

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

BUDGET ACTIVITY 9: CHIEF FINANCIAL OFFICER

SCOPE OF ACTIVITY

The Office of the Chief Financial Officer (OCFO) is unique to the Department in that it has Departmentwide leadership and support responsibilities in the practice of sound financial management in program development and operations, and in the stewardship of public resources. The scope of activity cross-cuts the entire Department. The CFO advises the Secretary and Department leadership on all aspects of financial management. The CFO ensures that the Department establishes and meets financial management goals and objectives and that the Department is in compliance with financial management legislation and directives. The CFO is responsible for the preparation, justification, monitoring, and execution of the Department's annual budget. In addition, the CFO establishes policies and standards for development, maintenance, operation, and evaluation of the Department's financial management systems, including: budget, accounting, internal controls, financial reporting, asset and credit management, and systems to audit compliance with financial management and related requirements. The CFO provides accounting services for administrative and operating activities of the Department. The CFO also has responsibility for overseeing Departmental implementation of the Government Performance and Results Act (GPRA), including the annual performance plan, the management plan and the annual performance and accountability report. The CFO is charged with oversight and management of the Department's participation in meeting the goals established by the President's Management Agenda and specifically charged with effecting positive progress in the areas of Budget and Performance Integration, E-Government, Competitive Sourcing, Financial Performance, and Eliminating Improper Payments.

WORKLOAD

The workload of the Office of the Chief Financial Officer is essentially defined by the following key objectives:

- Prepare, justify, and monitor the annual budget;
- Prepare, justify, and monitor the annual performance plan;
- Establish and maintain integrated financial management systems;
- Improve Departmental management of asset and credit management functions;
- Develop a strong internal control program that effectively addresses material weaknesses and reportable conditions in the Department;
- Produce audited consolidated financial statements;
- Develop uniform financial management policies and procedures;
- Process all accounting transactions and payments;
- Coordinate Departmentwide audit resolution activities; and

Salaries and Expenses, Housing and Urban Development  
Budget Activity 10: Chief Financial Officer

- Coordinate Departmentwide participation/reporting in the President's Management Agenda.

CHALLENGE

The increased governmentwide focus on improved financial and budgetary reporting, and accelerated production of consolidated financial statements in accordance with prescribed generally accepted accounting standards, requires a knowledge and skill set, and grade structure, that is currently lacking in the Office of the CFO (OCFO). The evolving financial management environment in the Federal Government now requires skills comparable to those of Certified Public Accountants (CPAs)—skills which are difficult to obtain and retain at the GS-12/13 level in the National Capital area.

Under the HUD 2020 Management Reform effort planned and carried out during the period 1996-1999, OCFO was substantially reorganized and downsized by consolidating ten former Regional Accounting Division operations into a new central Fort Worth Accounting Center, with a 50 percent reduction in OCFO staffing levels from 460 to 220 staff. The OCFO completed a minor organizational restructuring in early fiscal year 2004, to address added responsibilities for appropriations law and funds control and to improve management of financial systems, the budget process, and policies and procedures. Additionally, the OCFO was re-evaluated under the Resource Estimation and Allocation Process (REAP) in early fiscal year 2005, the results of which document a requirement of 259 FTE. The OCFO FTE ceiling for fiscal years 2006 and fiscal year 2007 is currently 218 and 215 respectfully.

The OCFO is one of the most "senior" organizations in the Department. Currently, out of 216 on-board employees, 44 are eligible for optional retirement—meaning they could vacate their positions immediately, without notice. Another 45 are eligible for early retirement—meaning between the two categories, nearly 40 percent of the staff is at or nearing optional retirement status. These numbers increase to 55 optional and 44 early in the next 3 years barring any actual retirements. Included in these numbers are potential vacancies in a number of our critical positions to include: the Deputy Assistant CFO for Systems, five GS-15 Division Directors, seven GS-14 Branch Chiefs, and up to 30 senior accountants—the actual core of our workforce.

Given the CFO's critical Departmental cross-cutting responsibilities, it is imperative to establish and maintain a well-trained, highly motivated, professional staff with specialized skills in all financial disciplines. In order to achieve the goals established by Program, Department, and Presidential mandates, the OCFO has established an internal Human Capital Strategic Plan, which includes technical and leadership training, developmental opportunities, skill assessments and succession planning.

