration will be working with Jacquie Lawing and Rich Keevey to do a scrub of the information technology budget. We will be examining the budget to be sure we are making the best use of the money to support our strategic objectives. We are concerned about the center systems being able to talk to each other. There is a team working on standard data terminology and integration and working to be sure the systems are compatible.

Mr. Gilmore also reported that we have talked to GSA about the plaza project and they have promised substantial completion by November 17th. They are providing weekly updates on progress against milestones.

On training, Mr. Gilmore said the training report included in the meeting package discusses moving from a training to a learning organization. We need to move toward raising the overall skills that are needed in the new HUD, and use university partnerships to be responsive to new needs. Mr. Gilmore said the program offices need to think about the skills that are needed.

Joanne Simms reported that 774 employees have approved buyouts for departure by September 30 or delayed departures. She also thanked the program offices for helping to meet the first set of welfare to work goals. To date 23 employees have been hired who self-identified as welfare recipients and 18 more will be hired in October. HUD is doing well compared to other agencies. Our overall target is 200 by the year 2000. Ms. Simms will represent HUD at a Hammer Award ceremony on Wednesday to receive recognition for this effort.

Ms. Simms also reported that the implementation of the staffing timeline for reform has begun with distribution of notices to supervisors and managers. Unaffected employees will receive notices October 8 and those employees being reassigned will be notified October 17.

Ms. Simms also reported that the National NFFE union has filed an unfair labor practice with a request for a temporary restraining order for reform in California and Detroit and Flint, Michigan, naming Ms. Simms. HUD has not been officially served yet. NFFE has asked for priority consideration for their members ahead of AFGE members in those offices. Bargaining was not completed before we started staffing; HUD declared an exigency to proceed under the local contracts and the national union is filing-on-their behalf. There will be an investigation by the National Labor Relations Authority and they could issue-an order to undo what we have done.

The Secretary said he would like to come to terms rather than battle this out through the FLRA. He asked Nic Retsinas to discuss the issues with the union and try to achieve a compromise with them.

D. J. LaVoy distributed the pink sheet which the Administration implementation team is using as a device to bring matters to management's attention and provide discipline to the process. It is distributed at the team

meetings every Thursday. He noted that some organizations have met the deadline for merit staffing packages and others are struggling. He said he is looking for help from those who have not completed their packages.

Mr. Lavoy said outplacement is another issue. The New Horizons program will help people learn their new HUD jobs or find and learn a new job. He said the team is looking at IPAs as a vehicle to transition staff to new jobs and will be briefing the Secretary and Deputy Secretary soon. We will be looking for opportunities where the receiving agency will contribute to the salary and for opportunities to use grants to provide people. Secretary Cuomo said if we contribute to the salaries it should be in anticipation that the organization will hire the employee after the IPA period.

For outplacement there will be multiple contractors. RCI will hone people's skills while other companies will develop markets. The job placement organization will get a bonus for placing people.

Willie Gilmore reported that OMB wants to meet to discuss reform bimonthly. He said we told them we would get back to them on that.

Richard Keevey distributed a summary of the 1998 Appropriations conference language prepared by the Office of Budget. The salaries and expenses budget was reduced by \$5 million but mark to market was approved. The summary includes a comparison with 1997 and the budget request.

Mr. Keevey also distributed the staffing chart showing a reduction of FTE charged to the S&E budget from 10,600 to 9,600 during FY 97. We project 9046 by 9/30/98 and 8865 by 9/30/99 and ultimately to 7500 in 2002. Mr. Robinson asked if the Enforcement and Assessment Center numbers could be broken out separately since they cross cylinders.

David Gibbons said we will be going through the budget and identifying unrequested items and Hal DeCell's office will identify the member involved.

Secretary Cuomo said he had received a call from OMB to congratulate us on being the first in with our budget justifications and with numbers that added up.

Mr. Keevey said the OMB hearings on FY 99 have begun. Deputy Secretary Robinson did the hearing on 2020 and OMB seems happy. Other hearings will be held during the week.

