



Issue Date	March 28, 2001
Audit Case Number	2001-FO-0004

TO: Victoria L. Bateman, Deputy Chief Financial Officer, F

FROM: Joseph Rothschild, Acting Director, Financial Audits Division, GAF

SUBJECT: Review of HUD's Internal Controls Over Fiscal Year 1999 Annual Performance Data

This report presents the results of our review of HUD's internal controls to assure the reliability of selected performance data. We reviewed a sample of performance indicators that were presented in HUD's fiscal year 1999 Annual Performance Report and remained in HUD's fiscal year 2001 Annual Performance Plan. We concluded that the data for six performance indicators from three offices were reliable, however, we identified problems with 16 indicators from five other offices. There will continue to be problems in HUD's Annual Performance Report until the quality of data in the Department's information systems are improved. This report contains two findings.

I appreciate the courtesies and cooperation extended to my staff during the conduct of the review.

In accordance with HUD Handbook 2000.6 REV-3, within 60 days, please submit to me, for each recommendation, a status report on: (1) the corrective action taken; (2) the proposed corrective action and target completion dates; or (3) why action is considered unnecessary. For recommendations addressed to the Chief Information Officer or other HUD officials, please coordinate their response or, at your option, request that they respond directly to me. An additional status report is required on any recommendation without a management decision after 110 days. Also, please furnish us with copies of any correspondence or directives issued in response to our report.

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## Executive Summary

We have completed a review of the internal controls over the Department of Housing and Urban Development's (HUD) fiscal year 1999 annual performance data. The objective of our review was to determine what internal controls HUD has established to ensure the accuracy and reliability of data presented in its fiscal year 1999 Annual Performance Report (APR).

HUD presented 85 performance indicators from ten headquarters offices in its fiscal year 1999 APR. In order to accomplish our objective, we selected a sample of performance indicators that were presented in HUD's fiscal year 1999 Annual Performance Report and remained in HUD's fiscal year 2001 Annual Performance Plan. We reviewed data for 22 performance indicators from eight offices. The data for six performance indicators from three offices were considered accurate and reliable, however, we identified problems with data for 16 indicators from five other offices. The results of our review are summarized below.

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### **Performance Was Estimated**

Many of the performance indicators we reviewed contained data that were estimated by HUD offices. Offices estimated the data because they did not have current data or did not have confidence in their data to give an accurate description of accomplishments. Although the estimates may have given a better picture than the data offices had, these offices cannot attest to the accuracy and reliability of these performance data presented in the fiscal year 1999 APR.

### **Some Data in the APR Were Inaccurate**

Data presented in the fiscal year 1999 APR for some performance measures were inaccurate. The inaccuracies occurred for different reasons. Some occurred because offices did not review a draft of the APR which was provided to them for final approval and therefore did not detect erroneous data that appeared in the report. Others occurred because systems that accumulate performance data were updated after data were extracted for the APR. Because of these inaccuracies, a clear picture of accomplishments is not being reported in the fiscal year 1999 APR.

### **Standards for Data Quality Not Established**

HUD has not set Department wide standards for criteria that determine data quality and direct data cleanup efforts. As part of a data cleanup effort, a guidebook was published which established a process for determining data cleanliness based on six criteria; valid, unique, complete, consistent, timely, and accurate. The guidebook sets definitions for these criteria,

**HUD Comments and our  
Evaluation**

however, it falls short of setting a standard for each criteria that program offices can follow to determine cleanliness of data. Without this, HUD offices do not have standards for criteria that determine data quality and serve as a basis to direct data cleanup efforts as well as to formulate data quality plans.

In general, the Deputy Chief Financial Officer and cited offices agreed with our findings and recommendations and stated that actions have been taken or are planned to strengthen internal controls over data quality. Detailed comments from the sited offices in our draft report were considered when finalizing this report. Changes to the report were made where appropriate.