Failure to implement the full OCFO Human Capital Strategic Plan will negatively impact the OCFO's ability to provide:

- Sufficient analysis of HUD's budget execution and accounting activity for proper formulation of quarterly and annual financial statements and other financial and budgetary reports;
- Implementation of new requirements of OMB Circular No. A-123 for documenting, testing and providing an annual assurance on internal controls over financial reporting;
- Review and update of written policies and procedures to strengthen HUD's financial management;
- Implementation of the Improper Payments Information Act of 2002, including the conduct of an annual risk assessment and annual measurement, corrective action planning and reporting on improper payment levels in high risk programs;
- Strengthening of funds control processes and timely processing of referrals of possible violations of the Anti-deficiency Act;
- Increased use of competitive sourcing as a means to realize cost efficiency savings and improved performance; and

Salaries and Expenses, Housing and Urban Development  
 Budget Activity 9: Chief Financial Officer

- Development and use of improved performance outcome, efficiency and marginal cost measures to better inform the budget decision process;
- Support for the maintenance and modernization of HUD's core financial management systems;
- Timely processing and sufficient validation of accounting transactions;
- Timely resolution of audit issues raised by GAO and OIG; and
- Support for managing the President's Management Agenda.

TRAVEL

The table below identifies travel requirements:

	ACTUAL <u>2005</u>	ENACTED <u>2006</u>	ESTIMATE <u>2007</u>	INCREASE + DECREASE - <u>2007 vs 2006</u>
		(Dollars in Thousands)		
Travel (HQ) .....	\$538	\$912	\$218	-\$694
Travel (Field) .....	<u>135</u>	<u>149</u>	<u>55</u>	<u>-94</u>
Total .....	673	1,061	273	-788

Travel funding is required to fully carry out OCFO responsibilities for improving Departmental financial management. OCFO travel will focus attention on program delivery operations at the Field office level and will provide oversight and review for: asset and credit management; debt collection; resolution of audit findings and internal control weaknesses; and test and establish internal controls. Increase required in support of training and development opportunities in conjunction with specific Human Capital Strategic Plan initiatives, including cross-functional training with field accountants and managers, leadership training curriculum, and closing technical skill gaps of career financial employees (e.g., accountants, financial analysts, budget analysts) and additional analysis and support of Departmentwide competitive sourcing initiatives. The decrease between fiscal years 2007 and 2006 is due to OCFO's central management of the Katrina Relief Travel Fund.

Salaries and Expenses, Housing and Urban Development  
 Budget Activity 10: Chief Financial Officer

CONTRACTS

	<u>ACTUAL</u> <u>2005</u>	<u>ENACTED</u> <u>2006</u> (Dollars in Thousands)	<u>ESTIMATE</u> <u>2007</u>	<u>INCREASE +</u> <u>DECREASE -</u> <u>2007 vs 2006</u>
Management Studies .....	\$3,766	\$5,208	\$4,919	-\$289
Technical Services .....	614	614	614	...
General Support .....	182	182	182	...
Training Contracts, Non-Fed Employee.....	<u>152</u>	<u>152</u>	<u>152</u>	<u>...</u>
Total .....	4,714	6,156	5,867	-289

Management Studies

Fiscal Year 2006

Funding is required for critical initiatives in the Department in support of the President's Management Agenda (PMA). Specifically, the Office of the CFO is charged with effecting positive progress in the areas of Budget and Performance Integration, E-Government, Competitive Sourcing, Financial Performance, and Eliminating Improper Payments. These efforts include establishing quality assurance support for all financial systems and comprehensive standards, guidelines, policies and procedures throughout the OCFO and the Department. Funding is also required in the area of competitive sourcing analyses, measurement of improper payment levels, and to determine the best option for meeting Federal Accounting Standards. Additional support is also needed for the Information Technology Investment Management (ITIM) and Security Documentation processes to enhance procedures and to increase the sophistication of documentation and budget submissions. OMB Circular A-123 has a new requirement in fiscal year 2006 to include a statement of assurance for internal controls over financial reporting based on improved documentation and testing of controls. Contract support will be required to support this new extensive effort, which will have to be continued in 2007. In accordance with HUD's revised Handbook for the Administrative Control of Funds and fiscal year 2003 Appropriations Act requirements, funding is required to continue Funds Control training; design and implementation of the Total and Allocation Mechanism System (TEAM)--a HUD resource management system; and training throughout the Departments for the system's program coordinators and HUD Supervisors. As part of HUD resource management effort, funding is needed to update the Resource Estimation and Allocation Process (REAP)--a HUD resource management process to update the base line resource management database due to modifications in HUD existing programs, new programs, organizational changes and realignments and other changes impacting HUD's staffing requirements. Review and validation of the Section 236 Rental Housing Assistance Program--Interest Reduction Payments data will continue into its next phase, with the automation/digitalization of the data. Support and assistance is required to initiate the process of converting data to the Electronic Line of Credit Control System (eLOCCs) system, which authorizes disbursements to a broad range of recipients. Converting data to the newer system will be initiated in 2006. This is an extensive effort and should be completed in 2007.

