



**U.S. Department of Housing and Urban Development**  
Office of Inspector General  
Headquarters Audits Division  
451 Seventh Street, SW  
Room 8184  
Washington, DC 20410

MEMORANDUM  
NO. 2003-AO-0802

December 20, 2002

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

[Signed]

**FROM:** Sandra G. Elion, Director, Headquarters Audits Division, GAH

**SUBJECT:** Limited Review of HUD's Implementation of the Federal Activities Inventory Reform Act

### **INTRODUCTION**

We completed a limited review of HUD's implementation of the Federal Activities Inventory Reform (FAIR) Act of 1998. Our objective was to determine whether HUD implemented adequate procedures to compile, review, and submit the Commercial Activities Inventory (Inventory)<sup>1</sup> to the Office of Management and Budget.

### **METHODOLOGY AND SCOPE**

To accomplish our objectives, we reviewed the FAIR Act of 1998, regulations, policies, procedures, and Inventories for FYs 2001 and 2000; and interviewed HUD program and support staff. HUD reported 34 percent of its 9,245 Full-Time Equivalents (FTEs) as subject to competition in FY 2001, and 2 percent of its 9,314 FTEs in FY 2000. Therefore, we focused on the FY 2001 Inventory because of the risk of misclassification and reporting of FTEs.

Our review methodology consisted of a nonrepresentative selection from the 6 program and 12 support offices that submitted Inventories in FY 2001. The FTEs subject to competition for these offices ranged between 153 and 1,696. We selected the offices of Community Planning and Development, Departmental Operations and Coordination, and Public and Indian Housing for our review because they were among the offices with the most significant variation in the classification of FTEs reported in FYs 2000 and 2001. We reviewed each of the categories these

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<sup>1</sup> The Commercial Activities Inventory is a list of services performed by the Federal government that could be obtained from a private sector source.

offices included in their Inventories to determine whether FTEs were properly identified, classified, and reported.

We performed our work in Washington, DC, from March to May 2002 and covered the period October 1999 through September 2001. Our audit complied with generally accepted government auditing standards for performance audits.

This memorandum does not contain any findings or recommendations and no follow up actions are necessary.

Should you or your staff have any questions, please contact me at (202) 708-1342.

### **BACKGROUND**

The FAIR Act of 1998 requires the head of each executive agency to submit a list of activities performed by Federal government sources for the executive agency that, in the judgment of the head of the executive agency, are not inherently governmental functions. The FAIR Act also requires agencies to review the activities on the Inventory each time they consider contracting with a private sector source for the performance of such an activity; the head of the executive agency is required to use a competitive process to select the source.

In addition to the FAIR Act, the President's Management Agenda also includes a competitive sourcing initiative for Federal Agencies. However, the scope of our survey did not include assessing the use of the Inventory to achieve the President's goals identified under the competitive sourcing initiative.

OMB Circular A-76, "Performance of Commercial Activities," and the Revised Supplemental Handbook contain guidance for implementing the FAIR Act. In accordance with the FAIR Act and OMB Circular A-76, each agency is required to submit to OMB, by June 30 of each year, a Commercial Activities Inventory of all commercial activities performed by Federal employees.

The Chief Financial Officer (CFO) has overall responsibility for managing HUD's implementation of OMB Circular A-76. This responsibility includes coordinating with departmental offices to establish policies, procedures, and responsibilities necessary to ensure that HUD effectively implements and complies with OMB Circular A-76. HUD's program and support offices are responsible for compiling the inventory of commercial activities.

### **RESULTS OF REVIEW**

Our survey disclosed that for the three program offices we reviewed, HUD substantially complied with the requirements of the FAIR Act; therefore, we did not expand our review beyond the survey. However, we noted that HUD did not submit the Inventories to OMB timely. The FY 2000 Inventory, submitted on July 14, 2000, was late because the program and support offices submitted their Inventories to the CFO after the established due date. The FY 2001 Inventory was 1 month late because the CFO incorporated changes based on the review by

HUD's new administration. Subsequent to our review, we determined that HUD's FY 2002 Inventory was submitted to OMB prior to June 30, 2002.

### **AUDITEE COMMENTS**

The CFO did not agree that the FY 2001 FAIR Inventory was submitted to OMB 3 months late as stated in our draft report. The CFO provided documents that showed the initial submission of the Inventory was July 31, 2001, and the final submission was November 1, 2002. Therefore, the CFO believes the memo should read the FY 2001 Inventory was submitted 1 month instead of 3 months late.

### **OIG EVALUATION OF AUDITEE COMMENTS**

Based on our review of documents provided by the CFO, we revised the results to state that the FY 2001 Inventory was 1 month late.

## Appendix A

AUDITEE COMMENTS

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

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CHIEF FINANCIAL OFFICER

MEMORANDUM FOR: Sandra G. Elion, Director, Headquarters Audits Division, GAH

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

SUBJECT: Comments on Limited Review of HUD's Implementation of the Federal  
Activities Inventory Reform Act

Thank you for the opportunity to review and comment on the draft report on HUD's Implementation of the Federal Activities Reform (FAIR) Act. I agree with the contents of the draft report with the exception of one statement in the "Results of Review" section which requires a minor correction. The statement that "the FY 2001 Inventory was 3 months late..." should read "was one month late..." The Department's FY 2001 FAIR Act Inventory was submitted to the Office of Management and Budget (OMB) on July 31, 2001. In conjunction with the OMB review period, the FY 2001 Inventory was revised and resubmitted on November 1, 2001, to reflect minor changes that provided greater consistency and agreement with the competitive sourcing initiatives of the Department. For your information, I have attached copies of the two letters to OMB transmitting the Department's inventory.

If there are any questions, please contact Mr. James M. Martin, Assistant Chief Financial Officer for Financial Management, at (202) 708-0614, extension 3706.

Attachments

## Appendix B

**DISTRIBUTION OUTSIDE OF HUD**

The Honorable Joseph Lieberman, Chairman, Committee on Government Affairs  
The Honorable Fred Thompson, Ranking Member, Committee on Governmental Affairs  
The Honorable Dan Burton, Chairman, Committee on Government Reform  
The Honorable Henry A. Waxman, Ranking Member, Committee on Government Reform  
Sharon Pinkerton, Senior Advisor, Subcommittee on Criminal Justice, Drug Policy &  
Human Resources  
Andy Cochran, House Committee on Financial Services  
Clinton C. Jones, Senior Counsel, Committee on Financial Services  
Kay Gibbs, Committee on Financial Services  
Stanley Czerwinski, Director, Housing and Telecommunications Issues, U.S. GAO  
Steve Redburn, Chief Housing Branch, Office of Management and Budget  
Linda Halliday, Department of Veterans Affairs, Office of Inspector General  
William Withrow, Department of Veterans Affairs, OIG Audit Operations Division  
George Reeb, Department of Health and Human Services, Assistant Inspector General for  
Health Care Financing Audits