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## Abbreviations

APR	Annual Performance Report
CDBG	Community Development Block Grant
CFO	Chief Financial Officer
C/MIS	Cash/Management Information System
CPD	Office of Community Planning and Development
DEC	Departmental Enforcement Center
EZ/EC	Empowerment Zone/Enterprise Community Initiative
FHEO	Office of Fair Housing and Equal Opportunity
GPRA	Government Performance and Results Act
HOME	HOME Investment Partnerships Program
HOPWA	Housing Opportunities for Persons With AIDS
HUD	Department of Housing and Urban Development
IBS	Integrated Business Systems
IDIS	Integrated Disbursement and Information System
NAPA	National Academy of Public Administration
OCIO	Office of the Chief Information Officer
PER	Performance Evaluation Reports
PERMS	Performance Measurement System
PHAS	Public Housing Assessment System
PIH	Office of Public and Indian Housing
REAC	Real Estate Assessment Center
SNAPS	Office of Special Needs Assistance Programs

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# Introduction

On March 31, 2000 HUD filed its fiscal year 1999 Annual Performance Report with the Congress. The report presented data on performance indicators under five strategic goals. It was HUD's initial report and fulfills a requirement of the "Government Performance and Results Act of 1993" (GPRA).

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## Background

GPRA was enacted August 3, 1993 to provide for the establishment of strategic planning and performance measurement in the Federal Government. The Act requires agencies to submit to the Director of the Office of Management and Budget and to the Congress a strategic plan for program activities covering a period of not less than five years. GPRA also requires that agencies prepare an annual performance plan covering each program activity set forth in their budget. The purpose of the plan is to:

- 1) establish performance goals to define the level of performance to be achieved by a program activity;
- 2) express such goals in an objective, quantifiable, and measurable form unless authorized to be in an alternative form;
- 3) briefly describe the operational processes, skills and technology, and the human, capital, information, or other resources required to meet the performance goals;
- 4) establish performance indicators to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity;
- 5) provide a basis for comparing actual program results with the established performance goals; and
- 6) describe the means to be used to verify and validate measured values.

In addition, GPRA requires that agencies report on accomplishments as they relate to program activities and goals. It states that the head of each agency shall prepare and submit to the President and the Congress, a report on program performance for the previous fiscal year no later than March 31, 2000 and each March 31 thereafter. The performance report shall set forth the performance indicators established in the

agency performance plan along with the actual program performance achieved compared with the performance goals expressed in the plan for that fiscal year.

HUD's Deputy Secretary has overall responsibility for compliance with GPRA. The Assistant Secretary for Policy Development and Research is responsible for the five year strategic plan. The Chief Financial Officer (CFO) prepares the annual performance plan and the annual performance report. HUD offices set performance indicators and goals for the annual performance plan, and report on program accomplishments. Offices are also responsible for producing data that measure progress toward attaining goals, maintaining documentation to support data presented in the APR, and ensuring that adequate internal controls exist in systems that produce performance data. The Office of the Chief Information Officer (OCIO) has lead responsibility for improving and assuring data quality in HUD systems. This includes systems that produce performance indicator data.

**Objectives, Scope, and Methodology**

The first objective of our review was to determine what internal controls HUD has established to ensure the accuracy and reliability of performance data presented in the fiscal year 1999 Annual Performance Report. In order to accomplish this, we selected a non-representative sample of 22 performance indicators from 8 offices that were presented in the fiscal year 1999 Annual Performance Report and remained a performance indicator in HUD's fiscal year 2001 Annual Performance Plan. We used this selection criteria so as not to pick performance indicators that HUD did not plan to report on in the future. In its fiscal year 1999 Annual Performance Report, HUD presented 85 performance indicators from ten program and support offices. We requested various information on the indicators in our sample. This information included documentation to support amounts presented in the report, the system or process which produced the amounts, internal controls or validation/verification efforts to ensure the accuracy of performance data and documentation to support that internal controls were in place and that validation/verification efforts were carried out.

A second objective was to determine what, if any, data quality assurance initiatives were underway in HUD to assure the

quality of performance data. The National Academy of Public Administration (NAPA) performed a study on GPRA in HUD and dedicated an entire chapter in its July 1999 report entitled, "*GPRA IN HUD, CHANGES FOR THE BETTER*" to Data Quality Assurance. NAPA reviewed HUD's approach to data quality and made observations and recommendations for improvement. We reviewed progress made by HUD in implementing these recommendations.

