

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, and systems of internal control. The CFO provides accounting and reporting services in support of the administrative and general program activities of the Department, and prepares the Department's annual consolidated financial statements. The CFO also has responsibility for overseeing Departmental implementation of the Federal Managers' Financial Integrity Act (FMFIA) and the Government Performance and Results Act (GPRA), including preparation of the annual performance plan and the annual performance and accountability report. The CFO is charged with coordination of the Department's implementation of the President's Management Agenda, with lead responsibility for achieving goals established in the areas of Budget and Performance Integration, Improved Financial Performance, Competitive Sourcing, and Eliminating Improper Payments.

WORKLOAD

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

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

- Coordinate Departmentwide participation/progress on 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 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 10 former Regional Accounting Division operations into a new central Fort Worth Accounting Center, with nearly a 50 percent reduction in the OCFO staffing level of 460 FTE at the time. 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 documented a requirement of 259 FTE. However, the OCFO FTE ceiling for fiscal years 2007 and 2008 is reduced to 215, commensurate with an overall reduction in the Department's fundable FTE staffing level. The CFO is assessing further organizational streamlining opportunities to better utilize available staffing to fulfill the critical support functions of the OCFO.

The OCFO is one of the most "senior" organizations in the Department and needs to execute effective succession planning strategies. Currently, out of 212 on-board employees, 40 are eligible for optional retirement—meaning they could vacate their positions immediately, without notice. Another 46 are eligible for early retirement—meaning between the two categories, nearly 41 percent of the staff is at or nearing optional retirement status.

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 Programmatic, Departmental, 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, or to provide the budgetary resources requested, 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;
- Continued 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 such as HUD's rental housing assistance 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;

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- 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.

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TRAVEL

The table below identifies travel requirements:

	<u>ACTUAL</u> <u>2006</u>	<u>ESTIMATE</u> <u>2007</u>	<u>ESTIMATE</u> <u>2008</u>	<u>INCREASE +</u> <u>DECREASE -</u> <u>2008 vs 2007</u>
	(Dollars in Thousands)			
Travel (HQ) .....	\$1,495	\$225	\$252	+\$27
Travel (Field) .....	<u>59</u>	<u>48</u>	<u>48</u>	<u>...</u>
Total .....	1,554	273	300	+27

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: funds control, asset and credit management; debt collection; resolution of audit findings and internal control weaknesses; and design and testing of internal controls. Increased funding is 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 business process reengineering and competitive sourcing initiatives.

Travel funding is required in support of the OCFO's Career Management Program (CMP). The CMP is an ongoing specialized 2-year financial management program structured to develop a multidimensional 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 OCFO's Human Capital Strategic Plan, as it will be used for succession management for the development of OCFO's future capacity and leadership.

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Other Services

	ACTUAL <u>2006</u>	ESTIMATE <u>2007</u> (Dollars in Thousands)	ESTIMATE <u>2008</u>	INCREASE + DECREASE - <u>2008 vs 2007</u>
Management Studies .....	\$4,909	\$4,677	\$7,078	+\$2,401
Technical Services .....	614	614	614	...
General Support .....	182	182	182	...
Training Contracts, Non-Fed Emp. ....	<u>152</u>	<u>394</u>	<u>394</u>	<u>...</u>
Total .....	5,857	5,867	8,268	+2,401

Management Studies

Fiscal Year 2007

Funding is needed to continue to meet the requirements of the Improper Payments Information Act of 2002. This includes annual measurement and PAR reporting of improper payment levels and efforts to reduce improper payments. Additional funding is required in the amount of \$5 million for contracted services to cover the estimated annual cost of providing for a comprehensive consolidated error measurement study of the \$27 billion expended on HUD's various rental assistance programs. HUD's error measurement studies were previously funded and managed out of a variety of Salaries and Expenses (S&E) and program funding sources from PD&R, PIH and Housing, and have been consolidated for central management in the OCFO's budget at the recommendation of the Office of the Inspector General.