With respect to the reform costs for 98 and 99 which were discussed at the retreat, Mr. Keevey said we would be able to cover almost all of them. We made a significant reallocation of IT funds and reduced all low priority IT projects. He said we will need to pay attention to the contract cost requests. The request for support for the centers in 99 is much higher than current budgets, which is inconsistent with the Secretary's mandate to stay within the current budget. Mr. Gibbons said he would work with the centers to scrub their budgets and continue working with Willie Gilmore and Steve Yohai on the IT budget to assure the low priority projects are out.

Mr. Robinson asked about the timeframes for completing the budget. Mr. Keevey said he would like to wrap it up in two to three weeks.

Mr. Keevey reported the strategic plan was submitted to Congress on time on September 30 and thanked everyone for their help to achieve that. He said GAO will be coming October 9 to provide us with their comments. They will then give their analysis to the committee to allow them to rerate the plan. Mr. Keevey also has asked OMB for their critique and input on performance measures we should improve. He said he will encourage better measures and the data to measure them.

Audit Findings and Solutions - Richard Keevey

Mr. Keevey said all offices were given a management deficiency-checklist and asked to update the data on how and when the deficiencies could be addressed. There are 101 separate deficiencies including financial audit qualifications, material weaknesses, audit recommendations and others. He said one response is missing and he will follow up on it.

He said we have three overdue responses to GAO on audits and need to get those done as soon as possible. GAO is also carrying 37 open audit recommendations. Mr. Keevey will be reviewing where we are in a couple of weeks. There are also a lot of open IG findings which need to be resolved.

Section 8 Financial Management Center - Tony Britto

Tony Britto said negotiations have begun in Kansas City for space. The team will be reconvening on issues like contract administration and expanded instructions for conversion and work migration.

Assessment Center - Gary Eisenman

Gary Eisenman said the Assessment Center team has completed the-general-protocol for the physical inspections and begun software development for that aspect of the work. The system will be tested in early December on hand-held computers. The training protocol will also be tested. The next effort will be the software design on the scoring mechanism for inspections. The objective is to have the system ready by April.

On the financial side, the team is finalizing the technical proposal to start work on the system, ~nd gathering information on accounting practices and systems for similar functions. He hopes to complete this and start work in a couple of weeks and finish in March or April.

Mr. Eisenman said meetings with industry will begin next week on the design of a system for public and multifamily housing to secure their acceptance. A large meeting will be held next week for Multifamily and smaller meetings on individual issues will follow. The team will report back at the end of the month. Public Housing will have a kickoff on October 8 and will meet in mid to late November on issues.

Enforcement Center - Edward Kraus

Mr. Kraus said he is looking forward to getting budget figures. He visited New York to review space and found one possibility, a warehouse that is being refitted for government agencies. GSA has other tenants interested so we should lock it in soon. It will take a year to build and outfit the space. There may be temporary space available at 26 Federal Plaza due to agency downsizing.

He said he is reviewing the position descriptions and is having trouble with the attorneys but will be done shortly. The team is also getting together training programs for the HUD, Justice and AUSA attorneys.

Financial Systems Integration (FSI) - George Anderson

George Anderson said the FSI team has finished the Letter of Intent to go to GSA to determine which vendor will come off the schedule and submitted it to OPC. It should be issued in a day or two. Vendors will have 30 days to prepare responses. Treasury believes it will expedite the process not to hold a vendor conference. There will be a period of evaluation and demonstration of capabilities after proposals are received. We will also issue AMS a task order to get an estimate of costs to complete the current system. Secretary Cuomo asked why we are not going to AMS now and Mr. Anderson said it is a requirement that we go out first openly. He said it is debatable whether AMS will even respond on the current system but they will have no longer than the other potential vendors on the LOI.

Mr. Anderson said his team has been meeting with the teams for Community 2020 and the storefront and kiosk and will present to the TIB how the pieces fit together.

Community Builders - Nancy Smith

Nancy Smith said the team has zeroed in on the staffing numbers and is working on a plan for the distribution of the internal Community Builders, including those in the program areas. There is a planned distribution for the 230 term employees. Jon Cowan said there will be a meeting later in the week on the issue. Secretary Cuomo said it's essential they be in the right place because they are the liaison for all program areas. Without them the programs have no voice.