A letter to the Inspector General dated May 10, 2000 from the Chairman of the Senate Committee on Governmental Affairs requested, among other objectives, a review of the Department's fiscal year 1999 performance report. The Chairman requested that the report be analyzed in terms of the validity and reliability of the data by which the agency judged its performance.

We performed our review of internal controls over HUD's fiscal year 1999 annual performance data at HUD headquarters from May through October 2000.

We conducted the review in accordance with generally accepted government auditing standards.



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## **Accomplishment Data Were Estimated for Some Performance Indicators and Inaccurate for Others**

Our review of performance data that appeared in HUD's fiscal year 1999 Annual Performance Report (APR) revealed that some offices presented estimated rather than actual accomplishment data, while data from other offices were inaccurate. These results are presented in detail below. In addition, we reviewed accomplishment data from three offices that we concluded were accurate and reliable. We selected three performance indicators presented by the Federal Housing Administration, two by the Office of Lead Hazard Control and one by the Government National Mortgage Association. These offices supplied us with the information we requested. Documentation supported amounts presented in the APR and internal controls used to produce the data were considered adequate.

The General Accounting Office's Standards for Internal Controls in the Federal Government state that, "Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained."

We selected a non-representative sample of performance indicators that were presented in the fiscal year 1999 Annual Performance Report (APR). The selected performance indicators came from the following offices; Community Planning and Development, Public and Indian Housing, Real Estate Assessment Center, Departmental Enforcement Center, Fair Housing and Equal Opportunity, Federal Housing Administration, Lead Hazard Control and Government National Mortgage Association. In order for performance data to be accurate and reliable, it should be produced from a system or process that has adequate internal controls. Offices within HUD are responsible for the quality of data in their systems that produce performance information. We contacted offices that supplied data for the performance indicators in our sample and requested information on the data. The information we requested included documentation to support amounts presented in the report, the system or process which produced the amounts, internal controls or validation/verification efforts to ensure the accuracy of performance data and documentation to support that internal controls were in place or that validation/verification efforts were carried out.

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### **Office of Community Planning and Development**

Five programs from the Office of Community Planning and Development (CPD) supplied data for performance indicators in our sample. They were Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME), Housing Opportunities for Persons With AIDS (HOPWA), Homeless Programs, and Empowerment Zone/Enterprise Community Initiative (EZ/EC). The results of our review of performance data from these programs follow.

**Projections and  
Estimates Were Used to  
Report CDBG Program  
Accomplishments**

Projections and estimates were used to formulate CDBG program performance measurements rather than actual grantee accomplishments. Our sample performance indicators from CDBG were, “*the number of households assisted,*” and “*the number of jobs created as a result of the use of CDBG, EDI and Section 108 Funds.*” Part of CDBG’s projections were based on data that were more than five years old. In addition, housing unit and job data were estimated using a percentage of the total authorizations or allocations for fiscal year 1999. Although the percentages were derived from actual fiscal year 1999 data, they were applied to total authorizations or allocations rather than program expenditures. We also did not receive documentation to support the cost per housing unit and cost per job figures. CDBG used estimated accomplishments because the system used to accumulate actual performance information, the Integrated Disbursement and Information System (IDIS), was undergoing a data cleanup and grantees only reported cumulative accomplishment information in the system. Moreover, IDIS was in the process of being implemented during fiscal year 1999 and not all non-entitlement grantees had made the conversion to the new system.

“Households assisted” unit data calculations: Fiscal year 1999 expenditure data for activity codes relating to household units were totaled and a percentage of total expenditures was calculated. This percentage was multiplied by fiscal year 1999 total authorizations to obtain an estimate of total authorizations used for housing. This figure was divided by a historical cost per unit amount to arrive at the unit figure. Documentation was not available to support the cost per unit amount. Since some non-entitlement grantees had not converted to IDIS, expenditure data for these grantees were totaled from a database of 1997 Performance Evaluation Reports (PER) from non-entitlement grantees. This was the most recently available information. Activity codes were totaled and the unit figure was calculated similar to entitlement grantees, using fiscal year 1999 authorizations. No supporting documentation for the calculation of the cost per housing unit was available.