Salaries and Expenses, Housing and Urban Development  
Budget Activity 9: Chief Financial Officer

#### Fiscal Year 2007

Funding is required to meet the requirements of the Improper Payments Information Act of 2002, which include annual measurement and PAR reporting of improper payment levels and efforts to reduce improper payments. Funding is required for contracted services to cover the estimated annual cost of providing for a comprehensive consolidated error measurement study of the \$24 billion expended on HUD's various rental assistance programs. Funding is also required for a number of critical needs in the Department in support of the President's Management Agenda (PMA), primarily in support of escalating competitive sourcing analyses (\$2 million), and continuing with quality assurance support and meeting Federal Accounting Standards. Expertise is still required for the Information Technology Investment Management (ITIM) and Security Documentation processes in order to increase the sophistication of documentation and budget submissions specifically with the security documentation. As the requirements continue to evolve and grow, support will be required. Contract support is needed to continue to perform tasks required by OMB Circular A-123, because of the extensive nature of this task. In accordance with HUD's Handbook for the Administrative Control of Funds and fiscal year 2003 Appropriations Act requirements, funding is required to continue funds control training and the design and implementation of Total Estimation and Allocation Mechanism System (TEAM) training through the remainder of the Department. The automation of Section 236 Rental Housing Assistance Program Data will also need to continue because of the extensive nature of this phase of automating/digitalizing this data. Funding is required to update the Resource Estimation and Allocation Process (REAP) baseline database on modifications to existing HUD programs, organizational realignments and other changes. Support and assistance will need to continue to convert data to the Electronic Line of Credit Control System (eLOCCs) system.

#### Training

Funding is also required for training contracts in support of the first year of the CFO's Career Management Program (CMP). The CMP is a specialized 2 year financial management program structured to develop a multi-dimensional workforce possessing base sets of portable, technical, and financial related proficiencies. It provides professional formal training, rotational assignments, mentoring and exposure to high quality work experiences. CMP will enhance the participants' technical core competencies and professional business skills and develop leadership capabilities to their fullest. The CMP is the cornerstone of the CFO's Human Capital Strategic Plan, as it will be used for succession management as well as development for the CFO's future leadership. Participants will be selected based on their current qualifications and potential for assuming critical positions in the OCFO over the course of the next 3-5 years.

In addition to the CMP, the OCFO is engaged in a thorough skills assessment of all financial personnel within the office. The assessment will measure existing skill sets against the core competencies established by the Joint Financial Management Improvement Program (JFMIP) and the CFO Council, as well as, management and leadership competencies established by the Department's Human Capital Strategic Plan. The assessment will also verify existing experience levels, retirement eligibility and other demographic information. The yet unpublished results will clearly define assumed gaps in technical and leadership skills—along with potential areas to concentrate on with regards to succession planning. Technical and leadership training will be provided to close critical gaps, which will facilitate the OCFO's ability to meet the demands of the Department, White House and the Congress.

Technical Services Examples of technical services contracts include:

- FirstGov.Gov. The Department has a Memorandum of Agreement (MOA) authorizing fiscal year payments for information services that links visitors to information and services posted on Federal websites. The Federal Government will help our citizens gain one-stop access to existing Government information and services, increase Government accountability to its citizens;
- Economy Act Agreement. Provides for an agreement with the Small Business Administration (SBA) to reimburse SBA for costs incurred by SBA to certify small disadvantaged businesses;
- Ancillary Lockboxes. In support of an agreement with the Treasury Department, these lockboxes are established to receive funds due the Federal Government.

Salaries and Expenses, Housing and Urban Development  
Budget Activity 10: Chief Financial Officer

- CFO Council. The Council supports two Governmentwide initiatives outlined in the President's Management Agenda: Improved Financial Performance and Expanded Electronic Government. It also provides support to Congressional Committees and Subcommittees dealing with governmentwide financial issues, which stands to benefit the Department.