Jacque Lawing noted that the positions coming from CPD are vacancies, not staff being transferred. Mr. Robinson asked if there was a distinction being made between manager and non-manager Community Builders. Secretary Cuomo said the grades will have to be determined. Mr. Gibbons said for budget purposes they were costed as 12s.

Ms. Simms noted that she has staff waiting for the decisions to be made in order to get ready for the job posting. Secretary Cuomo said the Assistant Secretaries have to be involved in the decisions because the Community Builders have to be where the work is. Ms. Smith said a rough plan has been submitted to the field as part of the union negotiation. Mr. Gilmore said it has no split between staff and managers. Secretary Cuomo said a meeting has to be held Wednesday to resolve this.

Housing-FHA Management Reform Report - A/S Retsinas

Assistant Secretary Nic Retsinas said this is a very critical and difficult week on the transformation. 570 Housing supervisors and managers received letters and 35-40% of them don't fit in the new organization. He said he had a conference call with the field last Friday and has talked to some people individually. A common refrain from them is am I not needed in HUD? He said Housing is working on transition assignments and outplacement planning. Mr. Retsinas believes the issue will explode when we have 1500-1600 people in that situation.

Mr. Retsinas said in a couple of days Housing would convene 28 different organizations on a variety of issues. There will be meetings over a period of three weeks which will give the industry an opportunity to have input and Housing to make adjustments.

Public and Indian Housing Management Reform Report - Acting A/S Marchman

Acting Assistant Secretary Kevin Marchman said PIH sent letters out over the weekend. He has received two calls, one threatening a lawsuit. PIH is now working on the next batch of letters and has less time for program work. He said with all of this going on we need to look at the timing of NOFAs to spread out the work. He said PIH would begin meeting Wednesday on how we grade PHAs. He agreed with Mr. Retsinas that it's a tough week in the program offices. Mr. Retsinas said we are dependent on the centers getting underway because we need to be more efficient.

Closing Comments

Secretary Cuomo said the three critical things are momentum, communication and accuracy. Momentum involves the issue of whether we can do this. We have to generate and sustain a force. We have it with us and have to continue the force and energy. We have to generate counter forces to other forces trying to stop us. He reminded the Principal Staff that they generate the momentum.

On communications, Secretary Cuomo said people are scared and we can't do enough communication. They want information and empathy. We can't be too excessive. The Secretary, the Deputy Secretary and the AFGE President, Tim Coward, have done broadcasts - the next step is for the Assistant Secretaries to do interactive broadcasts with their program staff. Secretary Cuomo will also meet with the Assistant Secretaries and

their senior office directors. There will be 1600 people without chairs and we won't know who they are for four months. Everybody is worried and we don't have a firm answer. Staff will be in a state of anxiety for months and we will need vehicles to communicate with them.

On accuracy, Secretary Cuomo asked each principal to personally make sure the lists are correct because we can't afford confusion. He said change is a funny thing - different people respond differently. Some are against any change; some have petty jealousies; some lose power and don't want to share it - they don't care about the department, they are interested in their own turf and don't want to share it. This is not going to be easy. We have to be sure of the outcome and keep an eye on the goal. This process is nasty but unavoidable. He said he is more sure than ever that the goal is right. Even for the unplaced employees there is the prospect of a good future with New Horizons and they can still work for HUD until 2002.

Secretary Cuomo said don't slow down, talk to everyone and be patient. This is the price for a better future.

Mr. Robinson said there will be satellite training October 15 for supervisors to help deal with the transition. He noted that the local labor-management review of the substantially similar determinations begins Wednesday and that this is a critical juncture.

Next Meeting

The next meeting of the Management Committee will be Tuesday, November 4 at 10:00 AM in Room 10233.