“Jobs Created” data calculations: Entitlement grantee performance data were calculated using the total amount of fiscal year 1999 expenditures from IDIS for activity codes

related to jobs creation divided by a historical cost per job amount to arrive at the job figure. The cost per job amount was over five years old and supporting documentation was not available. The non-entitlement data were calculated using the total budgeted amount for economic development activities and fiscal year 1996 data contained in the PER database. The total was then divided by the cost per job amount which was calculated from the States' PERs for program years 1993 and 1994. Finally, the Section 108 loan guarantee data were calculated using a total percentage of the dollar amount committed to the program. This figure was divided by a cost per job amount that was based on 40 Section 108 projects that received economic development grants in June 1995.

**HOME Program  
Accomplishments Were  
Based on Projections of  
Trend Data**

**HOME** program officials did not have confidence in the reliability of data in IDIS to present actual program accomplishments for fiscal year 1999. Therefore, HOME officials used trend analysis based on historical data from the Cash/Management Information System (C/MIS) for fiscal years 1996 and 1997 to project accomplishments for fiscal year 1999. HOME program performance indicators that we reviewed were, *“number of households assisted with tenant-based rental assistance,”* and *“the number of HOME production units that are completed within the fiscal year increases 4 percent.”*

The system used by most HOME grantees to document accomplishment data for fiscal year 1999, IDIS, had inherent data inaccuracies caused by several factors. Conversion from the old system, C/MIS, to IDIS resulted in inaccurate or incomplete data transfers. In addition, input to C/MIS was centrally located and performed by HUD employees while input to IDIS is performed by grantees. Training 600 grantees to enter data into IDIS was a significant challenge. Moreover, IDIS did not contain adequate edits to prevent bad data from being entered in the system. These factors caused a lack of confidence in the accuracy of IDIS data and led HOME officials to conclude that a projection of accomplishments from historic data would give a better measure of program accomplishments. HOME officials are currently undergoing a data cleanup effort to correct the data in IDIS. They have also implemented enhancements to IDIS which are intended to prevent bad data from being entered into the system in the future.

**Estimated Results Were Used for the HOPWA Program**

For the **HOPWA** program, CPD did not have readily available information for all grantees to support actual program accomplishments during fiscal year 1999. Therefore, program results were estimated and clearly stated as such in the Annual Performance Report. The HOPWA program performance indicator we reviewed was, *“increase the number of housing units provided with assistance and supportive services to low-income persons with HIV/AIDS and their families.”* HOPWA program officials based their estimate on actual program accomplishments that were collected for fiscal year 1998 and projected to fiscal year 1999 based on actual expenditures from fiscal year 1999. The HOPWA program formula grantees use IDIS to document accomplishment data, IDIS was unable to track accomplishment data by the fiscal year in which the activity took place. Instead, IDIS tracked accomplishment data by funding year.

**Projected Bed Information Based on Awarded Grant Applications Was Used for the Homeless Program**

For fiscal year 1999, the Office of Special Needs Assistance Programs (SNAPS) did not have readily available **Homeless** Program bed information to report actual program accomplishments. Homeless program performance indicators that we reviewed were, *“the number of transitional housing beds that are linked to supportive services increases,”* and *“the number of formerly homeless persons who move into HUD McKinney-funded permanent housing increases.”* The program results presented in HUD’s fiscal year 1999 Annual Performance Report were actually projections of the number of beds obtained from awarded grant applications, not actual program accomplishments. SNAPS officials used projections because grantees were not required to report actual bed accomplishment data in their fiscal year 1999 Annual Progress Reports. For fiscal year 2000, SNAPS revised its grantee Annual Progress Report to include actual accomplishment data on the number of beds. They also obtained the services of a contractor to track grantee Annual Progress Reports and compile the data contained in them.

