

November 2002

HUD MANAGEMENT

Actions Needed to Improve Acquisition Management





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Highlights of [GAO-03-157](#), a report to the Senate Committee on Banking, Housing and Urban Affairs and Subcommittee on Housing and Transportation

Why GAO Did This Study

In the 1990s the Department of Housing and Urban Development (HUD) dramatically downsized its staff, however, its mission did not decrease. As a consequence, HUD relies more heavily on private contractors, and needs to hold its contractors accountable for results. GAO was asked to determine if HUD has processes and practices in place to effectively oversee contractors, strategically manages its acquisition workforce, and has management information systems that support its acquisition workforce.

What GAO Recommends

GAO makes several recommendations regarding HUD's management of its acquisitions. For example, (1) HUD staff should systematically use contract monitoring plans as well as a risk-based approach to monitoring, (2) HUD should address workload disparities among its acquisition workforce and ensure that appropriate training is provided, and (3) HUD should improve the usefulness of its contracting information system by providing training to staff.

What GAO Found

HUD's contracting has increased significantly in recent years. Although HUD has taken actions to improve its acquisition management—such as instituting full-time contract monitoring positions and improving its contracting information system—weaknesses remain that limit HUD's ability to identify and correct contractor performance problems, assure that it is receiving the services for which it pays, and hold contractors accountable for results.

- HUD, in particular, its multifamily housing program, does not employ processes and practices that could facilitate effective monitoring. For example, HUD's monitoring process does not consistently include the use of contract monitoring plans or risk-based strategies, or the tracking of contractor performance.
- HUD has not ensured that individuals responsible for managing and monitoring contracts have the appropriate workload, skills, and training that would enable them to effectively perform their jobs. For example, according to HUD's records, over half of the staff who are directly responsible for monitoring contractor performance have not received required acquisition training.
- HUD's management information systems do not adequately support its acquisition workforce in their efforts to manage and monitor contracts. Specifically, key information in HUD's contracting system is not reliable and HUD's financial systems do not readily provide complete and consistent contracting obligation and expenditure data.



HUD paid \$227,500 for 15,000 square feet of sidewalk repairs at five buildings; however, GAO determined that only about one-third of the work HUD paid for was performed. Therefore, it appeared that HUD improperly paid its contractor \$164,000. One of the buildings is shown above. Only the lighter shaded section of the sidewalk was replaced and not the entire sidewalk as was listed on the paid invoices.

Source: GAO photograph of HUD property.

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Abbreviations

CO	Contracting Officer
CCARS	Cash Control Accounting Report System
CS	Contract Specialist
CSMS/PMS	Comprehensive Servicing and Monitoring System/Property Management System
FAR	Federal Acquisition Regulation
FCO	Field Contracting Operations
FHA	Federal Housing Administration
FPDC	Federal Procurement Data Center
GAO	General Accounting Office
GNMA	Government National Mortgage Association
GTM	Government Technical Monitor
GTR	Government Technical Representative
HOC	Homeownership Center
HPS	HUD Procurement System
HUD	Department of Housing and Urban Development
HUDAR	HUD's Acquisition Regulation
HUDCAPS	HUD's Central Accounting and Program System
LOCCS	Line of Control and Credit System
NAPA	National Academy of Public Administration
OIG	Office of the Inspector General
OCPO	Office of the Chief Procurement Officer
OFPP	Office of Federal Procurement Policy
PAS	Program Accounting System
REAP	Resource Estimation and Allocation Project
REO	Real Estate Owned
SAMS	Single Family Acquired Asset Management System



United States General Accounting Office
Washington, DC 20548

November 15, 2002

The Honorable Paul S. Sarbanes
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Jack Reed
Chairman
Subcommittee on Housing and Transportation
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Wayne Allard
Ranking Minority Member
Subcommittee on Housing and Transportation
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Department of Housing and Urban Development (HUD) assists millions of Americans through programs that help to encourage home ownership, house the poor, and promote economic development. To accomplish its mission, HUD relies on the integrity of thousands of third parties—such as private lenders, contractors, nonprofit organizations, and local governments. As HUD dramatically downsized its staff in the 1990s—from about 13,500 people to around 9,000 today—the scope of its mission and the needs of the people it serves did not decrease. As a consequence, HUD came to rely more and more on private contractors to help carry out its mission. These contractors deliver programs and perform many functions that used to be done by HUD’s staff, including those in its mortgage insurance and rental assistance program areas—areas we have found to be at high risk for fraud, waste, abuse, and mismanagement.¹ To guard against fraud, waste, abuse, and mismanagement, HUD needs effective oversight processes and staff with the right skills and training who are equipped with the right tools and information to ensure the

¹U.S. General Accounting Office, *Major Management Challenges and Program Risks: Department of Housing and Urban Development*, [GAO-01-248](#) (Washington, D.C.: Jan. 1, 2001).

fulfillment of HUD's mission and to protect the integrity of and accountability over its programs.

You asked us to study HUD's acquisition management as part of your broad request for a series of our reports on HUD management issues.² In this report we discuss the challenges HUD faces in overseeing its contractors, focusing specifically on (1) trends in HUD's contracting activity and efforts to improve its acquisition management; (2) whether HUD has effective processes and practices to effectively manage and monitor contracts; (3) whether HUD ensures that its acquisition workforce has the appropriate workload, skills, and training to manage and monitor contracts; and (4) whether HUD's programmatic and financial management information systems support the acquisition workforce in managing and monitoring contracts.

To assess HUD's oversight of its contracts, we reviewed HUD's contracting policies and procedures. We focused on contracts in the Office of Multifamily Housing because, among other things, in fiscal year 2001, Multifamily Housing processed the second highest number of purchase orders and contracts that obligated funds—about 25 percent of these transactions. In a related assignment, we also reviewed fiscal year 2001 disbursements under multifamily housing's property disposition contracts using an automated approach to identify unusual transactions and payment patterns.³ To assess the workload, skills, and training of the acquisition workforce, we conducted a survey of HUD's acquisition workforce and obtained information on training and certification of the acquisition workforce, both in the Office of the Chief Procurement Officer (OCPO) and at the program level. To determine whether HUD's programmatic and financial management systems support contract oversight, we analyzed contracting data from the various systems that record contracting transactions.

²In response to this request, we have also issued reports on HUD's information technology acquisition efforts, the status of HUD management reforms, and HUD's human capital planning. U.S. General Accounting Office, *HUD Information Systems: Immature Software Acquisition Capability Increases Project Risks*, GAO-01-962 (Washington, D.C.: Sept. 14, 2001). U.S. General Accounting Office, *HUD Management: Progress Made on Management Reforms, but Challenges Remain*, GAO-02-45 (Washington, D.C.: Oct. 31, 2001). U.S. General Accounting Office, *HUD Human Capital Management: Comprehensive Strategic Workforce Planning Needed*, GAO-02-839 (Washington, D.C.: July 24, 2002).

³U.S. General Accounting Office, *Financial Management: Strategies to Address Improper Payments at HUD, Education, and Other Federal Agencies*, GAO-03-167T (Washington, D.C.: Oct. 3, 2002).

Results in Brief

HUD contracting has increased significantly in recent years and the department has taken corrective actions to improve its acquisition management. According to HUD, its commitments for contract work increased by about 62 percent between fiscal years 1997 and 2000, from about \$786 million to almost \$1.3 billion (in 2001 constant dollars). Much of this increase in contracting activity is attributed to the decline in the number of HUD staff and the need to contract for activities previously done by HUD employees and new functions, such as the physical building inspections of public housing and multifamily projects that were initiated under recent management reform. HUD expects contracting to increase, partially due to a presidential initiative to increase competition between the public and private sectors for work currently done by federal employees. In response to criticisms of past contracting practices, HUD undertook corrective actions to improve acquisition management. These included instituting full-time technical positions at the program level with responsibility for monitoring contractor performance, a certification training program for HUD staff filling those positions, and a contracting information system to improve consolidation of contracting data and its integration with HUD's financial systems. HUD also hired a chief procurement officer and created a Contract Management Review Board to improve contract administration and procurement planning. While HUD has taken actions to improve its acquisition management, it still faces significant challenges monitoring contractor performance, managing its acquisition workforce, and ensuring the quality of data in its programmatic and financial management systems.

The department, in particular its multifamily housing program, does not employ certain processes and practices that could facilitate effective monitoring and ensure contractors' accountability.⁴ HUD's monitoring of its contractors is not systematic and is largely remote. HUD's monitoring process does not consistently include the use of contract monitoring plans or risk-based strategies, or the tracking of contractor performance—which would be helpful in the administration of such plans and strategies. According to our survey, only 23 percent of HUD staff responsible for contract monitoring use a contract administration plan, which the Office of Federal Procurement Policy (OFPP) describes as essential for good

⁴We have defined monitoring as an internal control function that is performed continually and is ingrained in the agency's operations. It includes regular management and supervisory activities, comparisons, reconciliations and other actions people take in performing their duties. U.S. General Accounting Office, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington, D.C.: November 1999).

contract administration. HUD's monitoring of contractors consists mainly of reviews of progress reports and invoices, telephone calls, and emails. When on-site visits are conducted, they are often not conducted as intended, per HUD guidance, and HUD staff are limited in their ability to follow up on identified problems.⁵ In the absence of a systematic approach to oversight and adequate on-site monitoring, the department's ability to identify and correct contractor performance problems and hold contractors accountable is reduced. The resulting vulnerability limits HUD's ability to assure itself that it is receiving the services for which it pays. In October 2002, we testified that a related review of improper payments at HUD identified several examples of contractor performance problems that illustrate the problems that can occur as a result of these vulnerabilities.⁶ In one case, HUD paid five invoices totaling \$227,500 for 15,000 square feet of concrete to be replaced when only about one third of that amount was actually replaced. In another case, HUD paid for apartment renovations that were not done. These examples demonstrate the need for HUD to adopt more effective monitoring procedures.