Community Builders Goals and Measures Under HUD's Business and Operating Plan

Outcome/Goal	Measure	Type^{1/}
Fighting for Fair Housing		
Convene meetings with local governments and communities to promote and encourage Fair Housing and related issues.	Number of Fair Housing meetings convened.	A
Convene meetings with local governments and FHAP groups to discuss use of CDBG and the funds to meet local Fair Housing needs.	Number of meetings convened.	A
Initiate Best Practice Agreements with lenders, realtors, appraisers, builders, realtists, and other housing industry groups to further affirmative marketing efforts.	Number of agreements initiated by Community Builders.	A
Promote Fair Housing Month by sponsoring or participating in local event(s) specifically designed for this purpose.	Number of such events sponsored or supported.	A
Increase Affordable Housing and Homeownership		
Participate in a variety of homeownership fairs, coordinating as appropriate with the Office of Housing.	Number of Homeownership Fairs with CB participation.	A
Increase HELP program participation by identifying, recruiting, and educating non-profits, universities, and national intermediaries.	Number of non-profits, universities, and intermediaries trained as new HELP providers.	A
Facilitate landlord training to market HUD's Section 8 programs to aid in dispersal of low income households.	Number of training sessions conducted with PIH, FHEO, and MF Housing.	A
Assist local communities to identify Revitalization Areas for approval by Office of Housing.	Number of proposed new Revitalization Areas submitted for approval.	A
Reducing Homelessness		
Assist communities in finding local partners/resources to leverage McKinney Homeless funds.	Number of new/expanded partnerships established.	A

^{1/} Type refers to how HUD measures the outcome/goal. HUD either measures it as an Activity (A) or Outcome (O).

Outcome/Goal	Measure	Type^{1/}
Promoting Jobs and Economic Opportunity		
Promote linkages between EZ/EC s and potential partners, e.g., other federal or state agencies, industry groups, non-profits, etc.	Number of special meetings convened to foster dialogue with possible partners (Baseline FY 99)	A
Expand number of Neighborhood Networks.	Number of site presentations to project owners/managers (Baseline FY 99)	A
Enhance capacity of Neighborhood Networks to become more self sufficient by providing assistance in computer usage to meet residents' information needs.	Number of matches of local providers (universities, community colleges, others) to Neighborhood Networks in need of capacity building (Baseline FY 99)	A
Empowering People and Communities		
Promote and facilitate the formation of community partnerships with local businesses, community organizations, universities, and national intermediaries to increase local capacity to address community needs.	Number of partnerships formed. Number of Local MOU's signed, e.g., local Urban League, NCAA, ACORN, etc. (Baseline FY 99)	O
Be involved in the development and implementation of the development of regional and intergovernmental strategies for building sustainable communities.	Participation in regional and intergovernmental forums. Number of intergovernmental partnerships. (Baseline FY 99)	O
Prepare Community Profiles/Needs Assessments to improve HUD's ability to target programs and services to reflect local conditions, housing requirements, and community development needs.	Number of completed Community Profiles/Needs Assessments (Baseline FY 99)	A

^{1/} Type refers to how HUD measures the outcome/goal. HUD either measures it as an Activity (A) or Outcome (O).

Outcome/Goal	Measure	Type ^{1/}
Empowering People and Communities (continued)		
Convene cross-program Community Consultation meetings to improve program coordination and decision-making by HUD's program disciplines and to expand localities' knowledge of HUD programs/initiatives.	Number of Community Consultation meetings involving on-site visit by cross program team.	A
Expand outreach to non-profits and faith-based organizations to develop alternatives for addressing local needs.	Number of faith-based and non-profit outreach meetings covered (Baseline FY 99).	A
Conduct outreach to tenant organizations and groups to provide information on supportive services. Provide assistance to Tenant Opportunity Program (TOP) grantees to improve organizational skills.	Number of grantees assisted (Baseline FY 99)	O
Assist Public Housing Authorities (PHAs) to become more entrepreneurial.	Number of PHAs undertaking new or expanded efforts such as establishment of 501c3 entities and/or marketing technical expertise to peers (Baseline FY 99)	O
Restoring Public Trust		
The Community Builders are not the lead for any of these goals.		

^{1/} Type refers to how HUD measures the outcome/goal. HUD either measures it as an Activity (A) or Outcome (O).

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OPED from Secretary Cuomo

OPED
by Andrew Cuomo,
Secretary of the U.S. Department of Housing and Urban Development

My grandfather always said “If a bargain sounds too good to be true, it probably is.” If he were alive today, Andrea Cuomo would be warning the people of (CITY or STATE) about Congress’ current tax cut plan labeled “The Financial Freedom Act of 1999.” The supposed GOP bargain: an \$800 billion tax cut, spread generously among all Americans, that will not jeopardize our current economic prosperity. If it sounds too good to be true, that’s because it is.