**The Number of Jobs Was Estimated for the EZ/EC Program**

The **EZ/EC** Office did not have confidence in some of the program accomplishment data reported by grantees for the jobs created/retained performance indicator. The EZ/EC program performance indicator we reviewed was, *“number of jobs created/retained through partnerships in Empowerment Zones and Enterprise Communities.”* Program officials felt that grantees were entering the same jobs information into several different jobs categories in their new Performance Measurement System

(PERMS). Therefore, the EZ/EC Office chose to estimate the results for the GPRA fiscal year 1999 Annual Performance Report rather than report an inflated figure. The amount of jobs created/retained reported by grantees through the PERMS system was 126,263. The EZ/EC Office reported 80,000 jobs in the Annual Performance Report which was 46,263 or almost 37% less than the amount reported by grantees through PERMS. The use of an estimate was not disclosed in the report.

Accurate and timely information is essential to evaluate program effectiveness and for public accountability, which is the paramount purpose of GPRA. Without reliable data, neither CPD program officials nor the public are able to accurately determine if goals are being achieved. CPD officials mainly used estimates and projections based on historical data to report on performance for fiscal year 1999. Although CPD officials feel that they used the best information available, the use of actual data would give more accurate and reliable information for reporting in the Annual Performance Report. Thus, CPD officials are not able to attest to the accuracy and reliability of performance information they reported in HUD's fiscal year 1999 Annual Performance Report.

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**Amounts in the APR  
Were Inaccurate****Office of Public and Indian Housing**

Performance indicators we reviewed in the fiscal year 1999 Annual Performance Report from the Office of Public and Indian Housing (PIH) were inaccurate or percentages from a point in time were used to represent fiscal year data. We reviewed three performance indicators presented by PIH. The first indicator was *“the number of public housing units approved for demolition and actual units demolished increases.”* Our review revealed problems with amounts reported for both parts of this indicator. Supporting documentation first provided to us came from PIH's Integrated Business System (IBS). This documentation showed 16,597 units approved for demolition and 14,193 units actually demolished in fiscal year 1999. The amounts reported in the APR were 16,151 units approved and 15,819 units actually demolished. This was a difference of 446 for approvals and 1,626 for actual demolitions. The differences were caused by data not being input to IBS in a timely manner. Information is input to IBS by PIH field office staff. However, grantees were not notifying the field office of their accomplishments in a timely manner which resulted in a backlog of

information for field office personnel to input. Input to IBS continued after amounts for the APR were extracted which caused the differences stated above. This raises questions about the accuracy and reliability of the amounts reported in the APR.

In addition, PIH provided us with documentation that showed the number of units actually demolished in fiscal year 1999 was 12,388, however, 15,819 (a difference of 3,431) demolitions were reported in the report. PIH personnel stated that this is the figure that was submitted for reporting in the APR. Apparently, an error occurred when the data were input to the report by the CFO's office. This error was not detected by PIH staff when a draft of the report was submitted to them for review. This has resulted in the number of actual demolitions reported in the APR being overstated by 3,431.

**Percentages Were Based on Data at a Point in Time, Not the Entire Fiscal Year**

Data for the two other PIH performance indicators were taken from a "snapshot" of data at a point in time and then presented as fiscal year data in the APR. The other two indicators we reviewed were "*percentage of families with children residing in public housing deriving most of their income from work,*" and "*percentage of families with children who move from welfare to work while residing in public housing.*" PIH was unable to create extracts of this data for every month and do the research required for these performance indicators. Instead they chose "snapshots" of data files from May 1998, which is not even in the fiscal year being reported on, and July 1999. Data from these months were already available and were determined by PIH staff to be compatible. This resulted in information being incorrectly classified as fiscal year data in the APR.

**Data Reported Were Not Consistent With the Indicator's Description**

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### **Real Estate Assessment Center**

Fiscal year 1999 APR data we reviewed from the Real Estate Assessment Center (REAC) did not report performance as described by one of the indicators. The performance indicators we reviewed were, "*increase the number of public housing authorities with integrated PHAS advisory scores,*" and "*increase the percentage of entities physically inspected and scored.*"

For the second indicator, REAC reported that they completed and "scored" 28,610 inspections during fiscal year 1999. Supporting documentation we received from REAC indicated that 28,768

physical inspections took place during fiscal year 1999. The difference of 138 was the number of inspections that had a release date after March 1, 2000. According to REAC officials, the release date is the date the inspection is released to HUD field offices and public housing authorities after undergoing a quality assurance review process by REAC engineers and being scored. The quality assurance review results in an approval or rejection of the inspection. Approved inspections are then scored using an established set of protocols. Since the performance indicator states that the entities are “physically inspected and scored” and an inspection is not scored until it undergoes a quality assurance review, REAC should not report an inspection in that manner until it is released.