In addition, HUD has not taken steps to ensure that individuals responsible for managing and monitoring contracts have the appropriate workload, skills, and training that would enable them to effectively perform their jobs. For example, while a recent resource allocation study identified workload disparities within HUD's primary contracting office, HUD has not yet addressed the issues raised in that study. While HUD has undertaken an organizationwide workforce planning effort,⁷ HUD has not assessed the skills and capabilities of its acquisition workforce to ensure that it has the skills to manage and monitor the contracts for which they are responsible. In addition, according to HUD's records, over half of the staff who are directly responsible for monitoring contractor performance have not received required acquisition training. HUD's procurement office management was not aware that the staff were serving in that capacity without the required training.

⁵HUD's Multifamily handbook indicates that quarterly inspections are to occur, but the specific sections in the handbook that are to discuss those inspections have not yet been developed and are currently blank.

⁶[GAO-03-167T](#).

⁷In July 2002, we reported that HUD has undertaken some workforce planning and has determined how many staff it needs to meet its current workload, but it does not have a comprehensive strategic workforce plan to guide its recruiting, hiring, and other key human capital efforts. [GAO-02-839](#).

HUD's programmatic and financial management information systems do not readily provide accurate and consistent data that supports its acquisition workforce in their efforts to manage and monitor contracts. The department's centralized contracting system does not contain reliable information on the number of active contracts, the expected cost of the contracts, or the types of goods and services acquired. In addition, HUD's financial management information systems do not readily provide complete and consistent obligation and expenditure information for HUD's overall contracting activities or for individual contracts. Five months after our request, HUD was unable to provide spending information on 33 contracts. To compensate for weaknesses in formal information systems, HUD staff overseeing contracts have developed informal or "cuff" systems—personal spreadsheets to fulfill their job responsibilities. While helping staff perform their jobs, these informal systems are not subject to HUD's policies, procedures, or internal controls to ensure that the information maintained in them—and used by HUD's acquisition workforce to manage and monitor individual contracts—is accurate. In addition, the programmatic and financial management information systems do not provide HUD managers accurate and timely information needed to oversee the department's contracting activities, make informed decisions about the use of HUD's resources, and ensure accountability in the department's programs.

HUD has already taken some actions to improve its acquisition management. Many of the deficiencies we identified, particularly related to HUD's human capital management and programmatic and financial information systems, are long-standing and will likely require years to resolve. However, HUD can take immediate steps to address certain acquisition management deficiencies. In fact, many of the tools that would help HUD address these deficiencies already exist, through HUD and federal acquisition initiatives. This report makes recommendations that HUD use some of these tools, which would lead to more systematic contract monitoring, address planning and training requirements for its acquisition workforce, and take steps to improve the accuracy and utility of its centralized contracting management information system.

We provided a draft of this report to HUD for its review and comment. HUD agreed that it faces significant long-standing challenges in monitoring the performance of its contractors, managing its acquisition workforce, and addressing weaknesses in its information systems. HUD stated that it is taking actions to address our recommendations. For example, to improve contract oversight and monitoring, HUD will require each of its program organizations to review its policies and procedures to ensure that

they are clear, consistent, and risk-based. The department also stated that it plans to take action to improve management of its acquisition workforce and address weaknesses in its information systems.

While HUD agreed with our recommendations, HUD said it believes that its acquisition workforce is receiving required training because (1) it has developed acquisition training for Government Technical Representatives (GTR) in accordance with federal requirements and (2) Government Technical Monitors (GTM) do not require the same level of training as GTRs and are provided acquisition training appropriate to their duties when needed.⁸ We agree that the department has developed an acquisition training program for GTRs in response to federal requirements. However, we found that a significant portion of the department's GTRs have not had this training, and HUD did not disagree with our finding. Furthermore, while we agree that GTMs may not require the same level of training as GTRs, HUD policies permit the duties and responsibilities of GTRs to be delegated to GTMs; and its draft Acquisition Career Management Plan—which establishes training requirements for HUD's acquisition workforce—states that the GTR training requirements also apply to GTMs. Therefore, we remain concerned that, according to HUD's records, 93 percent of HUD's GTMs have not received any specialized acquisition training. We are, however, encouraged by HUD's comment that it will continue to assess the training needed for GTMs to more effectively monitor contractor performance. The full text of HUD's comments and our response appear in appendix V.

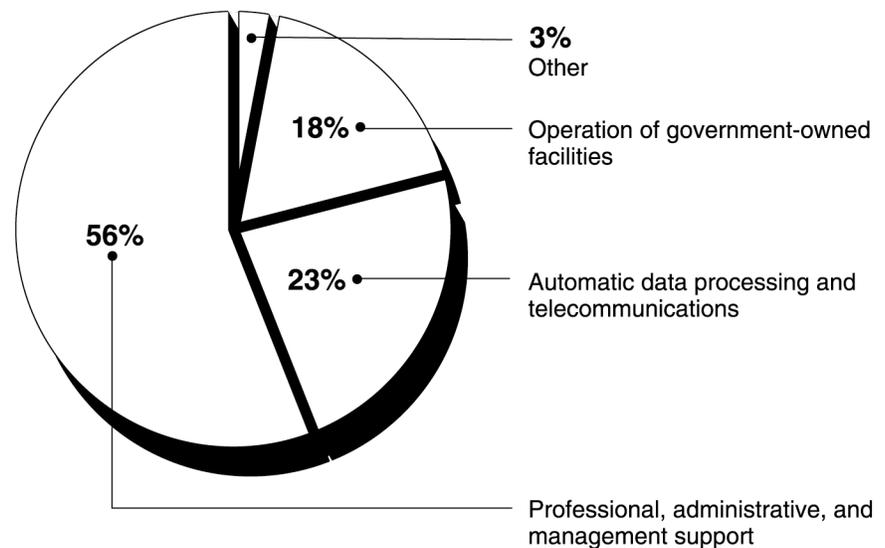
Background

HUD encourages homeownership by providing mortgage insurance for single family housing and makes rental housing more affordable for about 4.8 million low-income households by insuring loans to construct or rehabilitate multifamily rental housing and by assisting such households with their rent payments. In addition, it has helped to revitalize over 4,000

⁸The GTR at HUD is the equivalent of a Contracting Officer Technical Representative at other agencies, and acts as the Contracting Officer's representative in all matters concerning the technical (i.e., not contractual) aspects of a contract. The GTR is often the department's primary point of contact with a contractor; is responsible for giving contractors technical advice and guidance related to the work required by the contract, and is also the principal judge of contractor performance, including the quality and timeliness of work and products, and when appropriate, the contractor's ability to control costs of performance. HUD uses GTMs to assist the GTRs, but does not equate them to the contracting officer technical representatives or contracting officer representatives specified in the FAR.

localities through community development programs. To accomplish these diverse missions, HUD relies on third parties, including contractors, to administer many of its programs. As shown in figure 1, according to data HUD reported to the Federal Procurement Data Center (FPDC), for fiscal year 2000, HUD obligated the bulk of its contracting dollars—over 96 percent—in three categories of contracting: automated data processing and telecommunications services for about \$254 million; operation of government-owned facilities for about \$195 million for one of its multifamily contractors; and over \$600 million for professional, administration, and management support services contracts, such as real estate brokerage services, technical assistance, and other services.

Figure 1: HUD Contracting Dollars by Category of Service for Fiscal Year 2000



Source: FPDC.

According to HUD data, about \$640 million of the \$1.2 billion contract obligations for fiscal year 2000 are for Office of Housing contracts; much of this contracting was for services HUD needs to manage its foreclosed single-family and multifamily housing inventory, which HUD acquires when borrowers default on mortgages insured by the Federal Housing Administration (FHA). According to HUD’s fiscal year 2001 annual performance report, the Secretary holds single-family property with a value of about \$2.4 billion and multifamily property with a value of about

\$750 million as of September 30, 2001.⁹ In its single-family program, HUD contracts for management and marketing contractors who are responsible for securing, maintaining, and selling the houses that HUD acquires when the owners default on their loans. HUD also contracts for property management services, such as on-site management, rent collection, and maintenance, for multifamily properties it acquires through foreclosure. HUD's two largest multifamily property management contractors have an obligated value of about \$650 million over 5 years.

Contracting is conducted in HUD's Office of the Chief Procurement Officer (OCPO) in Washington D.C., or by one of HUD's three Field Contracting Operations (FCO) offices located in Philadelphia, Pennsylvania; Atlanta, Georgia; and Denver, Colorado. OCPO contracts for information technology and other services in support of HUD headquarters. FCO offices primarily contract for services related to the business operations of HUD's field offices and specialized centers. For example, contracting officers in one FCO assist HUD's two Multifamily Property Disposition Centers (located in Atlanta, Georgia, and Ft. Worth, Texas) in contracting for and overseeing the property management contractors that are responsible for the day-to-day management of foreclosed multifamily properties.