Contrary to the hollow claims of its Congressional proponents, this tax cut will certainly put our economic progress at risk. Thanks to the hard work of the American people and President Clinton’s prudent economic policies, we are enjoying a time of unprecedented national prosperity. But to preserve our long-term financial health, we must still strengthen Social Security, modernize Medicare and eliminate the national debt. While the Republican’s bargain makes for an easy soundbite, it does little to address these long-term concerns. Fifty noted economists, including six Nobel laureates, have concluded that the proposed tax cut is ill-advised and could endanger the economy.

If you look closely at the plan, you’ll also discover that a few Americans get the lion’s share and the majority get the crumbs. The rhetoric of a generous tax cut for all Americans turns out to be nothing more than false packaging. Under their plan, the top 1% get 24% of the benefits, while the bottom 80% get only 22%. Those in the top one percent would get an average tax break of \$32,000, while a typical middle income family would receive about a \$350 cut – a modest benefit that could easily be eaten up if this massive tax cut led to less debt reduction, higher interest rates and thus higher mortgage and car payments.

Instead of this risky, misguided tax cut, what the Nation should be doing now is preparing for a new century – shoring up and reforming our entitlement programs, improving our schools and communities, and tapping into the cities and rural areas that have been left behind: the new markets of the next century. As the Biblical Joseph advised the Pharaoh, the wisest policy is to use the times of plenty to prepare for the future.

The President’s budget heeds Joseph’s wisdom. It proposes responsible, targeted tax cuts for childcare, long-term care and the USA Accounts retirement savings plan; secures Social Security and Medicare; and pays off the national debt by 2015. It also seeks to build on the progress of the last six years by making the right kind of government investments – while maintaining an overall policy of fiscal restraint.

Yet Congress, committed to this \$800 billion tax cut regardless of the consequences, is proposing to take the Nation in exactly the opposite direction. For example, to pay for the tax plan, the recently-passed House VA-HUD budget proposes a devastating \$1.6 billion reduction for HUD and cuts in virtually every HUD program – in contrast to the President’s proposed \$2 billion increase. These cuts would harm efforts to help create the jobs, housing and infrastructure

necessary to attract businesses to areas left behind, such as Appalachia, the Mississippi Delta, Indian reservations and, closer to home, **(CITY OR STATE, IF APPROPRIATE. IF NOT, JUST DELETE “AND CLOSER TO HOME”)**.

What would these HUD cuts mean for these people and places? It means 97,000 jobs that won't be generated for communities still struggling economically, **including __, __ fewer in (CITY or STATE)**. It means 156,000 fewer affordable housing units, including __, __ **fewer units in (CITY or STATE)**. It means 16,000 homeless people left on the streets, backing off on the fight against racial discrimination, more children poisoned by lead paint.

And it's not just HUD's investments in the Nation's neediest citizens that would be sacrificed. To pay for their tax cut without decreasing military spending would require a nearly 50% reduction in domestic programs in 10 years. Clearly, it would be impossible to slash domestic spending in half without hurting the working and middle class. Essential government services – to construct roads and bridges, build and upgrade public schools, fund new teachers and police, prosecute criminals, cleanup the environment, honor our commitments to America's veterans, preserve parks and farmland and discover new cures – would all be at risk.

The cruelest irony is that now, with our economy booming, is indeed the time to right past wrongs and invest in the future, not the time for a reckless, one-time splurge. The \$800 billion tax cut is just what my Grandfather warned: too good to be true. The GOP package should carry a warning label. It should be issued with the government's version of Caveat Emptor: “let the taxpayer beware.”