Documentation we received from REAC indicated that over 3,000 of the inspections reported as “inspected and scored” were not released until after fiscal year 1999. Moreover, another 10,529 inspections did not contain a release date.

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**Supporting  
Documentation Not  
Available**

**Departmental Enforcement Center**

The Departmental Enforcement Center (DEC) did not have readily available documentation to support the information reported in the APR. The DEC performance indicator we chose was, “*improve timeliness for implementation and completion of enforcement actions for the Department.*” We requested documentation to support data presented in the APR. For fiscal year 1999, the DEC did not have a system that tracked and measured the effectiveness of the enforcement actions reported in the APR. Information was obtained by issuing a data call to satellite offices who manually extracted the data from their files. Without a reliable system to track the enforcement action process, the DEC is not able to effectively determine if they are achieving their goals or attest to the accuracy and reliability of the information reported in the APR. The DEC is in the process of implementing a system to track the progress of enforcement actions.

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**Documentation Did Not  
Support Data in the APR**

**Office of Fair Housing and Equal Opportunity**

Supporting documentation for performance data presented in the fiscal year 1999 APR by the Office of Fair Housing and Equal Opportunity (FHEO) did not agree with the amount reported.

FHEO indicators we reviewed were, “*reduce discrimination in housing by doubling over four years the volume of HUD enforcement actions,*” and “*increase the number of substantially equivalent agencies that enforce state and local government laws and are substantially equivalent to the Fair Housing Act, as amended.*” For the first indicator, FHEO reported 771 enforcement actions in fiscal year 1999. Documentation provided to us indicated that there were 1,330 enforcement actions in fiscal year 1999. This difference occurred because transactions were not being input to the system in a timely manner. Data updates have been entered in the system which have caused the amounts to fluctuate from what was reported in the APR. Adequate validation and verification efforts were not undertaken to ensure the information reported was accurate.

For the second indicator, FHEO reported that there was an increase of five equivalent agencies during fiscal year 1999. According to supporting documentation, there was an increase of three equivalent agencies during fiscal year 1999. Five agencies were accepted to be certified, however, two of the agencies did not sign the certification agreement and therefore were not actually certified. This occurred because FHEO prematurely reported that there was an increase of five equivalent agencies instead of three due to the lack of validation and verification efforts. This has resulted in inaccuracies being reported in the fiscal year 1999 APR.

**HUD Comments and  
our Evaluation**

Detailed comments from the cited offices in our draft report were considered when finalizing this report. Changes to the report were made where appropriate.

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**Recommendations**

**Community Planning and Development:**

For programs that use IDIS to accumulate performance data we recommend that the **Director, Systems Development and Evaluation** along with the applicable **Program Office Directors** :

- 1.a. Initiate a data cleanup effort in IDIS where this effort has not already been started.

- 1.b. Develop and implement edits in IDIS to ensure that accurate and timely performance data are produced. If IDIS is not capturing the data needed to report performance, the system should be modified so that it is able to accumulate this information.
- 1.c. Implement adequate validation/verification of performance data reported by grantees to ensure its accuracy. The validation/verification efforts should be documented and retained for future reference.

We recommend that the **Director of SNAPS**:

- 1.d. Develop and implement a systematic approach to document Homeless Program accomplishments that would ensure accurate and timely performance data are compiled and reported.
- 1.e. Establish validation/verification procedures to ensure the accuracy and reliability of information reported by grantees and compiled by contractors.

We recommend that the **Director, EZ/EC Initiative Office**:

- 1.f. Notify grantees that jobs information should only be entered into one category in PERMS.
- 1.g. Expand validation/verification of grantee performance data to ensure they are accurate and reliable.