Salaries and Expenses, Housing and Urban Development  
 Budget Activity 9: Chief Financial Officer

OFFICE OF THE CHIEF FINANCIAL OFFICER  
 Personal Services  
 Summary of Change  
 (Dollars in Thousands)

Personal Services	<u>FTE</u>	<u>S&amp;E Cost</u>
2005 Actual .....	226	\$30,714
2006 Appropriation.....	218	33,048
Changes Due To		
2007 January Pay Raise.....	0	403
2006 Jan. PR.....	0	185
Staffing increase/decrease.....	-3	-316
Other benefit changes.....	0	-1,442
2007 Request.....	215	\$31,878

Salaries and Expenses, Housing and Urban Development  
 Budget Activity 10: Chief Financial Officer

OFFICE OF THE CHIEF FINANCIAL OFFICER  
 Summary of Requirements by Grade  
 Salaries and Expenses  
 (Dollars in Thousands)

	2005	2006	2007	Increase/ Decrease
	<u>Actual</u>	<u>Appropriation</u>	<u>Request</u>	
Grade:				
Executive Level	0	0	0	0
Executive Service	4	4	4	0
GS-15	25	23	23	0
GS-14	48	44	44	0
GS-13	67	63	62	-1
GS-12	24	23	22	-1
GS-11	18	17	17	0
GS-10	0	0	0	0
GS-9	4	4	4	0
GS-8	4	4	4	0
GS-7	23	22	21	-1
GS-6	4	4	4	0
GS-5	0	0	0	0
GS-4	9	8	8	0
GS-3	2	2	2	0
GS-2	0	0	0	0
GS-1	0	0	0	0
Total Positions	232	218	215	-3
Average ES Salary	\$141,836	\$146,516	\$150,032	+\$3,517
Average GS Salary	\$79,492	\$82,116	\$84,086	+\$1,971
Average GS Grade	11.8	11.8	11.8	+ 0.0

Salaries and Expenses, Housing and Urban Development  
 Budget Activity 9: Chief Financial Officer

OFFICE OF THE CHIEF FINANCIAL OFFICER  
 Summary of Requirements by Object Class  
 Salaries and Expenses  
 (Dollars in Thousands)

Object Class	<u>2005 Actual</u>	<u>2006 Appropriation</u>	<u>2007 Request</u>	<u>Increase/Decrease</u>
Personal Services.....	\$30,714	\$33,048	\$31,878	-1,170
Travel and Transportation of Persons.....	673	1,061	273	-788
Transportation of Things.....	0	231	41	-190
Rent, Communication & Utilities.....	70	1,406	1,450	+44
Printing and Reproduction.....	42	187	189	+2
Other Services.....	4,714	6,156	5,867	-289
Supplies and Materials.....	95	310	310	0
Furniture & Equipment.....	1	798	399	-399
Insurance Claims & Indemnities.....	0	0	0	0
Total Obligations.....	36,309	43,197	40,407	-2,790

Included in the 2007 personal services object class are all salaries and personnel benefits including health and life insurance, the Government's contribution to employee retirement plans, accrued leave, and reimbursement for costs incurred during transfers, as well as salary and overtime payments and payments made to the Employees' Compensation Fund for the medical support of former employees who have job-related medical problems. Also included are payments to or for former personnel, including payments to the Federal Employee Compensation Account (FECA) administered by the Department of Labor.

Salaries and Expenses, Housing and Urban Development  
 Budget Activity 10: Chief Financial Officer

**OFFICE OF THE CHIEF FINANCIAL OFFICER  
 Performance Measurement Table**

Program Mission: This mission of the Office of Chief Financial Officer (CFO) is to lead the Department's Headquarters and Field Office officials in the practice of sound financial management in program development and operations, and in the stewardship of public resources.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2005 Plan	2005 Actual	2006 Plan	2007 Plan
HUD financial statements receive unqualified audit opinions, and the preparation and audit of HUD's financial statements is accelerated.	Inspector General's Audit	100 percent	0	100 percent	100 percent
Ensure timely management decisions and final actions on audit recommendations by the HUD Office of Inspector General.	Audit Resolution and Corrective Action Tracking System - ARCATS	100	100	100	100
Support the Department's progress in meeting the Presidential Management Agenda goals.	Quarterly OMB Scorecards	100 percent	100 percent	100 percent	100 percent
Better alignment of budgetary resources with Strategic Plan goals and performance results.	Annual Budget Justifications	100 percent	100 percent	100 percent	100 percent
Modernize the existing HUD Central Accounting and Program System (HUDCAPS).	OMB 300B Submissions	100 percent	100 percent	100 percent	100 percent