HUD's Office of Multifamily Housing field offices and two Property Disposition Centers are responsible for the oversight of various programs to provide affordable multifamily housing. The largest multifamily contracts in the field are for the Property Disposition Centers, which are responsible for management of foreclosed multifamily properties. HUD's multifamily housing field offices—comprising 18 hub offices and their associated 33 program centers—also contract for inspections of the construction of multifamily properties built under its FHA-insured and assisted multifamily housing programs, which are for the construction of housing for the elderly and disabled.¹⁰ Multifamily Housing has four full-time GTRs located in Atlanta and Ft. Worth who are responsible for monitoring most field multifamily contracts; two GTRs are assigned to the

⁹U.S. Department of Housing and Urban Development, *FY 2001 Performance and Accountability Report*.

¹⁰FHA insures private lenders against losses on mortgages that finance multifamily projects to develop affordable housing. The Section 202/811 Supportive Housing for the Elderly and Persons with Disabilities programs provide grants for long-term supportive housing for the elderly and disabled.

Property Disposition Centers and two are responsible for the construction inspection contracts. Most of the field contracts are also assigned at least one GTMs, who is designated to assist, on a part-time basis, the GTRs on the day-to-day technical oversight of the contractors' performance.

Various federal laws, regulations, and policies govern contracting operations and procedures. The Federal Acquisition Regulation (FAR) establishes uniform policies and procedures for acquisitions by all executive agencies. The FAR establishes procedures for all aspects of the contracting process, from solicitation to post award monitoring, including responsibilities of the various members of the acquisition team such as the contracting officer. Also in 1974, the Office of Federal Procurement Policy (OFPP) Act created OFPP within the Office of Management and Budget to provide, among other things, governmentwide policies for agencies in procurement matters. OFPP's *Guide to Best Practices for Contract Administration* recommends the use of a contract administration plan for good contract administration. According to the guide, this plan should specify the performance outputs and describe the methodology used to conduct inspections of those outputs.

HUD supplements the FAR through its own regulations called HUD's Acquisition Regulation (HUDAR) and its Procurement Policies and Procedures Handbook. The handbook specifies various monitoring tools that the GTR may use to monitor contractor performance, such as a quality assurance plan, a contractor's work plan and schedule of performance, or progress reports. The purpose of the monitoring is to ensure that (1) the contractor performs the services and/or delivers the products of the type and quality that the contract requires, (2) performance is along the most efficient lines of effort, (3) performance and deliverables are timely, (4) performance is within the total estimated cost, and (5) HUD will be able to properly intervene when performance is deficient. For example, according to the handbook, often the best way for a GTR to determine the quality of the contractor's performance is through an actual inspection of work or products. Inspections may be routine, unannounced, or a combination of the two, and the contract should specify any requirement for routine inspections, such as the frequency and dates, or other occurrences that would trigger an inspection. The handbook does not establish specific monitoring requirements, such as timetables for review or numbers of site visits; however, some of the policies established by individual program offices do include such requirements. For example, the Office of Multifamily Housing's Standard Operating Procedures No. 5 requires that HUD staff visit construction sites at least twice during construction to verify the performance of the

inspection contractor who is responsible for inspecting actual construction of the project.

The Clinger-Cohen Act of 1996 requires executive agencies, through consultations with OFPP, to establish education, training, and experience requirements for acquisition workforces at civilian agencies. Under implementing guidance issued by OFPP, an agency's acquisition workforce—including its contracting officers, contract specialists, purchasing agents, contracting officer representatives, and contracting officer technical representatives—must meet an established set of contracting competencies.¹¹ In addition, OFPP has identified specific training requirements for personnel in the contracting and purchasing occupation series. OFPP further required that agencies have policies and procedures that specify career paths and mandatory training requirements for acquisition positions and that agencies collect and maintain standardized information on the training of its acquisition workforce.¹²

A strong internal control system provides the framework for accomplishing management objectives, accurate financial reporting, and compliance with laws and regulations. Effective internal controls, including monitoring, serve as checks and balances against undesired actions, thereby providing reasonable assurance that resources are effectively managed and accounted for. A lack of effective internal controls puts an entity at risk of fraud, waste, abuse, and mismanagement. Monitoring is a particularly critical management control tool for HUD because its housing programs rely extensively on various third parties, such as contractors, to achieve HUD's goals. For many years, HUD has been the subject of criticism for management and oversight weaknesses that have made its programs vulnerable to fraud, waste, abuse, and mismanagement. In January 2001, we recognized the credible progress that HUD had made in improving its management and operations, and we reduced the number of HUD program areas deemed to be high risk to two of its major program areas—single family mortgage insurance and rental housing assistance. These program areas include the single family and

¹¹Contracting officers have the authority to bind the government legally by signing a contract. Contract specialists generally assist contracting officers. Purchasing agents commonly issue delivery orders against established contracts.

¹²To assist in meeting this requirement governmentwide, the Federal Acquisition Institute is scheduled to implement the Acquisition Career Management Information System in October 2002. This system is Web-based and will collect standardized information on the acquisition workforce for all civilian agencies.

multifamily property disposition activities cited earlier and comprise about two-thirds of HUD's budget.

We, HUD's Office of Inspector General (OIG), and the National Academy of Public Administration (NAPA) have reported on weaknesses in HUD's contract administration and monitoring of contractors' performance over several years. For example, starting in 1998, we reported on the performance of HUD's single-family contractors—that HUD did not have an adequate system in place to assess its field offices' oversight of real estate asset management contractors. In three offices that we reviewed, none of the offices adequately performed all of the functions needed to ensure that the contractors met their contractual obligation to maintain and protect HUD-owned properties. HUD's OIG completed a comprehensive review of HUD's contracting operations in 1997 and found that a lack of adequate planning, needs assessment, good initial planning, monitoring, and cost control on several multimillion dollar contracts left HUD vulnerable to waste and abuse. The OIG found contract monitoring to be very lax throughout the program areas. The GTRs and GTMs had a poor understanding of their roles and responsibilities, allowing HUD to be overbilled, improperly authorizing contract tasks, accepting less than complete contract work without financial credits or adjustments, and could not document whether certain tasks were completed. In a followup review in 1999, the OIG reported that HUD's reforms had laid the groundwork for an effective acquisition process; however, they concluded that HUD's contracting attitudes and practices had not changed significantly. In May 1997, NAPA, reported that HUD's procurement process took too long; FHA's oversight of contracted services was inadequate; and FHA sometimes used contracting techniques that limited competition.¹³ In 1999, NAPA issued its final report on the results of their study and noted that HUD had made progress toward improving its procurement processes.¹⁴

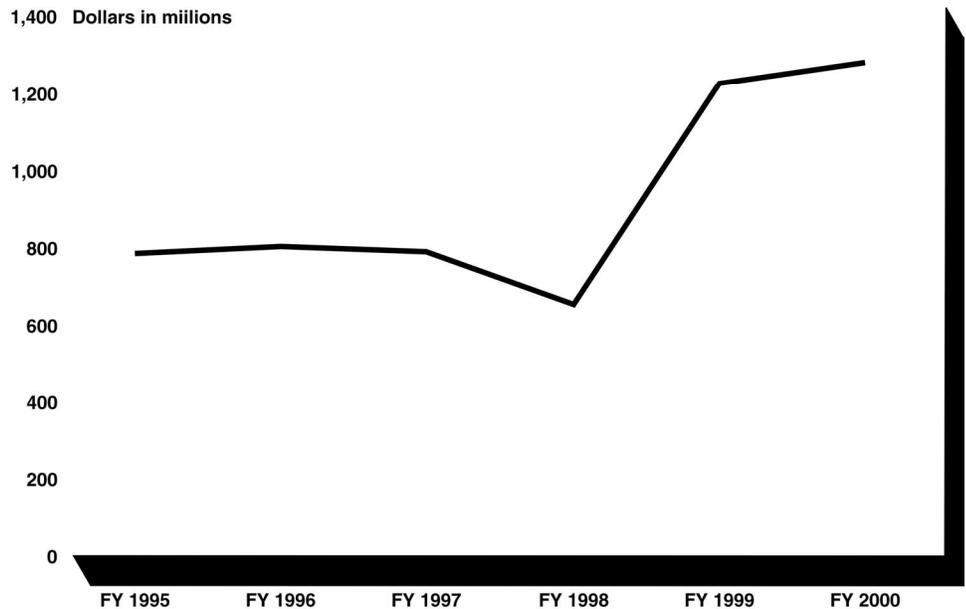
¹³National Academy of Public Administration, *A Preliminary Review of Federal Housing Administration Acquisition Activities* (Washington, D.C.: May 1997).

¹⁴National Academy of Public Administration, *HUD Procurement Reform: Substantial Progress Underway* (Washington, D.C.: April 1999).