**Public and Indian Housing:**

We recommend that the **Associate Deputy Assistant Secretary/Director Customer Services and Amenities Division**:

- 1.h. Require grantees to inform them of performance on a regular basis and in a timely manner. Field office staff should also be required to input data as soon as they are received from grantees.

- 1.i. Perform adequate validation/verification of performance data submitted by grantees to ensure its accuracy and reliability.
- 1.j. Review the information in the draft APR to ensure it agrees with the data submitted.
- 1.k. Use fiscal year data when indicators state that fiscal year data are being presented. If the appropriate fiscal year data are not available, it should be clearly stated that fiscal year data were not available and the measure is as of a point in time.

**Real Estate Assessment Center:**

We recommend that the **Director of REAC:**

- 1.l. Not report an inspection as “inspected and scored” until it undergoes the quality assurance review process by REAC engineers and receives a score.

**Departmental Enforcement Center:**

This finding was first presented under a prior OIG audit (Report Number 00-NY-177-0001, dated March 28, 2000) of the Departmental Enforcement Center and corrective actions are being tracked under that report. The recommendation to implement a Departmental Tracking System was reported as a completed corrective action on the target completion date of December 20, 2000.

**Fair Housing and Equal Opportunity:**

We recommend that the **Director of Information Services and Communication:**

- 1.m. Input enforcement data to the FHEO system in a more timely manner. In addition, FHEO should ensure that the system contains adequate internal controls to provide accurate and reliable performance data in a timely manner.

- 1.n. Perform adequate validation/verification efforts to ensure the accuracy and reliability of the data.

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## HUD Has Not Set Department Wide Data Quality Standards

HUD has not set Department wide data quality standards which were recommended by the National Academy of Public Administration (NAPA). NAPA performed a study on GPRA in HUD and dedicated an entire chapter in its July 1999 report entitled “*GPRA IN HUD CHANGES FOR THE BETTER*” to data quality assurance. The report states that HUD’s quality assurance approach lacks key elements of a comprehensive quality assurance plan which include:

- (1) identify data quality standards and specific definitions for such items as data accuracy, timeliness, and completeness;
- (2) offer a plan for how completed work is to be checked for conformance to the standard; and
- (3) describe those parts of the process most critical to complying with the standard, and outline the roles and responsibilities of those involved in the quality work.

NAPA stated that the absence of quality standards for timeliness, accuracy, and consistency leave program offices without essential benchmarks and guidelines for checking data elements and certifying the quality of their data.

### Standards For Criteria Were Not Set

The Office of the Chief Information Officer (OCIO) is responsible for data quality in HUD. Through its Financial Systems Integration project, HUD initiated a data cleanup effort. Guidelines were set on data element naming conventions and a method for independent verification of data. In addition, a guidebook entitled “Common Data Element Cleanup Method” was issued to assist HUD offices plan and complete a data cleanup effort. The guidebook on data cleanup establishes a process for determining data cleanliness based on the following six criteria; valid, unique, complete, consistent, timely, and accurate. It sets definitions for these criteria, however, it falls short of setting a standard for the criteria that program offices can follow to determine cleanliness of data. The process charges program offices with the authority to prioritize data elements and clean those most critical to supporting a business need. The guidelines do not set a priority for data elements that support performance indicators. These elements should receive a high priority.

### Data Quality Plans Scheduled

Even though the OCIO has not set standards to determine cleanliness of data they are requiring that program offices formulate data quality plans for their systems. According to HUD’s Business and Operating Plan, data quality plans for the

first four systems were due September 30, 2000. Other system quality assurance plans are to be submitted gradually during fiscal year 2001. The OCIO's office has stated that they are in the process of developing data quality standards. Until data quality standards are established, data quality plans will be formulated without a standard for criteria that determine the quality of systems and elements supporting performance indicators.