Funding is also required for a number of other critical needs of the Department in support of the President's Management Agenda (PMA). One such critical need is to better support HUD's Information Technology Investment Management (ITIM) and Security Documentation processes in order to improve systems project management and compliance with the Federal Information Systems Management Act (FISMA) for HUD's core financial management systems and other CFO support systems. Contract support is needed to continue to provide quality control for our systems operations and for meeting Federal Accounting Standards. We are continuing to perform tasks required by OMB Circular A-123, and the cost of these extensive requirements is comparable to the cost of the similar Sarbanes-Oxley requirements for private sector accounting. In accordance with HUD's Handbook for the Administrative Control of Funds and prior year Appropriations Act requirements, funding is required to continue funds control training and the documentation and testing of adequate funds control processes. 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 to support improved management of HUD's workforce and workload. In addition, OCFO needs to complete the design and implementation of Total Estimation and Allocation Mechanism System (TEAM) training through the remainder of the Department. Support and assistance will be needed to convert additional activity to the Electronic Line of Credit Control System (eLOCCs) too.

Additional funding is needed to implement increased Business Process Reengineering and A-76 Competitive Sourcing Activity proposed in HUD's 5-Year Competitive Sourcing Plan. These efforts stand to achieve considerable efficiency savings for HUD over the long-run, but require upfront study and implementation costs. The Deputy Secretary issued a memorandum on March 31, 2006 to all the Principal Staff to obtain their input to a 5-Year Competitive Sourcing Plan that would schedule the majority of commercial activities from their FAIR Act inventory for competitive sourcing reviews over the next 5 years. This same memorandum also indicated that functions identified as

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competitive sourcing candidates should have their work processes fully documented and reengineered by management to reduce costs and improve performance prior to competition with the private sector. Additional funding is required for this effort in the amount up to \$5 million, consistent with funding levels at other successful agencies, but only \$500,000 could be funded through HUD's budget for fiscal year 2007.

Fiscal Year 2008

Continued funding will be necessary for fulfilling the requirements of the Improper Payments Information Act of 2002 in the amount of \$5 million. HUD has reduced improper rental housing assistance payments by an estimated \$1.7 billion since fiscal year 2001. We also need to increase funding support for the additional Business Process Reengineering and A-76 Competitive Sourcing activity proposed in HUD's 5-Year Competitive Sourcing Plan, as step towards future operational efficiency savings.

Funding is also required for our ongoing critical activity currently in support of other PMA efforts in the areas of Information Technology Investment Management, security documentation support, administrative support for our security function and Financial Statement Preparation, quality assurance for systems support and meeting Federal Accounting Standards. We are continuing to perform tasks required by OMB circular A-123, and need continued contract assistance because of the extensive nature of this task. Support and assistance will be needed to convert additional activity to the eLOCCS. Funding will be required to update the REAP baseline database on modifications on existing HUD programs, organizational realignments and other changes.

Technical Services

Examples of technical services funding 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, increasing Government accountability to its citizens;

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.

Federal Audit Clearinghouse (FAC). The FAC is the central repository and processing/distribution center for all Office of Management and Budget (OMB) Circular No. A-133 Audits of HUD funding to state and local governments and non-profits. The Department has an Interagency Agreement authorizing fiscal year payments for support and use of the FAC by HUD.

Training

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.

Funding is required for training contracts in support of the OCFO's Career Management Program (CMP). The CMP is an ongoing specialized financial management program, structured on a 2-year cycle, 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.

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In addition to the CMP, the OCFO has completed a thorough skills assessment of all financial personnel within the office. The assessment measured existing skill sets against 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 verified existing experience levels, retirement eligibility and other demographic information. The results clearly identified 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.

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

<u>Personal Services</u>	<u>FTE</u>	<u>S&amp;E Cost</u>
2006 Actual .....	214	\$31,579
2007 Estimate.....	215	\$31,878
<u>Additional Changes Due To</u>		
Workdays (2).....		180
2008 January Pay Raise.....	0	420
2007 January Pay Raise.....	0	142
Staffing increase/decrease.....	-4	-445
Other benefit changes.....	0	1,361
2008 Request.....	211	\$33,536

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

	2006	2007	2008	Increase/ Decrease
	<u>Actual</u>	<u>Estimate</u>	<u>Request</u>	
Grade:				
Executive Level	1	0	1	+1
Executive Service	4	4	4	0
GS-15	24	23	24	+1
GS-14	48	44	46	2
GS-13	58	62	57	-5
GS-12	33	22	32	10
GS-11	6	17	6	-11
GS-10	0	0	0	0
GS-9	4	4	4	0
GS-8	5	4	5	1
GS-7	26	21	26	5
GS-6	1	4	1	-3
GS-5	1	0	1	1
GS-4	4	8	4	-4
GS-3	0	2	0	-2
GS-2	0	0	0	0
GS-1	0	0	0	0
Total Positions	215	215	211	-4
Average ES Salary	\$145,306	\$146,516	\$150,032	+\$3,517
Average GS Salary	\$84,505	\$82,116	\$84,087	+\$1,971
Average GS Grade	12.1	11.8	12.0	+ 0.2