HUD Has Increased Contracting Activities and Taken Steps to Improve Acquisition Management

HUD's contracting obligations have been on an upward trend in recent years; HUD reports that its contracting obligations increased from about \$786 million in fiscal year 1997 to almost \$1.3 billion in fiscal year 2000 (in 2001 constant dollars), or about a 62 percent increase within 5 years.¹⁵ Much of this increase in contracting activity is compensating for staff reductions in the early 1990's from about 13,500 to about 9,000 by March 1998 and the need to contract out for activities previously done by HUD employees, and for new functions, such as the physical building inspections of public housing and multifamily insured projects, initiated under recent management reforms. Figure 2 shows the change in HUD's contracting dollars from fiscal year 1995 through fiscal year 2000 (in 2001 constant dollars).

Figure 2: HUD Contracting Obligations for Fiscal Years 1995 to 2000 in 2001 Constant Dollars



Notes: HUD reports that the contracting data are derived from various procurement and financial reporting systems.

Source: HUD data.

¹⁵HUD obligated about \$960 million in fiscal year 2001. According to HUD officials, some decisions regarding planned contracts were delayed as a result of the change in administration, resulting in a decrease in obligations for 2001.

With recent management reform initiatives, HUD now contracts out for many activities formerly done by HUD employees, as well as for new functions. For example, HUD's Homeownership Centers (HOC) hired contractors to review single-family loan files and issue mortgage insurance. HUD staff, which formerly performed these functions, then became contract monitors. HOCs also contracted out for a new type of contractor to manage and market acquired single-family properties. They also awarded other contracts to inspect 10 percent of the properties handled by each of the management and marketing contractors and review 10 percent of the management and marketing contractors' property case files each month. HUD's Office of Multifamily Housing contracted out work previously done by HUD employees that included inspections of repairs and inspections during construction of insured and assisted multifamily properties.

The department expects its reliance on contracting to continue on an upward trend. Although HUD's Deputy Secretary has expressed an interest in possibly returning some of this contract work to HUD employees, the President's fiscal year 2003 budget proposed that federal agencies make at least 5 percent of the full-time equivalent positions that are determined to be commercial activities subject to competition between public and private sectors in fiscal year 2002 and an additional 10 percent in fiscal year 2003. HUD's fiscal year 2003 budget set a goal of opening 290 additional HUD positions to competition in fiscal year 2003 and an additional 580 positions in fiscal year 2004. HUD is also planning to renew some of its major contracts in the near future that involve substantial financial commitments over an extended period of time. HUD's fiscal year 2002 procurement forecast includes plans to award new contracts for its major multifamily property management activities, with an expected cost of \$800 million over 5 years. HUD also plans to award its new information technology systems contract that is expected to cost about \$2 billion over 10 years.

HUD Has Taken Several Steps to Improve Acquisition Management

In response to weaknesses in its contracting administration and monitoring reported by us, HUD's Office of Inspector General and NAPA, HUD undertook a number of corrective actions to improve its acquisition management in recent years.¹⁶ For example, HUD instituted full-time GTR positions in its program offices to assist in contract administration. HUD also created a GTR certification program in 1998 to establish standard training requirements for HUD staff who serve as GTRs and to provide them with an understanding of the federal contracting process as implemented at HUD. In addition to classroom training, HUD has also developed on-line GTR training to supplement the classroom training.

In 1997, HUD created a centralized management information system, called the HUD Procurement System (HPS), to assist in managing its contracts. HUD upgraded the system in fiscal year 1998 to consolidate and combine headquarters and field contracting data and to improve integration with HUD's financial systems. As a result, for the first time HUD had one source for contracting data. In 1999, the HUD Office of Inspector General recognized that HUD had shown substantial strides in automating the department's procurement data and establishing the necessary financial linkages to integrate HPS with HUD's core accounting system.¹⁷

HUD also hired a Chief Procurement Officer and created a Contract Management Review Board in 1998 to improve contract administration and procurement planning. The Contract Management Review Board reviews all contracts over \$500,000 to provide a departmentwide planning perspective. In addition, HUD has increased its training budget for those in acquisition positions (i.e., \$66,871 in fiscal year 2000 to \$163,537 in fiscal year 2002).

¹⁶U.S. General Accounting Office, *Single-Family Housing: Stronger Measures Needed to Encourage Better Performance by Management and Marketing Contractors*, [GAO/RCED-00-117](#) (Washington, D.C.: May 12, 2000). U.S. General Accounting Office, *HUD Management: Contracting Issues Need Continued Attention*, [GAO/T-RCED-98-222](#) (Washington, D.C.: June 5, 1998). U.S. Department of Housing and Urban Development, Office of Inspector General, *HUD Contracting Activity, 97-PH-163-0001* (Washington, D.C.: Sept. 30, 1997). National Academy of Public Administration, *HUD Procurement Reform: Substantial Progress Underway* (Washington, D.C.: April 1999).

¹⁷U.S. Department of Housing and Urban Development, Office of Inspector General, *Follow-up Review of HUD Contracting, 99-PH-163-0002* (Washington, D.C.: Sept. 30, 1999).

In addition, HUD has implemented a compliance and monitoring initiative in order to assist staff in prioritizing their responsibilities and directing their resources. This initiative, although not specifically targeted to contract monitoring, emphasizes the importance of risk-based approaches to monitoring. HUD reported that over 1,200 staff were trained through fiscal year 2001, and the department's fiscal year 2003 annual performance plan anticipates increasing the number of trained staff to more than 2,000.

Despite the improvements HUD has undertaken, we have continued to identify deficiencies in HUD's acquisition management. For example, in October 2001, we reported that HUD relied on contracting to address staffing shortfalls rather than assessing whether contracting was a better or more effective solution and problems continued in HUD's oversight of its contractors. We concluded that HUD's acquisition management was one of the significant challenges facing HUD in its attempts to sustain the progress of its management reform and move toward its goal of becoming a high-performing organization.¹⁸ Our current work has found that specific deficiencies remain in HUD's oversight of contracts, management of the acquisition workforce, and the reliability and availability of data needed to manage contract operations.

HUD Does Not Employ Certain Processes and Practices that Would Facilitate Effective Contractor Monitoring

Holding contractors accountable for results requires processes and procedures to facilitate effective monitoring. HUD, and in particular the multifamily housing program, does not employ certain processes and practices that would aid in oversight of its contractors. HUD does not use a systematic approach for monitoring its contractors, which would include the use of monitoring plans or a risk-based strategy, that would help to guide its monitoring. And the monitoring that occurs is generally remote; consisting mainly of reviews of progress reports and invoices, telephone calls, and emails. Without a systematic approach to oversight and adequate on-site monitoring the department's ability to identify and correct contractor performance problems and hold contractors accountable for results is reduced. The resulting vulnerability limits HUD's ability to assure itself that it is receiving the services for which it pays.

¹⁸ [GAO-02-45](#).

HUD's Monitoring of Contractors Is Not Systematic

HUD does not employ a systematic process for monitoring its contractors that consistently uses plans and risk-based strategies needed to guide its monitoring; nor does HUD track contractor performance needed for such plans and strategies. HUD's Procurement Policies and Procedures Handbook provides a framework for the monitoring of contractors and establishes various monitoring tools that GTRs should use to ensure that contractors are held accountable for results, including a contract administration plan, a quality assurance plan, and a contractor's work plan and schedule of performance. However, our review of 43 active contracts out of 49 contracts administered by HUD's Office of Multifamily Housing found that the GTRs on 30 of these contracts—70 percent—did not make use of any of these plans. Among these plans, OFPP's Guide to Best Practices for Contract Administration describes a contract administration plan as essential for good contract administration. According to OFPP, this plan must specify the performance outputs and describe the methodology used to conduct inspections of those outputs. According to our survey, only 23 percent of HUD's GTRs use contract administration plans and 32 percent reported that they had never heard of such a plan. In 1999, HUD's Inspector General found that HUD's various offices did not consistently develop and implement formal contract monitoring plans and recommended that HUD develop and disseminate a model comprehensive contract-monitoring plan for HUD-wide GTR use.¹⁹ In our review of active multifamily housing contracts, we found that although HUD reported to the Inspector General it had implemented this recommendation, there was no evidence of such a model comprehensive contract-monitoring plan in use by Multifamily Housing.

In addition to its limited use of monitoring plans, HUD has not effectively incorporated a risk-based approach into its process for overseeing contractors.²⁰ In recent years, HUD has emphasized developing risk-based approaches to managing and monitoring its programs, including establishing a Risk Management Division within the Office of the Chief Financial Officer, and developing a training program and desk guide to help staff understand and prioritize their monitoring responsibilities. However, we found little evidence that the concept of risk-based

¹⁹Department of Housing and Urban Development, Office of Inspector General, *Follow-up Review of HUD Contracting*, 99-PH-163-0002 (Washington D.C.: Sept. 30, 1999).

²⁰We have defined risk assessment as the identification and analysis of relevant risk associated with achieving the objectives and forming a basis for determining how risks should be managed. [GAO/AIMD-00-21.3.1](#).

management is used in HUD's oversight of its contracts. Our past work found that HUD's efforts to perform risk-based monitoring and performance evaluations on its single family property disposition contractors met with limited results—some field offices did not perform required assessments while, others did not perform them as often as required.²¹

Our more recent work in HUD's multifamily program found little evidence that the concept of risk management or risk-based monitoring has been applied to contract oversight. Acquisition workforce staff said they were unaware of any requirements to apply a risk-based methodology to their monitoring efforts, and we saw no evidence of any formal risk assessments in our review of the Multifamily program's 43 active contract files. While staff indicated that a risk-based approach would be useful, they generally told us that monitoring is conducted based on the availability of travel funds and location of staff, or after a significant contractor performance problem has been identified.