EXPLANATION OF PERFORMANCE

In fiscal year 2007, the Office of the Chief Financial Officer proposes \$36,563 million in S&E funding to support Strategic Goal EM: Embrace high standards of ethics, management, and accountability. The mission of the Office of the Chief Financial Officer (CFO) is to lead the Department's Headquarters and Field Office officials in the practice of sound financial management in program development and operations, and in the stewardship of public resources. The CFO advises the Secretary on all aspects of financial management. The CFO ensures that the Department establishes and meets financial management goals and objectives, in compliance with Federal financial management requirements established by the Congress and OMB. The scope of activity crosscuts the entire Department. The CFO is responsible for the preparation, justification, and monitoring of the Department's annual budget. The CFO also establishes policies and standards for development, maintenance, operation, and evaluation of the Department's financial management systems, and provides systems support and accounting services for the administrative and general program activities of the Department. Other responsibilities include the direction and oversight of the Department's management control program, competitive sourcing activity, audit resolution, asset and credit management, and consolidated financial reporting. The CFO also has responsibility for overseeing the Department's implementation of the Government Performance and Results Act (GPRA), including input on the strategic plan and lead responsibility for development of the annual performance plan and the annual performance and accountability report.

Indicator: HUD financial statements are accelerated and receive unqualified audit opinions.

The OCFO continues to focus on improving and accelerating financial reporting and audit results; resolving material weaknesses and improving internal controls; and strengthening funds control and financial systems compliance. HUD's significant results and continuing plans through the second quarter of fiscal year 2006 include:

Salaries and Expenses, Housing and Urban Development  
Budget Activity 9: Chief Financial Officer

- Progressive acceleration of the issuance of HUD's annual Consolidated Financial Statements and Performance and Accountability Report on February 28, 2002, for fiscal year 2001; January 31, 2003, for fiscal year 2002; December 19, 2003, for fiscal year 2003; November 15, 2004, for fiscal years 2004; and November 15, 2005, for fiscal year 2005.
- Receipt of an unqualified audit opinion on the Department's consolidated annual financial statements for four consecutive fiscal years (2000-2003), with receipt of unqualified audit opinions on the financial statements for the FHA, Ginnie Mae, and the Office of Federal Housing Enterprise Oversight components of HUD for fiscal year 2004. The Office of the Inspector General was unable to complete the audit of HUD's consolidated fiscal year 2004 financial statements by the accelerated deadline of November 15, 2004, and issuance of a disclaimer of opinion. The OCFO worked closely with OIG to meet the accelerated audit goal in fiscal year 2005 and did receive an unqualified audit opinion for fiscal year 2005.
- Reduction of the number of auditor-reported material weakness and reportable condition issues by 7 since fiscal year 2001, with corrective action plans to eliminate the remaining 10 issues by fiscal year 2007.
- Reduction of the number of non-compliant financial management systems from 17 to 4, with plans for full systems compliance by fiscal year 2007.
- Timely completion of monthly reconciliation of the funds balance with Treasury and production of quarterly consolidated financial statements within 21 days after the end of each quarter.
- Issuance of updated funds control policies and procedures, with an increased emphasis on funds control training for HUD staff, documentation and cyclical testing of funds control processes for all accounts and activities, and proper processing and action on possible violations of the Antideficiency Act.

Salaries and Expenses, Housing and Urban Development  
Budget Activity 10: Chief Financial Officer

- Reduction of HUD travel card delinquencies to among the lowest levels in the Federal Government, with improved controls over purchase card activity.
- Initiation of corrective actions on the decades-old accounting deficiencies in the Section 236 Program, including full reconciliation of accounting records and source documents and improvements to the accounting and funding estimation processes which were implemented at the end of fiscal year 2005.

OCFO also continues to lead HUD's efforts to implement the Improper Payments Information Act of 2002. HUD has exceeded interim reduction goals for reducing the 2000 estimate of \$3.2 billion in improper rental housing assistance payments, with a 50 percent reduction through the end of fiscal year 2003 and goals for further reductions in 2006 and 2007.

OCFO has begun to implement the new requirements of revised OMB Circular No. A-123 to annually document, test and provide an assurance on the adequacy of internal controls over HUD's financial reporting.

Indicator: Ensure timely management decisions and final actions on audit recommendations by the HUD Office of Inspector General.