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

<u>Object Class</u>	<u>2006 Actual</u>	<u>2007 Estimate</u>	<u>2008 Request</u>	<u>Increase/Decrease</u>
Personal Services.....	\$31,578	\$31,878	\$33,536	+1,658
Travel and Transportation of Persons.....	1,554	273	300	+27
Transportation of Things.....	19	41	230	+189
Rent, Communication & Utilities.....	60	1,450	536	-914
Printing and Reproduction.....	47	189	198	+9
Other Services.....	5,857	5,867	8,268	+2,401
Supplies and Materials.....	96	310	309	-1
Furniture & Equipment.....	0	399	370	-29
Insurance Claims & Indemnities.....	-1	0	0	0
Total Obligations.....	39,211	40,407	43,747	+3,340

Included in the 2008 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.

Additional funding will be necessary for fulfilling our requirements in meeting the Improper Payments Act of 2002 in the amount of \$5 million. We also need to increase funding for the increased Business Process Reengineering and A-76 Competitive Sourcing activity required in HUD's 5-Year Competitive Sourcing Plan. This will require an additional \$5 million to be added to our fiscal year 2008 budget, which will enable HUD to be successful in meeting the cost efficiency savings and performance improvement goals of the President's Management Agenda.

**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	
		2006 Plan	2006 Actual	2007 Plan	2008 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 2008, the Office of the Chief Financial Officer proposes \$43,747 million in Salaries and Expenses (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 reportable conditions 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 2007 include:

- Progressive acceleration of the issuance of HUD's annual Consolidated Financial Statements and Performance and Accountability Report on January 31, 2003, for fiscal year 2002; December 19, 2003, for fiscal year 2003; and by November 15 or each fiscal year thereafter.
- 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 issued a disclaimer of opinion. The OCFO worked closely with the OIG to meet the accelerated audit goal in fiscal year 2005 and did receive an unqualified audit opinion for fiscal year 2004 and 2005 financial statements. In addition, the Department received an unqualified audit opinion on fiscal year 2006 financial statements.
- Reduction of the number of auditor-reported material weakness and reportable condition issues by 7 since fiscal year 2001, with elimination of all remaining material weaknesses in fiscal year 2006 and corrective action plans to eliminate the remaining 6 reportable conditions by the first quarter of fiscal year 2008.
- Reduction of the number of non-compliant financial management systems from 17 to 2, 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 the 1<sup>st</sup> through the 3<sup>rd</sup> quarter and by November 15<sup>th</sup> for the 4<sup>th</sup> quarter.
- Issued 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.
- HUD's travel card delinquency is among the lowest levels in the Federal Government. HUD continues to work on improving controls over purchase card activity.

In fiscal year 2006 the OIG review of the Interest Reduction Program noted improvements in HUD's processes for reviewing obligations. HUD developed and implemented procedures for reconciling, on a quarterly basis, its obligated balances associated with each Section 236 IRP contract. Since the new procedures were implemented in May 2006, HUD has identified the inactive contracts and reconciled 344 of these contracts with 11 servicers. The department is currently working on reconciling the remaining contracts and expects to complete this process by the end of second quarter in fiscal year 2007.

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 60 percent reduction through the end of fiscal year 2005, and goals for further reductions in 2006 and 2007.

OCFO has implemented 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. For the semi-annual period ending on March 31, 2006, HUD missed its goal on no overdue management decisions when management decisions were not achieved on two recommendations from one report. For the semi-annual period ending on September 30, 2006, HUD again achieved its goal of no overdue management decisions. During the last eleven reporting cycles, timely management decisions were reached on 4,455 audit recommendations. In addition, during the last eleven semi-annual reporting cycles, final actions were completed on 4,431 audit recommendations, as HUD continues to reduce the number of overdue final actions on audit recommendations. HUD began the October 1, 2006 reporting cycle with 350 new audit recommendations requiring management decisions, and 965 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. HUD has shown constant improvement in its status scores, with an improvement in its status score on 1 initiative in fiscal year 2004, improvement on 6 additional initiatives in fiscal year 2005, and 1 additional status score improvement in fiscal year 2006. Internal goals include achieving "green" progress scores on all 9 initiatives each quarter and improving the baseline scores on 3 of 9 initiatives in fiscal year 2007. As of the end of fiscal year 2006, HUD has 3 green, 4 yellow, 1 deferred rating (Credit Program Management) and only 1 red score. Further, by eliminating long-standing material weaknesses in its audited financial statements, HUD is poised to achieve the top score of green on its only remaining "red" initiative--Improved Financial Performance--early in calendar year 2007.