HUD offices do not have a standard for criteria that determine data quality and serve as a basis to direct data cleanup efforts and formulate data quality plans. Without these essential standards, data quality plans will not be consistent and may not give a high priority or assign a high quality level to systems or elements supporting performance indicators. At worst, this will cause performance indicator data to be at a lower than acceptable quality level which will bring its accuracy and reliability into question. At the least, it may cause HUD offices to reformulate their data quality plans to conform with Departmental standards when, and if, they are finally set. This will require additional work by HUD offices and further delay the goal of obtaining quality performance indicator data. Further delays in data quality efforts will result in performance data of questionable accuracy and reliability.

**HUD Comments and  
our Evaluation**

Detailed comments from the OCIO on our draft report were considered when finalizing this report. Changes to the report were made where appropriate.

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**Recommendations**

We recommend that the **Chief Information Officer:**

- 2.a. Implement data quality standards for systems and/or data elements that support performance indicator data. HUD offices can then use these standards as a basis for their data cleanup efforts.
- 2.b. Require that data quality plans based on these standards be formulated for all HUD data systems and/or elements that produce performance indicator data.
- 2.c. Implement the methodology for performing independent

verification of data with a high priority for elements that produce performance data.



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## Management Controls

In planning and performing our review, we obtained an understanding of the management controls that were relevant to our review. Management is responsible for establishing effective management controls. Management controls, in its 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.

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### Relevant Management Controls

We determined the following management controls were relevant to our review objective:

- Controls in place to ensure the accuracy and reliability of the data that produced performance measures and
- Validation/verification of performance measures.

### Significant Weaknesses

It is a significant weakness if management controls do not provide 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 are obtained, maintained, and fairly disclosed in reports. Based on our review, we believe the following items are significant weaknesses:

- Internal controls over systems and data producing performance measures were not adequate to ensure that accurate and reliable performance data were presented in the fiscal year 1999 Annual Performance Report (Finding 1).
- HUD's data quality efforts lacked necessary standards for the six criteria that determine data cleanliness; valid, unique, complete, consistent, timely, and accurate (Finding 2).

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## Follow Up On Prior Audits and NAPA Study

This is the first review we have performed of controls over HUD's GPRA reporting. However, other prior reports contained findings which are related to the objectives of this review.

An OIG audit (Report Number 00-NY-177-0001, dated March 28, 2000) of the Departmental Enforcement Center concluded that their tracking systems lacked reliability. The report stated that the Enforcement Center has not successfully established a high priority centralized Departmental Tracking System as detailed in the HUD 2020 Management Reform Plan. The report made two recommendations to address the need to: (1) re-evaluate the viability of developing a HUD wide system to track enforcement actions; and (2) implement controls that require consistent and accurate reporting of tracking data for all of its Satellite Offices until tracking of enforcement actions is automated and centralized.

As part of our annual audit of HUD's financial statements (latest Report on HUD's Fiscal Year 2000 Financial Statements Number 2001-FO-0003, dated March 1, 2001), we have classified performance measure reporting as a Reportable Condition and expressed concern about the reliability of performance measure data. We noted problems with some key program areas and stated that HUD was still working on these problems. To address this concern, the report recommended that a coordinated plan of action be formulated to accomplish GPRA objectives.

A report ("*GPRA IN HUD CHANGES FOR THE BETTER*" dated July 1999) issued by the National Academy of Public Administration (NAPA), found problems with HUD's data quality assurance. The report states that HUD's quality assurance approach lacks key elements of a comprehensive quality assurance plan which include:

- (1) identify data quality standards and specific definitions for such items as data accuracy, timeliness, and completeness
- (2) offer a plan for how completed work is to be checked for conformance to the standard
- (3) describe those parts of the process most critical to complying with the standard, and outline the roles and responsibilities of those involved in the quality work

NAPA stated that the absence of quality standards for timeliness, accuracy, and consistency leave program offices without essential benchmarks and guidelines for checking data elements and certifying the quality of their data.

As discussed in the "Findings" section of this review report, these previously reported conditions still existed when performance indicator data were accumulated for the fiscal year 1999 Annual Performance Report. They include the Departmental Enforcement Center not having a centralized system to track enforcement actions and HUD not having established standards for judging the quality of data. Although our report addresses other related concerns, we believe the recommendations made by the HUD OIG and NAPA remain valid and their resolution is essential to improving the accuracy and reliability of performance data.



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