A key component to developing effective monitoring plans and incorporating risk-based approaches to monitoring is tracking past and current contractor performance; however, we found little evidence that HUD tracks contractor performance systematically. The HUD Procurement System (HPS) allows its acquisition workforce across HUD's programs to track contract milestones and deliverable dates, as well as document and record contractor performance information—information that could aid in the contract monitoring process. However, we found that these data fields are often not used. The scheduled deliverable date data field was left blank 35 percent of the time, and the contractor performance data field was incomplete in 73 percent of contracts that are inactive and closed. The Deputy Secretary directed that effective January 2000 contractor products and performance would be tracked in HPS, initially for all new contracts over \$1 million.

Contractor oversight problems in HUD's multifamily housing programs are further compounded by the lack of clearly defined GTR and GTM roles. For example, in the Multifamily Property Disposition Centers, GTR and GTM roles and responsibilities are not defined consistent with HUD's policy, possibly resulting in gaps in the monitoring process. HUD's *Procurement Policies and Procedures Handbook* states that "a GTR or

²¹[GAO/RCED-00-117](#).

GTM may not provide any direction to the contractor in those areas of responsibility assigned to another GTR or GTM,” so as to avoid providing potentially conflicting guidance. However, the Multifamily Property Disposition Centers modified their contracts to change any place where the term “GTR” is used to the term “GTR/GTM” instead. The effect of this change is that the GTRs and GTMs would have the same responsibilities, which is what the guidance sought to avoid so that conflicting instructions could not be given to the contractors. The roles are further complicated by a decision the Property Disposition Centers made to name managers as GTMs on the two property management contracts, in one case assigning the Center Director as a GTM. HUD’s handbook states that the GTR is responsible for monitoring GTM activities. By designating managers as GTMs, HUD has created a situation in which the property management GTRs are essentially overseeing the work of their supervisor or of someone in a management position, in a reporting line above them.

As noted above, HUD is attempting to improve its oversight and monitoring of contractors. For example, Multifamily Housing implemented a structure in which four full-time GTRs will provide oversight for procurement actions of more than \$100,000 in the field. The Property Disposition Center has also developed GTR and GTM protocols for the various types of services for which it contracts out, in an attempt to more clearly define the roles and responsibilities of these positions. However, Multifamily’s GTR program is still in transition and not all the roles and responsibilities have been clearly delineated.

HUD’s Monitoring of Contractors Is Generally Remote

The monitoring that occurs in HUD’s multifamily housing program is generally remote. In our past work in other program areas, we have noted that without adequate on-site inspections, HUD could not be assured that it was receiving the services for which it had paid.²²

The GTRs and GTMs in Multifamily Housing who are responsible for oversight of HUD’s property disposition activities report being unable to make regular visits. HUD’s oversight and monitoring of contractors consists mainly of reviews by HUD staff of progress reports and invoices prepared by the contractors, as well as email correspondence and

²²U.S. General Accounting Office, *Single-Family Housing: Improvements Needed in HUD’s Oversight of Property Management Contractors*, GAO/RCED-98-65 (Washington, D.C.: Mar. 27, 1998).

telephone conversations between HUD staff and contractors. Site visits to multifamily properties to oversee contractor activities do not occur on a routine basis, particularly for the two largest multifamily housing program contracts, which constitute a total value of almost \$650 million in obligations over 5 years for the management of HUD's inventory of foreclosed multifamily properties. Although HUD's multifamily property disposition handbook calls for GTRs or GTMs to conduct quarterly on-site physical inspections of the properties, the specific guidance related to that requirement has not yet been developed.

Site visits do not routinely occur largely because the properties in HUD's property disposition inventory are located throughout the country, while the GTRs and GTMs responsible for the oversight of these properties are located in Atlanta, Georgia, and Ft. Worth, Texas, with the exception of one GTM located in New York City, New York. A consistent theme among the GTRs and GTMs we interviewed is that they believe that in order to effectively do their jobs, they should probably be conducting a greater number of on-site visits, but they lack the time and resources that would allow them to do so. Some noted that the failure to visit the properties stems from the workload—the GTM's are assigned multiple properties under the property management contracts that are usually not in good condition and are located in different parts of the country—and that it is difficult to keep up with everything that needs to be done. Restraints on travel funds were often cited as the reason for not making visits.

The property disposition center staff are not the only multifamily housing staff experiencing difficulties making on-site visits to assess contractor performance. HUD also contracts with inspectors who monitor construction of HUD-assisted and insured multifamily projects throughout the phases of construction and during the 1 year warranty period after completion of construction.²³ HUD's construction inspection guidance requires that HUD employees make at least two site visits during construction to assess the performance of the construction inspectors. However, GTMs for these contracts also report being unable to make site visits, due to other job responsibilities and because the projects are dispersed over a wide geographic area and HUD lacks the necessary travel

²³ According to HUD's annual performance report, FHA endorsed over 700 multifamily loans during fiscal year 2001 and completed initial approvals for 301 new assisted properties, all of which will require inspections.

funds.²⁴ GTMs for these inspection contracts told us that they primarily rely on reviews of reports from the contractors to assess the contractors' performance.

To address its inability to do more on-site monitoring, the multifamily housing program uses another inspection contractor to visit selected properties and perform property management reviews of some properties managed by the two property management contractors. However, according to data maintained by HUD, this inspection contractor made 31 visits to 26 properties for the Atlanta Property Disposition Center since 1997, although the property management contractor managed over 100 properties during that period. The inspection contractor was not used at all by the Ft. Worth Property Disposition Center for the almost 150 properties in its inventory. We also found that in those cases where the inspection contractor identified a problem, HUD does not routinely follow up on those deficiencies to make certain the problems have been resolved. Instead, the multifamily housing program staff accepted correspondence from the property management contractors as evidence that deficiencies were resolved. According to staff, HUD does not routinely follow up because of limited resources. HUD will sometimes make a site visit to verify that the problems have been resolved, but field staff told us that there normally are not enough travel funds to make a special follow-up visit.

Weaknesses in Monitoring Limit HUD's Ability to Prevent Contractor Fraud, Waste, or Abuse

Weaknesses in HUD's monitoring processes limit the department's ability to identify and correct contractor performance problems, hold contractors accountable, and assure itself that it is receiving the services for which it pays.

We have reported that HUD has experienced similar difficulties monitoring the contractors that are responsible for managing and disposing of its foreclosed single-family properties for several years. In 1998, we reported that although HUD's single-family guidance establishes

²⁴The GTMs for these contracts are also responsible for oversight of HUD's Multifamily Accelerated Processing (MAP) program. We recently reported that the field office workloads for this program often exceeded HUD's standard; one of the offices we visited in our contracting review had more than doubled the standard cases for the MAP program. U.S. General Accounting Office, *Multifamily Housing: Improvements Needed in HUD's Oversight of Lenders that Underwrite FHA-Insured Loans*, GAO-02-680 (Washington, D.C.: July 19, 2002).

various methods for monitoring the performance of its single-family real estate asset management contractors, such as conducting monthly on-site property inspections, these methods were not consistently used in a way that would assure HUD that contractors were meeting their contractual obligations.²⁵ Without adequate on-site inspection, HUD could not be assured that it was receiving the services for which it had paid. We found similar conditions in May 2000 when we reviewed the new marketing and management contractors HUD acquired to replace the earlier contractors, and in July 2001, we found that HUD's oversight of these contractors remained inadequate.²⁶ As recently as February 2002, in audits of HUD's consolidated financial statements, the independent auditor identified HUD's monitoring of its single-family property inventory as a significant internal control deficiency. The auditors recommended that HUD, among other things, (1) improve monitoring by enhancing comprehensive oversight tools and management reporting and (2) use risk-based strategies in the oversight process.

In our October 2002 testimony before the House Government Reform and Operations Committee, Subcommittee on Governmental Efficiency, Financial Management and Intergovernmental Relations, we reported improper payments identified during the review of the \$214 million in disbursements made under HUD's multifamily property management contracts.²⁷ As we reported, one of HUD's multifamily property management contractors bypassed HUD's controls on numerous occasions by (1) alleging that construction renovations were emergencies, thus not requiring multiple bids or HUD pre-approval, and (2) splitting renovations into multiple projects to stay below the \$50,000 threshold of HUD required approval. Over 18 months HUD authorized and paid for approximately \$10 million of renovations, of which each invoice was for less than \$50,000, at two properties. HUD did not verify that any of the construction renovations were actually performed or determine whether the emergency expenditures constituted such a classification.

²⁵[GAO/RCED-98-65](#).

²⁶U.S. General Accounting Office, *Single-Family Housing: Stronger Measures Needed to Encourage Better Performance by Management and Marketing Contractors*, [GAO-00-117](#) (Washington, D.C.: May 12, 2000); U.S. General Accounting Office, *Single-Family Housing: Better Strategic Human Capital Management Needed at HUD's Homeownership Centers*, [GAO-01-590](#) (Washington, D.C.: July 26, 2001).