The CFO fulfills the Departmental Audit Liaison function for HUD, with responsibility for providing policy, procedures, systems and oversight to assure the timely resolution of internal and external audit work conducted by the HUD Office of Inspector General (OIG). The Inspector General Act of 1978, as amended, establishes requirements for the timely resolution and reporting on OIG audit recommendations by agency managers. By statute, agency managers have six months from the date of issuance of an audit report to reach acceptable management decisions on OIG audit recommendations. HUD achieved its goal of "no overdue" management decisions for the last eight semi-annual reporting cycles ending on September 30, 2001, March 31, 2002, September 30, 2002, March 31, 2003, September 30, 2003, March 31, 2004, September 30, 2004 and March 31, 2005. HUD had previously only achieved this goal one other time since audit resolution tracking began under the Inspector General Act of 1978. For the semi-annual period ending on September 30, 2005, HUD missed its goal on no overdue management decisions when management decisions were not achieved on four recommendations from one report. However, only 4 days after the close of the September 30, 2005 semi-annual period, the management decisions on the four recommendations were achieved. During the last nine reporting cycles, timely management decisions were reached on 3,590 audit recommendations. In addition, during the last nine semi-annual reporting cycles, final actions were completed on 3,608 audit recommendations, as HUD continues to reduce the number of overdue final actions on audit recommendations. HUD began the March 31, 2006 reporting cycle with 271 new audit recommendations requiring management decisions, and 864 audit recommendations pending final action.

Indicator: Support the Department's progress in meeting the Presidential Management Agenda goals.

The CFO provides oversight in the development and implementation of planned actions in support of the PMA. Internal goals included achieving "green" progress scores on all eight initiatives and improved baseline scores on seven of eight initiatives in fiscal year 2005. For the third quarter fiscal year 2005, HUD received seven green and one yellow progress score on its eight PMA initiatives. More significantly, HUD moved baseline goal scores on six of eight initiatives during fiscal year 2005, and currently has two green, five yellow and only one red score as of the end of the third quarter.

Salaries and Expenses, Housing and Urban Development  
Budget Activity 9: Chief Financial Officer

Indicator: Better alignment of budgetary resources with Strategic Plan goals and performance results.

The Department's budget justifications have been enhanced through improved use of the Program Assessment Rating Tool (PART). The Department applied PART to 19 programs covering over 75 percent of HUD's total budget through the first 3 rounds of the PART. Six additional programs are undergoing the PART process in conjunction with the fiscal year 2007 budget cycle. The PART process has reduced and focused HUD's performance indicators and established efficiency measures for consideration in HUD's budget formulation.

The CFO continues to maintain the Resource Estimation and Allocation Process (REAP) and the Total Estimation and Allocation Methodology (TEAM) to support management decisions on resource requirements and allocations to meet HUD's program delivery and oversight needs. In support of the multiple budget cycles overlapping this fiscal year, REAP/TEAM information has been used to: develop HUD's fiscal years 2006 and 2007 staffing plans; control fiscal year 2006 staffing actions; and develop the fiscal years 2007 and 2008 budget justifications.

Indicator: Modernize the existing HUD Central Accounting and Program System (HUDCAPS).

The CFO refreshed the Department's vision for an upgraded and comprehensive financial management system. The define phase, the initial phase for the next generation core financial management system known as the HUD Integrated Financial Management Improvement Project (HIFMIP) was completed in July 2004, to include an assessment of the feasibility, risks and costs of various options for the next generation core financial management system for the Department. HUD has completed the requirements phase of HIFMIP in fiscal year 2005. The next major project phase will include replacing the current OCFO systems: HUDCAPS, PAS and Hyperion with an integrated consolidated financial system (ICFS). The proposed new ICFS will provide HUD with a modern integrated financial process and will give HUD a solid foundation for implementation of e-Government initiatives and other emerging technologies. Further, the ICFS will:

- Reduce deficiencies noted in audits and other reports.
- Overcome the lack of full automated integration between HUD's current accounting systems.
- Eliminate the need for separate systems solely for reporting needs.
- Reduce the number of stand-alone systems and the associated maintenance costs.
- Reduce dependency on "cuff systems" with an on-line interactive reporting capability that will include all transactions processed with minimal time lag.
- Eliminate the need for labor intensive, time consuming, manual adjustments and other efforts required to produce financial statements and obtain a "clean" audit opinion.
- Enhance the consolidated reporting process, and provide the initial capability to transition the Department to the final "integrated financial management system".
- The ICFS implementation will be completed in fiscal year 2008. The OCFO will complete the following system development methodology stages by July 2006: (1) Planning, (2) Enterprise Requirements, (3) Selection of a COTS software system, and (4) Selection of a "center of excellence" or alternate service provider to support the new system; and ensure compliance with e-Government Financial Management Lines of Business recommendations. At the same time HUD is pursuing HIFMIP, OCFO continues to enhance current financial systems to maintain technical currency and to comply with changing program and regulatory requirements.