Potential Impacts of HUD Budget Cuts FY 2000 House Mark vs. FY 1999 Enacted

Bessemer, Alabama

Total Dollars Lost	\$361,000
Job Impact	21 fewer
Housing Units For Low-Income Families	16 fewer
Homeless and Persons with AIDS Served	1 fewer

Source: U.S. Department of Housing and Urban Development, August 1999

Potential Impacts of HUD Budget Cuts FY 2000 House Mark vs. FY 1999 Enacted

Manchester, New Hampshire

Total Dollars Lost	\$1,437,000
Job Impact	50 fewer
Housing Units For Low-Income Families	158 fewer
Homeless and Persons with AIDS Served	5 fewer

Source: U.S. Department of Housing and Urban Development, August 1999

Memorandum dated July 20, 1999

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF THE DEPUTY SECRETARY
WASHINGTON, D.C. 20410-0050**

JUL 20 1999

MEMORANDUM FOR: ATTACHED LIST

FROM: Saul N. Ramirez, Jr., Deputy Secretary, SD

SUBJECT: Community Builder Nationwide Audit

The Office of the Inspector General is conducting a nationwide audit on HUD's Community Builder Program. You may be contacted by the OIG during the conduct of the audit. To assist you in preparing for potential interview(s), I have attached for your convenience a Community builder Interview Strategy that highlights the following components of the Community Builder Program:

- Community Builder Program Concept
- Community Builder Talent Search and Recruitment Strategy
- Community Builder Staffing and Placement Plan
- Community Builder Deployment
- Community Builder Reference Contacts

I have also attached a copy of Proposed Community Builder Questions and Answers.

If you have any questions regarding the attachments, please contact Frank L. Davis at 202-708-2806.

Attachments

ADDRESSEES

Williarn Apgar, Assistant Secretary for Housing-Federal Housing Commissioner
Cardell Cooper, Assistant Secretary for Community Planning and Development
Harold Lucas, Assistant Secretary for Public and Indian Housing
Eva Plaza, Assistant Secretary for Fair Housing and Equal Opportunity
Joseph Smith, Acting Assistant Secretary for Administration
Susan Wachter, Consultant, Office of Policy Development and Research
Edward Kraus, Director, Enforcement Center
Donald J. LaVoy, Acting Director, Real Estate Assessment Center
BJ. Thornberry, Special Assistant to the Deputy Secretary
Mary Madden, Assistant Deputy Secretary for Field Policy and Management

cc: Cheryl Owens
Deborah Vincent
Liz Hanson
Joe D'Agosta
Nadab Bynum
Bill Rudy
Floyd May
Deborah Sebron-Dickens
Karen Jackson

ATTACHMENT 1

COMMUNITY BUILDER INTERVIEW STRATEGY

Introduction: The Office of the Inspector General is conducting a nationwide audit on HUD's Community Builders and plans to interview each program Assistant Secretary. In preparation for the audit interview, the Office of Departmental Operations and Coordination has prepared the information listed below and it should be the best resource for any discussions regarding the Community Builder Program.

1. Community Builder Concept.

- A. Prior to the HUD 2020 Management Reform Plan, the Department was criticized for the multiplicity of functions required of program specialists in carrying the Department's mission. Employees were asked to be facilitators as well as monitors. These dual responsibilities were inconsistent and often contradictory. The position of the Community Builder was created because HUD realizes that both roles have a place in the Department, but that they are distinct functions which are better performed by different individuals - in different divisions - within the HUD organization. With the creation of the Community Builder cadre of employees, there is now, for the first time at HUD, a separation between customer service and program monitoring/enforcement functions. Community Builders provide direct customer service which addresses real community needs. All other HUD employees, known as Public Trust Officers (PTOs), are responsible for program monitoring, compliance and enforcement.
- B. The work of the Community Builders is guided by the Department's new focus on community consulting and collaboration, community-focused planning, fostering neighborhood-based empowering partnerships, building local capabilities for problem solving, and facilitating the development of comprehensive and integrated service strategies within the community and at HUD.

2. Community Builder Talent Search and Recruitment Strategy.

- A. The Department followed government-wide regulations administering term appointments. More specifically, these regulations are set forth by the Office of Personnel Management under Excepted Service Schedule A authority in Title 5, CFR213.3102® Pursuant to those regulations, the specific procedures used to hire the Community Builder Fellows are as follows:
 1. Development of the intent of the program and geographical locations.
 2. Advertisement of the program in traditional vacancy media, newspapers and the external HUD home page, available to the public, on the Internet.