²⁷[GAO-03-167T](#).

As we testified, our review of these payments indicates that HUD paid 5 invoices totaling \$227,500 for emergency replacement of 15,000 square feet of concrete in front of 5 buildings; however, we visited the site and determined that only about one-third of the work HUD paid for was actually performed. As a result, more than \$164,000 of the \$227,500 billed and paid for “emergency” installation of concrete sidewalk appeared to be improperly paid. As an example, figure 3 illustrates that only portions, the lighter shaded section, of the sidewalk were replaced in front of one of the buildings and not the entire sidewalk as was listed on the paid invoices.

Figure 3: Sidewalk Repairs at HUD Property



Source: GAO photograph of HUD property.

At this same property, we found instances where HUD paid construction companies for certain apartment renovations, deemed “emergency repairs,” that were not made. Three of the 10 tenants that we interviewed told us that some work listed on the invoice that the property management firm submitted was not performed at their homes. For instance, while one invoice indicated that the apartment floor and closet doors had been replaced at a cost of \$10,400, the tenant stated that the floors and doors were never replaced.

On several other occasions, HUD paid the same amount to perform “emergency renovations” of apartments of varying sizes. For example,

HUD paid three identical \$32,100 invoices for the emergency renovation of a one bedroom (600 square feet), a two bedroom (800 square feet), and a three bedroom (1,000 square feet) apartment. All three invoices listed identical work performed in each unit. For example, each invoice listed a \$4,500 cabinet fee, yet the one bedroom unit had five fewer cabinets than the three bedroom unit. We, and the independent construction firm we hired, questioned the validity of the same charge for units of varying sizes and the likelihood of numerous apartments being in identical condition and in need of the same extensive renovations.

These cases are now being investigated by the HUD Inspector General and our Office of Special Investigations. The potential for these and other types of problems would be reduced with improved monitoring and oversight.

HUD Does Not Strategically Manage Its Acquisition Workforce

Holding contractors accountable requires the appropriate number of people in the right positions with the right skills and training. HUD does not strategically manage its acquisition workforce to ensure that individuals have the appropriate workload, skills, and training that allows them to effectively perform their jobs.²⁸ Specifically, HUD has not yet addressed workload issues, assessed the skills and capabilities of its acquisition workforce, or provided required training to substantial numbers of its acquisition workforce.

Workload Issues Not Yet Addressed and Skills and Capabilities Not Yet Assessed

Although HUD identified workload disparities, the department has not yet determined the appropriate workload allocation for its acquisition workforce. To assist in the department's efforts to address human capital issues resulting from HUD's diminishing staffing levels, HUD undertook a Resource Estimation and Allocation Project (REAP) to determine current workload levels agencywide. The resulting study determined that serious staffing shortages exist within OCPO and recommended an additional 31 full-time equivalent positions for OCPO in headquarters and no change for

²⁸We have defined strategic human capital management as an effort that is consistent with two key principles. First, people are assets whose value can be enhanced through investment, while maximizing value and managing risk. Second, an organization's human capital approaches should be designed, implemented, and assessed by the standard of how well they help the organization achieve results and pursue its mission. U.S. General Accounting Office, *A Model of Strategic Human Capital Management*, GAO-02-373SP (Washington, D.C.: Mar. 15, 2002).

the field. The study recommended that headquarters staffing be increased from the 54 full-time equivalent staff to 85 and that field staff remain at 68 full-time equivalent staff. The study observed that the OCPO in headquarters is “an organization in crisis,” and that the majority of supervisors and contract specialists reported working a very high number of uncompensated hours. HUD has taken steps to shift workload around to address some disparities, but has not yet utilized the study results to determine the appropriate allocation and workload levels of its acquisition workforce. OCPO has shifted some activities to the field contracting operations, such as closing out contracts, or assigned field staff to details in headquarters to assist in addressing workload distribution issues and keep field staff fully occupied.

Our survey results and other work also show that acquisition staff across HUD perceive they have too much work to do. According to our survey, 55 percent of respondents overall said that their contracting workload has increased over the past 2 years. Further, 31 percent of HUD’s acquisition workforce who manage and monitor more than five contracts believe that the number of contracts they monitor is “too many.” Finally, 18 percent of HUD’s acquisition workforce reported that they spend “too little” time on their contracting related responsibilities.

Although HUD has taken steps to identify the knowledge, skills, and abilities needed by its acquisition workforce to do their work, HUD has not assessed the skills and capabilities of its acquisition workforce—a critical step in successful workforce management. We have identified an agency’s development of a comprehensive strategic workforce plan that includes both an analysis of the knowledge, skills, and abilities needed by staff to do their work as well as the capabilities of its staff as a crucial part of a strategic human capital management approach.²⁹ HUD has taken some steps toward that goal by drafting an Acquisition Career Management Plan that discusses the knowledge, skills and abilities needed by staff; however, HUD has not yet specifically assessed the skills and capabilities of its acquisition workforce.³⁰ Consequently, HUD is not as prepared as it could be to address the human capital challenges, such as skill gap deficiencies, within its acquisition workforce. Further, the ability for HUD management

²⁹U.S. General Accounting Office, *Human Capital: A Self-Assessment Checklist for Agency Leaders*, GAO/OCG-00-14G (Washington, D.C.: Sept. 2000).

³⁰HUD developed its Acquisition Management Career Plan to comply with OFPP requirements that agencies have policies and procedures that specify career paths and include certain mandatory training requirements for its acquisition workforce.

to make informed decisions, such as recruiting and hiring as well as planning for training, is hampered.

Many of HUD's Acquisition Workforce Not Receiving Required Training

Over half of HUD's GTRs—who are directly responsible for monitoring contractors—may not have received acquisition training required by the Clinger-Cohen Act and OFPP. In response to the Clinger-Cohen Act of 1996 and OFPP policies that require specific training for GTRs, in 1998, HUD developed and implemented a GTR training curriculum. During our review, we identified 251 individuals serving as full or part-time GTRs on contracts; however, according to HUD's training records, 143 individuals who have not taken HUD's required GTR training are currently serving as GTRs on contracts. OCPO management stated that they were not aware that these individuals were serving in this capacity.

HUD's acquisition workforce also includes about 495 individuals serving as GTMs; according to HUD's training records, only 7 percent of these individuals—35 out of 495—have received specialized acquisition training. Although the Clinger-Cohen Act and OFPP policies do not establish specific training requirements for GTMs and HUD does not explicitly require that GTMs receive acquisition training, HUD documents indicate that providing acquisition training to GTMs is necessary and is part of OCPO's intent. Specifically, in discussing the roles and responsibilities of GTMs, the department's procurement handbook states, "many of the duties of the GTR can be delegated to GTMs." Further, HUD's draft Acquisition Career Management Plan indicates that it intends the plan to apply to GTMs—it states "the term GTR shall include GTM." However, according to OCPO managers, HUD is not currently requiring GTMs to fulfill any acquisition training requirements.

HUD does not accurately track the training of some of its acquisition workforce and has not finalized its acquisition workforce career management planning as required by OFPP. According to HUD's centralized training records maintained by OCPO, 89 percent of HUD's contracting officers, contract specialists, procurement analysts, and purchasing agents do not meet federal training requirements.³¹ In response to our observations, the OCPO Director of Policy and Field Operations said that while it is likely that some of these individuals do not meet the

³¹At HUD, procurement analysts perform a variety of administrative functions for OCPO, such as managing training.

training requirements, it is probable that many of the individuals have met the training requirements. The director offered the following reasons. For example, the centralized information system maintained by OCPO has not been updated, partly because HUD is waiting for a new governmentwide system to be completed that will track such information. Further, the training requirements were mandated after some staff had been in an acquisition position for a number of years and therefore have not taken the training because they possess necessary skills. As a result of our review, HUD will institute a training waiver to capture this scenario. Also, HUD has not finalized its draft Acquisition Career Management Plan that specifies career paths and mandatory training for acquisition positions and shows how HUD's training courses correlate with those required by OFPP.³² This plan has been in draft form since June 2000. Further, the draft plan does not meet OFPP requirements because it does not specify training requirements for purchasing agents. As a result of our review, HUD officials told us they intend to revise their draft plan to reflect OFPP requirements.

Weaknesses in Programmatic and Financial Management Information Systems

Holding contractors accountable requires tools and information to ensure that HUD staff can monitor contracts and that HUD management can oversee departmentwide contracting activities. HUD's centralized contract management information system and several financial management information systems lack complete, consistent, and accurate information—thus, these systems do not adequately support the department's efforts to manage and monitor contracts. For example, the centralized contracting system does not contain reliable information on the number of active contracts, the expected cost of the contracts, or the types of goods and services acquired. To compensate for the lack of information, HUD staff have developed informal spreadsheet systems to fulfill their job responsibilities. The systems deficiencies also mean that HUD managers lack reliable information needed to oversee contracting activities, make informed decisions about the use of resources, and ensure accountability in the department's programs.

³²Office of Federal Procurement Policy Letter No. 97-01, Procurement System Education, Training and Experience Requirements for Acquisition Personnel, September 12, 1997.