**Overall Summary of Chief Financial Officer Staff Requirements**

	FTE			Increase + Decrease - 2006 vs 2007
	Estimate 2005	Estimate 2006	Estimate 2007	
Headquarters.....	175.1	170.0	170.0	0.0
Field .....	50.9	48.0	45.0	-3.0
<b>Total .....</b>	<b>226.0</b>	<b>218.0</b>	<b>215.0</b>	<b>-3.0</b>

**Summary of Chief Financial Officer Staff Requirements**

	FTE			Increase + Decrease - 2006 vs 2007
	Estimate 2005	Estimate 2006	Estimate 2007	
<b><u>Headquarters Employment</u></b>				
CFO Immediate Staff and Mgmt Staf	21.4	18.0	20.8	+2.8
OACFO for Accounting	42.1	44.0	43.0	-1.0
OACFO for Financial Managemen	25.5	28.0	29.0	+1.0
OACFO for Budget	51.7	46.0	44.2	-1.8
OACFO for Systems	34.4	34.0	33.0	-1.0
<b>Total</b>	<b>175.1</b>	<b>170.0</b>	<b>170.0</b>	<b>0.0</b>
<b><u>Field Employment</u></b>				
CFO Accounting Center	50.9	48.0	45.0	-3.0
<b>Total</b>	<b>50.9</b>	<b>48.0</b>	<b>45.0</b>	<b>-3.0</b>
	<b>226.0</b>	<b>218.0</b>	<b>215.0</b>	<b>-3.0</b>

Detail of Chief Financial Officer Staff Requirements

Workload Guideline	Workload Indicator	Fiscal Year 2005			Fiscal Year 2006			Fiscal Year 2007				
		Projected Accomplish- ment	Projected Unit Cost (Hrs)	FTE	Underfunded Workload/ Allocation	Projected Accomplish- ment	Projected Unit Cost (Hrs)	FTE	Underfunded Workload/ Allocation	Projected Accomplish- ment	Projected Unit Cost (Hrs)	FTE
<b>Headquarters Employment (OCFO)</b>												
<b>CFO Immediate Staff &amp; Mgmt Staff</b>												
Perform Management Oversight, Policy and Guidance	NA	...	...	3.0		...	...	1.0		...	...	2.0
Provide Administrative Support	Number of Personnel Supported	226	111.69	12.1		218	124.00	13.0		215	143.00	14.8
Provide Legal Support	N/A			6.3				4.0				4.0
<b>Subtotal</b>				<b>21.4</b>				<b>18.0</b>				<b>20.8</b>
<b>OACFO for Accounting</b>												
Perform Management Oversight, Policy and Guidance	NA	...	...	3.4		...	...	3.0		...	...	4.0
Prepare Consolidated Reports and Financial Statements	NA	...	...	9.5		...	...	11.0		...	...	10.0
Process Cash Reconciliations	Number of Cash Reconciliations Processed	115	164.97	9.1		123	164.97	9.8		123	164.97	9.8
Process Payments and Collections	Number of Payments and Collections Processed	4,078	7.95	15.5		4,250	7.95	16.2		4,250	7.95	16.2
Administer Travel for HUD	NA	...	...	4.6		...	...	4.0		...	...	3.0
<b>Subtotal</b>				<b>42.1</b>				<b>44.0</b>				<b>43.0</b>
<b>Field Employment (CFO Accounting)</b>												
<b>CFO Accounting Center</b>												
Perform Management Oversight, Policy and Guidance	NA			1.0				2.0				1.0
Perform Special Projects and Quality Control/Audit Support	NA	...	...	0.7		...	...	1.0		...	...	1.0
Perform Reconciliations	Number of Reconciliations Completed	23	602.40	6.6		23	470.00	5.2		23	470.00	5.2
Process Obligation Documents	Number of Obligating Documents Executed	164,042	0.13	10.2		143,500	0.13	9.0		142,000	0.13	8.9