3. Community Builder Staffing and Placement Plan.

A. Hiring of Community Builder positions, like other hires within HUD, was done in compliance with the Merit Staffing Principles established by OPM. These same principles were used to hire both internal and external community builders. The only difference in the application process for internal Community Builders hires and external Community Builder hires involved the materials that the applicants were required to submit in order to be considered. Specifically, HUD internal employee applicants were required to submit the following:

- An Application Transmittal Form
- An Employment Application or Resume
- A Supplemental Statement addressing any Selective Placement an/or Quality Ranking Factors
- Latest Performance Appraisal

Due to the nature of the external Community Builder positions (i.e., 2 to 4-year fellowship position under excepted Schedule A authority in title 5, CFR 213.3102®), applicants were asked to submit the following:

- A HUD Fellowship Application Form
- A Current Resume
- A List of Major Voluntary Activities
- A Significant Achievement Statement

4. Community Builder Deployment.

The Community Builder corps is a critical component of 2020 Management Reforms and their roles and responsibilities have been clearly and unequivocally defined. Community Builders are the customer service and relationship managers of the Department. They serve as the initial point of contact for all elected officials and the critical link for HUD customers to access the full range of HUD programs and services. They serve on the staff of the Secretary's Representatives or Senior Community Builder. Community Builders are assigned to 81 field offices and provide HUD's marketing and outreach strategies listed below:

- represent HUD at public events.
- educate customer groups and the general public on HUD issues and priorities.
- educate and explain HUD programs and special initiatives.

perform a broad variety of marketing, liaison and related community activities on behalf of Housing, Public and Indian Housing, Community Planning and development, Fair Housing and Equal Opportunity, the Real Estate Assessment Center, Departmental Enforcement Center and the Office of Multifamily Housing Assistance Restructuring.

- assist in the development of field office Business and Operating Plans (BOPs).
- provide information and consultative services to communities to solve problems.
- assess HUD customer service performance and the impact of programs in addressing local needs through regular meetings with housing industry, community and government organizations.
- identify community needs and assess community assets and resources to promote HUD strategic objectives - fight for fair housing, increase affordable housing and homeownership, reduce homelessness, promote jobs and economic opportunity; and empower people and communities.
- assist local agencies and community organizations in developing comprehensive community development and housing priorities and strategies.
- collaborate with community organizations and provide technical assistance to foster local public/private partnerships to create and develop local capabilities to achieve community goals.

5. **Reference Points for additional information.**

Saul N. Ramirez, Jr., Deputy Secretary

Mary Madden, Assistant Deputy Secretary for Field Policy and Management

Proposed Community Builder Questions

1. Do CBs have any authority over the work of PTOs?

Response: Public Trust Officers or program managers and their respective staffs report to Assistant Secretaries from whom they receive program policy and operating authority, directions, assignments and guidance. Community Builders perform customer service functions and are the official points of contact for customers. Senior Community Builders and Secretary Representatives coordinate development and implementation of the BOP Local Action Plans which include programmatic goals and objectives.

2. Do CBs play a role in the evaluation of PTOs?

Response: There is—and has been for several years—a mutual performance evaluation relationship between Community Builders and Public Trust Officers. Since each has mutually interdependent functions which they perform in support of each other's work. Secretary Cuomo decided that Senior Community Builders and Program Managers will have input to each other's performance appraisal.

3. Can CBs make programmatic decisions?

Response: Community Builders do not have authority to make programmatic decisions. Program management and administration decisions are made by program managers and staff in accordance with delegated authority from appropriate Assistant Secretaries.

4. Are CBs subject to the HUD Reform Act?

Response: Yes, Community Builders are subject to pertinent provisions of the HUD Reform Act, and they have received training and guidance from the Office of the General Counsel.

5. How do CBs receive assignments and supervision?

Response: Community Builders in field offices are supervised by either the managing Senior Community Builder or Secretary's Representatives. The Deputy Secretary provides overall direction for the Community Builder functions through the Office of Field Policy and Management. Individual assignments are based on BOP goals and guidance which are issued at the beginning of each Fiscal Year.