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

The Department has focused its efforts on integrating performance information with the development of budget requests and improving the effectiveness and efficiency of Department programs and operations. A Performance Budget was submitted to the Office of Management and Budget in September 2006 and the Department has responded to several OMB suggestions and made further efforts to better integrate performance data and budget decision making for the President's fiscal year 2008 budget request that will be submitted on February 5, 2007. Significant efforts include utilization of the Department's revised Strategic Plan, Performance Accountability Report results for fiscal year 2006 and the fiscal year 2007 Annual Performance Plan performance projections. These efforts reflect improved performance indicators, greater emphasis on outcome indicators and better use of obtainable data as well as related data efforts including quality improvements.

The Department's budget justifications have also been enhanced to emphasize and document the integration of performance data and budget decision-making. The Department has now had 31 programs representing the vast majority of the Department's programs and program dollars reviewed under OMB's Program Assessment Rating Tool (PART). The PART process has helped improve program indicators and in several instances has promoted program changes. These changes have resulted in more effective and efficient programs that produce more significant outcomes. There are a number of instances where the Department has proposed the elimination of certain programs because of their ineffectiveness or low priority. The Department has also established efficiency measures for PARTed programs and these also contribute to improved performance outcomes.

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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 staffing plans; control staffing actions; and develop the fiscal years 2007 and 2008 budget justifications.

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

The HUD Integrated Financial Management Improvement Project (HIFMIP) is an enterprise wide initiative that will implement the new vision for HUD financial management. The vision includes a core financial system that provides the major component of a comprehensive source of financial, budget and financial performance information to the Department. A modern and effective core financial system will:

- Ensure full OMB-OFFM compliance;
- Correct identified weaknesses;
- Strengthen financial system data integrity; and
- Improve internal and management controls.

The HIFMIP goal is to implement an integrated financial management system that provides for the agency's ability to manage funds and achieve program goals. The system will have the capability to share relevant information with other government agencies, such as U.S. Treasury and include an agency executive information system that provides financial and program management information to all internal and external stakeholders.

HIFMIP encompasses more than just a new financial system. The overall HIFMIP vision calls for a four-phased approach to fully integrate programmatic and financial information. Integrated and programmatic information will allow HUD to be proactive in decision-making and timely in providing information to its various constituencies.

HIFMIP is significant investment; and to ensure goals and objective are achieved, four implementation phases have been defined to provide a manageable method of moving from the current state to the desired financial management environment. Within the four phases, the OCFO developed stages (sub-phases) to manage evolution of each subsystem through its own development approach. The plans reflect a project team structure and other mechanisms to ensure effective coordination across the OCFO, FHA, Ginnie Mae and OFHEO financial system modernization projects. The OCFO project team has developed a Roadmap document and project work plan (PWP) to serve as the internal guide for the implementation of an integrated financial management system (IFMS) by the schedule and specific milestones established in the four project phases and stages.

Phase	Stage	Target Completion Date	Status
Organizational Preparation	Develop Vision	January 2004	Completed on Schedule
	System Planning	July 2004	
	System Requirements	September 2005	
Integrated Core Financial Management System (ICFMS) Implementation	OCFO Transition to ICFMS	FY 2009	On Schedule
	FHA Transition to ICFMS	FY 2009	
	Ginnie Mae Transition to ICFMS	FY 2010	
	Upgrade to Current Vendor Software product	FY 2011	
	OFHEO Transition to ICFMS	FY 2012	
Operational System Enhancements	Subsidiary Financial Systems Enhancement/Interfaces	FYs 2006-2009	On-going

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Phase	Stage	Target Completion Date	Status
	Program Systems Enhancements/Interfaces	FYs 2007-2011	Planned
	Budget Formulation/Preparation System Integration	FY 2010	Planned
	New Procurement System Integration/Interface Replacement	FY 2010	Planned
	Financial Sub-system Integration to ICFMS	FY 2010	Planned
Integrated Financial and Program Performance	Financial Data Warehouse Enhancement/Replacement	FYs 2012-2013	Planned
	Customer Relationship Management System Implementation/Integration	FYs 2012-2013	Planned
	Decision Support System Implementation/Integration	FYs 2012-2013	Planned
	Enterprise Performance Management System Implementation/Integration	FYs 2012-2013	Planned