HUD's Centralized Contracting Information System Does Not Provide Reliable Information on Contract Activities

To improve its ability to manage and oversee contracts, HUD implemented a contracting management information system—the HUD Procurement System (HPS)—to track and manage both field and headquarters contracts.³³ HUD uses HPS to (1) monitor workload levels of contracting officers and contract specialists; (2) track events throughout the life of a contract—such as the award, obligation of funds, contract modification, milestones, contractor performance, and close out; (3) identify outstanding procurement requests; and (4) report to the Federal Procurement Data Center (FPDC) to comply with federal reporting requirements so that the Office of Management and Budget (OMB) and the General Services Administration (GSA) can manage contracting governmentwide—for example, establishing contracting goals for federal agencies. In addition, a significant number of HUD's acquisition workforce, such as contract specialists and GTRs, also use HPS to manage and monitor contracts.

However, the data in HPS are not reliable—that is, the data are not consistent, complete, or accurate. We found that

- Over a quarter of those contracts shown as currently active had dates in a date completion field, which would indicate that the contract had expired, making it difficult for HUD to identify the active contracts it is managing.³⁴ For example, when we asked for a list of active multifamily contracts, HUD had to call various field offices and GTRs to compile the complete list of multifamily contracts.
- HPS showed that for 4 percent of HUD's active contracts, HUD has obligated a total of \$197 million more than the stated total value of the contracts because HPS contains errors in the contract value fields. Because HPS is a programmatic information system, this discrepancy does not necessarily mean that HUD has or will spend more than planned for the contracts, but indicates that HUD does not readily know the correct obligated amounts or total value of its contracts.
- The types of goods or services HUD contracts for is not readily apparent because HPS contains three separate data fields to capture the type of

³³HPS also tracks Purchase Orders, Interagency Agreements, and Grants; however, this discussion is limited to contracts and purchase orders.

³⁴Active contracts may be shown in HPS as “active: awarded,” “active: expired,” or “active: closed out,” depending on where they are in the contract lifecycle. Our discussion of active contracts includes only those contracts that are shown as “active: awarded,” meaning that the contract is shown as being an actively managed contract.

good or service being provided and none of them are utilized in such a way to provide a picture of the good and services HUD purchases. One field is used only by field office staff; another contains narrative descriptions of services but no standard terminology is specified; and the third field uses governmentwide codes for external reporting, rather than HUD-specific codes. (See app. III for a more detailed illustration of discrepancies identified in HPS.)

According to HUD officials, the inconsistencies in HPS are due to data entry problems, misunderstandings among staff about what data to record and how to record it, and limited verification procedures. For example, staff inconsistently record data on multi-year contracts with “base” and “option” years. HUD currently has limited verification procedures in place to ensure that HPS data are reliable. According to the HPS administrator, OCPO staff are not required to routinely verify the accuracy of the data they are responsible for maintaining in HPS.

HUD’s Financial Management Information Systems Do Not Readily Provide Contracting Obligation and Expenditure Data

HUD’s program offices also record contracting obligation and expenditure information in various financial management information systems. However, these systems do not readily provide consistent and complete information for either HUD’s overall contracting activity or individual contracts. Concerns about the effectiveness of HUD’s programmatic and financial management information systems are not new. We have reported that HUD lacks the programmatic and financial management information systems necessary to ensure accountability over its programs since 1984. The lack of readily available, consistent, and complete contracting information is one example of these concerns with HUD’s programmatic and financial management information systems.

To obtain aggregate information on HUD’s contract obligations and expenditures, HUD managers must manually query several financial management systems. However, according to a HUD official, these ad hoc queries are only useful in identifying transactions that “look like” contracts. These queries do not reliably produce obligation and expenditure data on all HUD’s contracting activity and also include obligation and expenditure data for activities other than contracts. After attempting to obtain data for us over a period of about 5 months, HUD was able to provide only partial data. HUD officials provided multiple reasons for this, including that several of HUD’s financial management information

systems do not track obligation data and HUD does not have ready access to some FHA data for fiscal years 1998 and 1999 because FHA no longer uses the systems.³⁵ As a result, HUD's different information systems provide widely different pictures of HUD's contracting activity. Specifically, as shown in table 1, the aggregate obligation data from HUD's financial management systems were not consistent with the data HUD reported from in its centralized contracting management information system, HPS (discussed further in page 27). (See app. IV for a listing and brief description of the various financial systems that maintain contracting information.)

Table 1: Contract Obligation Data from HUD's Programmatic and Financial Management Information Systems for Fiscal Years 1999 and 2000

	HUD Procurement System	HUD's financial management information systems
Fiscal year 1999	\$1.1 billion	\$485 million
Fiscal year 2000	\$1.2 billion	\$924 million
Total	\$2.3 billion	\$1.409 billion

Source: HUD data as shown.

After over 5 months of working on our request, HUD was also unable to provide us obligation and expenditure data on 33 of 115 individual contracts, and what it could provide was often not consistent with data maintained in HPS.³⁶ We requested data on two groups of HUD contracts; for one we judgmentally selected 66 active contracts from all HUD program offices and for the second we used all 49 active multifamily contracts with an obligated value over \$100,000. HUD staff cited several reasons why they could not identify data on specific contracts, including the fact that HUD tracks some obligation and expenditure information using the contractor's Tax Identification Number. As a result, when HUD

³⁵To be compliant with the core financial systems requirements established by the Joint Financial Management Improvement Program (JFMIP), and therefore be in substantial compliance with the Federal Financial Managers Improvement Act (FFMIA) of 1996, financial systems must track obligation data. In its audits of HUD's consolidated financial statements, the Inspector General reports a material weakness that "HUD's financial systems are not compliant with federal financial standards." HUD reports 17 of its 57 financial management systems do not materially conform to the requirements of FMFIA and OMB Circular A-127, including several of the systems used for this analysis.

³⁶Of these 33 contracts, 29 were from the multifamily analysis and 4 were from the HUD-wide analysis.

has multiple contracts with one contractor, it often cannot separate obligations and expenditures by individual contract.

Of the 82 contracts for which HUD was able to provide information on contract obligations and expenditures, the obligation information in the financial management systems was consistent with HPS for only 37.³⁷ Some of the inconsistencies included cases where the amount shown in the financial systems as spent on the contract exceeded the amount shown in HPS that was obligated for the contract. In the HUD-wide group, for example, the expenditure information in the financial management systems exceeded the obligation amount shown in HPS for 13 of the contracts, indicating that HUD paid a total of \$59 million more than what HPS recorded was obligated. For the multifamily contracts, 3 of the 49 contracts had obligated amounts in the financial management systems that exceeded that shown in HPS with a total difference of \$1.4 million.

System Limitations Impede Efforts of HUD's Acquisition Workforce and HUD Management

As a result of the systems limitations, HUD's acquisition workforce do not have basic information about the contracts for which they are responsible readily available to them. This is particularly significant because, as previously discussed, HUD relies extensively on remote monitoring strategies, which would be most effective with readily available and reliable contract information. In the absence of such data, HUD's acquisition workforce have developed informal or "cuff" systems—personal spreadsheets to track, manage, and monitor contracts. While helping staff perform their jobs, these informal systems are not subject to HUD's policies, procedures, or internal controls to ensure that the information maintained in them—and used by HUD's acquisition workforce to manage and monitor individual contracts—is accurate. Further, the use of informal spreadsheets indicates that duplicate data collection efforts may be occurring (e.g., some data maintained in the spreadsheets are identical to data maintained in HPS), which in an environment of decreasing resources and increasing workload is not an efficient use of resources. Since the spreadsheets are maintained and used by individuals, this information is not readily accessible by HUD management to support their oversight responsibilities. Finally, since HPS data are not reliable and the accuracy of the data maintained in the personal spreadsheets is not known, HUD does not have a dependable

³⁷Of these 37, 31 were from the HUD-wide analysis and 6 were from the multifamily analysis.

“early warning system” to alert staff to contracts with high-risk characteristics. As a result, HUD’s ability to ensure that its contract resources are protected from waste, fraud, abuse, and mismanagement is reduced.

HUD’s programmatic and financial management information systems also do not provide managers with accurate and timely information needed to effectively manage and monitor the department’s programs. HUD cannot readily obtain complete aggregate contracting obligation and expenditure information from the department’s financial systems to oversee the agency’s activities, make informed decisions about the best use of HUD’s resources, and ensure accountability on an ongoing basis. Because HPS does not contain reliable data, HUD management cannot readily obtain accurate information on HUD’s contracting activity to report contracting information, assist in making management decisions, and ensure the proper stewardship of public resources. Without reliable data on the number of active contracts, management cannot accurately analyze HPS for trends, which would assist in assessing and/or realigning staff workload, or making decisions about what activities to contract and or retain. Finally, because the department uses HPS to report acquisition data to FPDC to comply with federal contract activity reporting requirements, HUD’s submissions to FPDC are inaccurate.

Conclusions

Ensuring that HUD’s mission is accomplished and its contractors are held accountable requires (1) processes and practices that effectively monitor contractors’ performance; (2) an acquisition workforce with the right workload, training, and tools to carry out its mission; and (3) effective programmatic and financial management information systems. HUD has already taken steps toward improving its acquisition management; however, weaknesses remain in HUD’s monitoring processes, management of its acquisition workforce, and programmatic and financial management systems that support its contracting. Many of the tools that would help improve how HUD monitors its contractors already exist, either through plans and strategies HUD already developed or through OFPP guidance. Using these tools and employing a systematic, risk-based approach to contractor oversight would allow HUD to target its scarce resources to areas posing the greatest risk and to identify potential problems, such as those we have identified in this report, before they become more serious.