6. **What levels of commitments can CBs make to HUD customers and partners?**

Response: Community Builders are customer service and relationship managers, as such they ensure that HUD program recipients have information and access to the panoply of programs and services. Therefore commitments by Community Builders are only in terms of assisting HUD customers to identify appropriate programs and services for addressing local needs and plans. Program managers provide program services and technical assistance.

7. **What roles do CBs play in HUD grant programs?**

Response: Community Builders provide information and customer assistance including access to program staff which administer HUD grant programs.

8. **How have CBs helped the Department to carry out its mission and functions?**

Response: Community Builders play an important and critical role in helping the Department to achieve its mission that is, by helping local governments, non-profits, community organizations, program intermediaries (e.g. PHAs and so on) and citizens to access affordable housing and homeownership opportunities, receive homeless assistance (via the Continuum of Care), develop job opportunities, neighborhood revitalization and economic development activities and receive fair housing assistance. These goals and objectives are achieved through the direct involvement of community Builders in identifying needs, planning outreach and ensuring effective delivery of programs and services in accordance with Business and Operating Plans

9. **What is the difference between Community Builders and Community Builder fellows?**

Response: Community Builders and Community Builder Fellows perform the same or similar work as specified by BOP action plans. CB Fellows are term employees with a broad range of public and private sector expertise which is utilized to build new bridges to HUD customers and partners. They help the Department to sharpen the focus of its programs and enhance local options addressing local problems.

10. **How did the Department decide the allocation of CB slots for field offices?**

Response: The plan for allocating Community Builder and Community Builder fellow positions was developed by the Office of Field Policy and Management in conjunction with the Office of Policy Development and Research, based on customer service and program management workload within each field office jurisdiction.

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Memorandum dated October 22, 1998

OCT 22 1998

OFFICE OF THE ASSISTANT SECRETARY
FOR ADMINISTRATION

Mr. C. Gus Stevens
950 Franklin Street
Wyomissing, PA 19610

Dear Mr. Stevens:

On behalf of Secretary Cuomo, thank you for your letter of August 25, 1998, regarding the Community Builder Fellowship Program at the Department of Housing and Urban Development. It has been referred to the Office of Human Resources for an inquiry into your belief that your entitlement to veterans preference was not honored during the Community Builders Fellowship selection process.

We have reviewed the records concerning the evaluation and consideration of your application for a Fellowship position. Your status as a compensable veteran was acknowledged and, as you know, you were placed among the highly qualified candidates and interviewed by a senior career official of the Department. Regrettably, you were not selected for the inaugural class of 230 Fellowship positions. Our review, however, finds that there was no violation of any statute or regulation during the selection process.

You indicated a preference for consideration in three of the Department's offices - Philadelphia, Houston, or Fort Worth. You did not make the roster of best qualified candidates for either the Philadelphia or Houston office. However, you did make the roster along with 40 other candidates, for the three fellowship positions in the Fort Worth office, and your veterans preference status was noted on the roster. Please recognize, however, that the fellowship positions are not in the Government's competitive service. In accordance with a regulation promulgated last November by the Office of Personnel Management, they are excepted from the requirements of the competitive merit staffing process. Thus, the selecting official was free to select any three of the 41 candidates.

This does not mean that you no longer are a candidate for a Community Builder Fellowship position. Because of the extraordinary response to the program and the number of exceptionally qualified candidates, Secretary Cuomo has directed his staff to accelerate the selection of the next class of Fellows and to make those selections from the current pool of applicants. More information will be sent to you shortly. For updated information, please continue to visit the Fellowship website at "www.hud.gov/combuild.html", or may call (800) 497-3823.

Thank you for your continued interest in the Community Builders Fellowship Program.

Sincerely,

/s/

Barbara J. Edwards
Deputy Director
Office of Human Resources

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Washington, DC 20548 **Attn: Judy England-Joseph**

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House of Rep., Washington, D.C. 20515

The Honorable Fred Thompson, Chairman, Comm. on Govt Affairs,
U.S. Senate, Washington, D.C. 20510

The Honorable Joseph Lieberman, Ranking Member, Comm. on Govt Affairs,
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Cindy Fogleman, Subcomm. on Gen. Oversight & Invest., Room 212,
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The Honorable Dan Burton, Chairman, Committee on Govt Reform,
House of Representatives, Washington, D.C. 20515

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