The future state of HUD's financial management system environment will include a Shared Service Provider (SSP) to provide application hosting services and will meet federal financial management system requirements for core accounting services. The OCFO goal is to create an Integrated Financial Management System (IFMS) with a single financial system infrastructure that includes the Federal Housing Administration (FHA), Government National Mortgage Administration (GNMA) and the Office of Federal Housing Enterprise Oversight (OFHEO), using standardized applications and services that will ensure accountability and control of resources; and produce accurate, consistent, timely and useful financial information while linking to program information.

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

	FTE			Increase + Decrease - 2008 vs 2007
	Actual 2006	Estimate 2007	Estimate 2008	
Headquarters.....	167.0	170.0	166.0	-4.0
Field .....	47.0	45.0	45.0	0.0
<b>Total .....</b>	<b>214.0</b>	<b>215.0</b>	<b>211.0</b>	<b>-4.0</b>

**Summary of Chief Financial Officer Staff Requirements**

	Actual 2006	Estimate 2007	Estimate 2008	Increase + Decrease - 2008 vs 2007
<b><u>Headquarters Employment</u></b>				
CFO Immediate Staff and Mgmt Staf	18.0	18.0	17.0	-1.0
OACFO for Accounting	42.0	42.0	41.8	-0.2
OACFO for Financial Managemen	28.0	29.0	28.2	-0.8
OACFO for Budget	46.0	50.0	49.0	-1.0
OACFO for Systems	33.0	31.0	30.0	-1.0
<b>Total</b>	<b>167.0</b>	<b>170.0</b>	<b>166.0</b>	<b>-4.0</b>
<b><u>Field Employment</u></b>				
CFO Accounting Center	47.0	45.0	45.0	0.0
<b>Total</b>	<b>47.0</b>	<b>45.0</b>	<b>45.0</b>	<b>0.0</b>
	<b>214.0</b>	<b>215.0</b>	<b>211.0</b>	<b>-4.0</b>

**Detail of Chief Financial Officer Staff Requirements**

Workload Guideline	Workload Indicator	Fiscal Year 2006			Fiscal Year 2007			Fiscal Year 2008				
		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
<b>Headquarters Employment (OCFO)</b>												
<b>CFO Immediate Staff &amp; Mgmt Staff</b>												
Perform Management Oversight, Policy and Guidance	NA	...	...	1.0		...	...	2.0		...	...	2.0
Provide Administrative Support	Number of Personnel Supported	218	124.00	13.0		215	117.00	12.1		211	117.00	11.8
Provide Legal Support	N/A			4.0				3.9				3.2
<b>Subtotal</b>				<b>18.0</b>				<b>18.0</b>				<b>17.0</b>
<b>OACFO for Accounting</b>												
Perform Management Oversight, Policy and Guidance	NA	...	...	2.0		...	...	3.0		...	...	3.0
Prepare Consolidated Reports and Financial Statements	NA	...	...	11.0		...	...	11.0		...	...	11.0
Process Cash Reconciliations	Number of Cash Reconciliations Processed	123	164.97	9.8		123	164.97	9.8		123	164.97	9.7
Process Payments and Collections	Number of Payments and Collections Processed	4,250	7.95	16.2		4,250	7.95	16.2		4,250	7.95	16.1
Administer Travel for HUD	NA	...	...	3.0		...	...	2.0		...	...	2.0
<b>Subtotal</b>				<b>42.0</b>				<b>42.0</b>				<b>41.8</b>
<b>Field Employment (CFO Accounting)</b>												
<b>CFO Accounting Center</b>												
Perform Management Oversight, Policy and Guidance	NA		...	1.0			...	1.0			...	1.0
Perform Special Projects and Quality Control/Audit Support	NA	...	...	1.0		...	...	1.0		...	...	1.0
Perform Reconciliations	Number of Reconciliations Completed	23	470.00	5.2		23	470.00	5.2		23	470.00	5.2