**Detail of Chief Financial Officer Staff Requirements**

Workload Guideline	Workload Indicator	Fiscal Year 2005			Fiscal Year 2006			Fiscal Year 2007				
		Projected Accomplishment	Projected Unit Cost (Hrs)	FTE	Underfunded Workload/Allocation	Projected Accomplishment	Projected Unit Cost (Hrs)	FTE	Underfunded Workload/Allocation	Projected Accomplishment	Projected Unit Cost (Hrs)	FTE
Perform Loan Accounting for Loan Portfolio	Number of Loans Managed	5,805	2.49	6.9		5,200	2.49	6.2		4,900	2.49	5.9
Process Payments	Number of Program Payments Processed	754,412	0.01	3.6		754,409	0.01	3.6		654,500	0.01	3.1
Provide Travel Voucher and Order Support	Number of Travel Voucher Processed	46,000	0.37	8.2		40,590	0.37	7.2		38,500	0.37	6.8
Provide Relocation Support	Number of Relocation Requests Processed	562	12.51	3.4		618	12.51	3.7		500	12.51	3.0
Provide Commercial Invoice Processing	Number of Invoices Processed	41,311	0.52	10.3		40,210	0.52	10.1		40,210	0.52	10.1
<b>Subtotal</b>				<b>50.9</b>				<b>48.0</b>				<b>45.0</b>
<b>Total CFO Accounting</b>				<b>93.0</b>				<b>92.0</b>				<b>88.0</b>
<b>Headquarters Employment</b>												
<b>OACFO for Financial Management</b>												
Perform Management Oversight, Policy and Guidance	NA	...	...	4.5		...	...	2.0		...	...	2.0
Perform FERA and Compliance Reviews	NA	...	...	8.0		...	...	11.0		...	...	11.0
Perform Audit Coordination	Number of Audits Reports (GAO and OIG) Issued	294	42.60	6.0		226	54.99	6.0		226	54.99	6.0
Perform Funds Control	NA			3.0				5.0				6.0
Formulate Financial Policy and Procedures	NA	...	...	4.0		...	...	4.0		...	...	4.0
<b>Subtotal</b>				<b>25.5</b>				<b>28.0</b>				<b>29.0</b>
<b>OACFO for Budget</b>												
Perform Management Oversight, Policy and Guidance	NA	...	...	2.7		...	...	2.0		...	...	2.0
Perform Budget Formulation (S&E)	NA	...	...	3.1		...	...	3.0		...	...	2.8
Perform Budget Execution (S&E)	NA	...	...	5.4		...	...	5.6		...	...	5.2
Perform Budget Formulation (Program)	NA	...	...	7.6		...	...	6.6		...	...	6.1
Perform Budget Execution (Program)	NA	...	...	6.0		...	...	5.4		...	...	5.3

Detail of Chief Financial Officer Staff Requirements

Workload Guideline	Workload Indicator	----- Fiscal Year 2005 -----			----- Fiscal Year 2006 -----			----- Fiscal Year 2007 -----				
		Projected Accomplish- ment	Projected Unit Cost (Hrs)	FTE	Underfunded Workload/ Allocation	Projected Accomplish- ment	Projected Unit Cost (Hrs)	FTE	Underfunded Workload/ Allocation	Projected Accomplish- ment	Projected Unit Cost (Hrs)	FTE
Perform Periodic Reporting and GPRA-related activities; help produce Strategic Plan and Annual Performance Plan	NA	...	...	7.4		...	...	8.4		...	...	8.3
Provide Budget Systems Support	NA	...	...	10.0		...	...	8.0		...	...	8.0
Coordinate Departmental Resource Management Activities	NA	...	...	6.7		...	...	5.0		...	...	4.5
Support Budget Form & Execut. Activities	NA			2.8				2.0				2.0
<b>Subtotal</b>				<b>51.7</b>				<b>46.0</b>				<b>44.2</b>
<b>OACFO for Systems</b>												
Perform Management Oversight, Policy and Guidance and Monitoring for the ACFO Financial Systems	NA	...	...	9.6		...	...	4.6		...	...	3.6
Manage CFO's Financial Systems	Number of Systems Supported	18	915.65	7.9		18	915.65	7.9		18	915.65	7.9
Perform Capital Planning and Evaluation	NA	...	...	10.2		...	...	11.5		...	...	11.5
Provide Management and Oversight	NA	...	...	4.6		...	...	5.0		...	...	5.0
Design and Perform Test and Analysis	NA	...	...	2.1		...	...	5.0		...	...	5.0
<b>Subtotal</b>				<b>34.4</b>				<b>34.0</b>				<b>33.0</b>
<b>Total</b>				<b>226.0</b>				<b>218.0</b>				<b>215.0</b>

Salaries and Expenses, Housing and Urban Development  
Budget Activity 9: Chief Financial Officer

Explanation of Changes from Fiscal Year 2006 to Fiscal Year 2007

The net decrease of 3 FTE in fiscal year 2007 could result in degradation of financial support services provided to the Department; however the OCFO will attempt to keep those possibilities at a minimum.