**Detail of Chief Financial Officer Staff Requirements**

Workload Guideline	Workload Indicator	Fiscal Year 2006			Fiscal Year 2007			Fiscal Year 2008				
		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
Process Obligation Documents												
	Number of Obligating Documents Executed	143,500	0.13	9.0		142,000	0.13	8.9		143,000	0.13	8.9
Perform Loan Accounting for Loan Portfolio	Number of Loans Managed	5,200	2.49	6.2		4,900	2.49	5.9		4,990	2.49	5.9
Process Payments												
	Number of Program Payments Processed	754,409	0.01	3.6		654,500	0.01	3.1		654,500	0.01	3.1
Provide Travel Voucher and Order Support	Number of Travel Voucher Processed	40,590	0.37	7.2		38,500	0.37	6.8		38,500	0.37	6.8
Provide Relocation Support												
	Number of Relocation Requests Processed	618	12.51	3.7		500	12.51	3.0		500	12.51	3.0
Provide Commercial Invoice Processing	Number of Invoices Processed	40,210	0.52	10.1		40,210	0.52	10.1		39,500	0.54	10.1
<b>Subtotal</b>				<b>47.0</b>				<b>45.0</b>				<b>45.0</b>
<b>Total CFO Accounting</b>				<b>89.0</b>				<b>87.0</b>				<b>86.8</b>
<b>Headquarters Employment</b>												
<b>OACFO for Financial Management</b>												
Perform Management Oversight, Policy and Guidance	NA	...	...	2.0		...	...	2.0		...	...	2.0
Perform FERA and Compliance Reviews	NA	...	...	11.0		...	...	11.0		...	...	10.2
Perform Audit Coordination	Number of Audits Reports (GAO and OIG) Issued	226	54.99	6.0		226	54.99	6.0		227	54.99	6.0
Perform Funds Control	NA			5.0				6.0				6.0
Formulate Financial Policy and Procedures	NA	...	...	4.0		...	...	4.0		...	...	4.0
<b>Subtotal</b>				<b>28.0</b>				<b>29.0</b>				<b>28.2</b>
<b>OACFO for Budget</b>												

**Detail of Chief Financial Officer Staff Requirements**

Workload Guideline	Workload Indicator	Fiscal Year 2006			Fiscal Year 2007			Fiscal Year 2008				
		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 Management Oversight, Policy and Guidance	NA	...	...	2.0		...	...	3.0		...	...	3.0
Perform Budget Formulation (S&E)	NA	...	...	3.0		...	...	4.0		...	...	3.0
Perform Budget Execution (S&E)	NA	...	...	5.6		...	...	6.0		...	...	6.0
Perform Budget Formulation (Program)	NA	...	...	6.6		...	...	6.6		...	...	6.6
Perform Budget Execution (Program)	NA	...	...	5.4		...	...	6.0		...	...	6.0
Perform Periodic Reporting and GPRA-related activities; help produce Strategic Plan and Annual Performance Plan	NA	...	...	8.4		...	...	8.4		...	...	8.4
Provide Budget Systems Support	NA	...	...	8.0		...	...	8.0		...	...	8.0
Coordinate Departmental Resource Management Activities	NA	...	...	5.0		...	...	6.0		...	...	6.0
Support Budget Form & Execut. Activities	NA			2.0				2.0				2.0
<b>Subtotal</b>				<b>46.0</b>				<b>50.0</b>				<b>49.0</b>
<b>OACFO for Systems</b>												
Perform Management Oversight, Policy and Guidance and Monitoring for the ACFO Financial Systems	NA	...	...	4.6		...	...	3.6		...	...	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	...	...	11.5		...	...	11.5		...	...	11.5
Provide Management and Oversight	NA	...	...	4.0		...	...	4.0		...	...	4.0
Design and Perform Test and Analysis	NA	...	...	5.0		...	...	4.0		...	...	3.0
<b>Subtotal</b>				<b>33.0</b>				<b>31.0</b>				<b>30.0</b>
<b>Total</b>				<b>214.0</b>				<b>215.0</b>				<b>211.0</b>

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

Explanation of Changes from Fiscal Year 2007 to Fiscal Year 2008

The net decrease of 4 FTE in fiscal year 2008 could result in degradation of financial support services provided to the Department; however, the OCFO will attempt to keep those possibilities at a minimum. In fiscal year 2008, each ACFO and the CFO Immediate and Management Staffs are estimated to lose FTE in their respective organizations. Any further reductions may have a severe impact of providing financial management services and maintaining operational effectiveness. A comprehensive review of all positions when drafting staffing plans, reflecting reduced staffing levels, is needed to properly align employees to maintain adequate technical support capabilities.