In large measure, the challenges HUD faces in relation to its acquisition workforce and contracting information systems are symptomatic of the

larger challenges the department faces to strategically manage its human capital and to improve its programmatic and financial management systems. Both are complex, long-standing management challenges that we have identified in our high-risk work that will be addressed on a departmentwide basis over a period of many years. Nevertheless, to improve its management of acquisitions, HUD can take shorter term and more immediate actions to maximize the effectiveness of the department's acquisition workforce by completing existing career planning and training activities. It could also enhance the information and tools available to that workforce by improving the accuracy and utility of its centralized contracting management information system.

Recommendations for Executive Action

To address weaknesses we identified, we recommend that the Secretary of HUD

- Implement a more systematic approach to HUD contract oversight that (1) uses monitoring/contract administration plans; (2) uses a risk-based approach for monitoring to assist in identifying those areas where HUD has the greatest vulnerabilities to fraud, waste, abuse, and mismanagement; and (3) tracks contractor performance.
- Clarify the roles and responsibilities of the multifamily housing GTRs and GTMs, including the need to (1) clearly define reporting lines and (2) reduce overlap of responsibilities consistent with HUD guidance.
- Improve management of HUD's acquisition workforce by (1) addressing workload disparities, (2) finalizing and implementing the Acquisition Management Career Plan, (3) assessing the skills and capabilities of the existing acquisition workforce, and (4) ensuring that appropriate training is provided to staff with contract oversight responsibilities and that staff meet federal training requirements.
- Improve the usefulness of HUD's centralized contracting management information system by (1) providing training to staff on the definitions of data intended to be captured; (2) providing training to program office staff on the functions, such as tracking milestones, deliverables and contractor performance, of the system, and (3) developing and implementing verification procedures.

Agency Comments

We provided a draft of this report to HUD for its review and comment. HUD agreed that it faces significant long-standing challenges in monitoring the performance of its contractors, managing its acquisition workforce, and addressing weaknesses in its information systems. HUD stated that it is taking actions to address our recommendations. For example, according to HUD, the department is requiring each program organization

to review its contracting oversight and monitoring policies and procedures to ensure that they are clear, consistent, and risk based. To strengthen oversight of the multifamily program's property management contractors, HUD stated that when the multifamily property management contracts are renewed and awarded again in 2003, HUD plans to strengthen their oversight requirements. For example, the contractors will be required to provide a quality control plan to, among other things, monitor the work assignments of employees and subcontractors.

The department also stated that it is taking action to improve management of its acquisition workforce and address weaknesses in its information systems. HUD stated that it expects to finalize its Acquisition Career Management Plan during 2003, and is clarifying the roles, responsibilities, and reporting lines of GTRs and GTMs in the multifamily program. For example, HUD said that it would ensure that staff are not overseeing the work of a supervisor or management personnel. HUD also said that it agreed with our findings and recommendations concerning its centralized contracting management information system, and would implement our recommendations to improve its usefulness by revising its training to provide better definitions of data to be captured and more emphasis on the system's functions.

While HUD agreed with our recommendations, HUD said it believes that its acquisition workforce is receiving required training because (1) it has developed acquisition training for GTRs in accordance with federal requirements and (2) GTMs do not require the same level of training as GTRs and are provided acquisition training appropriate to their duties when needed. We recognize that the Clinger Cohen Act does not establish a specific training curriculum for GTRs; however, the act requires executive agencies, through consultations with OFPP, to establish training requirements for positions in their acquisition workforces and HUD has defined its acquisition workforce to include both GTRs and GTMs. We agree that the department has developed an acquisition training program for GTRs in response to federal requirements. However, we found that a significant portion of the department's GTRs have not had this training, and HUD did not disagree with our finding. Furthermore, while we agree that GTMs may not require the same level of training as GTRs, HUD policies permit the duties and responsibilities of GTRs to be delegated to GTMs; and its draft Acquisition Career Management Plan—which establishes training requirements for HUD's acquisition workforce—states that the GTR training requirements also apply to GTMs. Therefore, we remain concerned that, according to HUD's records, 93 percent of HUD's GTMs have not received any specialized acquisition training and we did

not change the report in response to this comment. We are, however, encouraged by HUD's comment that it will continue to assess the training needed for GTMs to more effectively monitor contractor performance.

HUD also provided technical comments, which we have incorporated as appropriate. The full text of HUD's comments and our response appear in appendix V.

We are sending copies of this report to other interested congressional committees and the Secretary of Housing and Urban Development. We will also make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staffs have any questions about this report or need additional information, please contact me or Steve Cohen at 202-512-2834. Major contributors to this report are listed in appendix VI.



Stanley J. Czerwinski
Director, Physical Infrastructure

Appendix I: Scope and Methodology

To determine whether HUD has the processes in place to facilitate managing and monitoring its contractors, and the extent to which HUD monitors its contractors to ensure that they are held accountable for results, we focused on HUD's policies, procedures, and data related to activities after a contract is awarded to a successful bidder. We first reviewed HUD's guidance for managing and monitoring its contracts, including HUD-wide guidance, as well as that for the Office of Multifamily Housing. We also interviewed HUD officials at the Office of Chief Procurement Officer, Office of Administration, Office of Housing, Office of Public and Indian Housing, Community Planning and Development, and Fair Housing and Equal Opportunity to obtain information on their oversight and management of contracts. We also interviewed officials at HUD's Atlanta, Philadelphia, Denver, and Ft. Worth Field Contracting Operations (FCO) to obtain an understanding of their oversight of the contract process and relationship with the multifamily program operations in their jurisdiction.

To identify potentially improper payments made by HUD, we used computer analysis and data mining techniques to identify unusual transactions and payment patterns in the department's fiscal year 2001 disbursement data. We focused our review on the \$214 million of payments made for the goods and services at HUD's multifamily properties during fiscal year 2001.¹

To obtain a more detailed understanding of the practices associated with monitoring and oversight of contracts, we selected contracts in the Office of Multifamily Housing to review. We selected Multifamily Housing contracts because (1) of the contracting dollars associated with multifamily housing activity; (2) of the value of the inventory, insurance and grants associated with HUD's multifamily programs; and (3) we recently completed reviews that addressed acquisition issues in HUD's single-family housing program and systems acquisition and development efforts. The Office of Multifamily Housing contracts for services associated with HUD's multifamily insurance program, as well as management of those properties that HUD acquires when owners default on insured mortgages. We reviewed the GTR files for 43 of the 49 active multifamily housing program contracts over \$100,000, and then conducted

¹U.S. General Accounting Office, *Financial Management: Strategies to Address Improper Payments at HUD, Education, and Other Federal Agencies*, [GAO-03-167T](#) (Washington, D.C.: Oct. 3, 2002).

structured interviews with the 17 GTRs responsible for administering these contracts.² These contracts included both headquarters and field-administered contracts. For the 43 GTR files, we obtained and reviewed documentation that described the extent to which the GTRs are able to monitor HUD contractors. The structured interviews focused on (1) the processes HUD has in place to facilitate managing and monitoring its contractors, (2) the extent to which the GTRs monitor the contractors, (3) the types of information and data systems used by the GTRs to help them manage and monitor the contractors, and (4) the types of contracting-related training the GTRs have received. We also interviewed selected government technical monitors.

To supplement our work in the multifamily program and obtain information from a cross-section of HUD's acquisition workforce, we also conducted a telephone survey to gather information on HUD's contracting activities. Our objectives were to obtain information on workload, the availability and perceived usefulness of training, the extent to which programmatic and financial management information systems support contract oversight, and oversight methods. We completed 185 interviews with randomly selected employees who were currently working in acquisition positions. In the survey, we asked questions about the training HUD provides its acquisition workforce, the opinions of the acquisition workforce of the data systems they use, and HUD's monitoring of contractor performance. (See app. II for the survey scope and methodology.)

To assess HUD's management of its acquisition workforce and compliance with federal procurement requirements and policies, we reviewed related federal laws and policies, including the Clinger-Cohen Act and OFPP Policy Letters 92-3 and 97-01. Further, we asked HUD for the department's definition of its acquisition workforce and asked the department to identify the names of staff meeting that definition. HUD defined its acquisition workforce to include those staff serving as GTMs. Since HUD did not centrally maintain a listing of staff currently serving as GTRs and GTMs in the program offices, we contacted each program office and requested that they identify staff currently serving in that capacity. Using the definition of acquisition workforce that HUD provided and the lists of

²We did not review 6 of the 49 multifamily housing program GTR files because of constraints resulting from HUD's ongoing transfer of its multifamily housing program field contracts to two locations, and the fact that these 6 contracts, which were not located at the offices to which we did travel, were similar in nature to the contracts we did review.

staff provided by program offices, HUD's acquisition workforce totals 833 people. Additionally, we requested data on HUD's training records for contracting officers, contract specialists, purchasing agents, and GTRs; HUD provided a spreadsheet that contained summary information. We then compared HUD's training records to OFPP training requirements to determine whether HUD's acquisition workforce is meeting federal training requirements. We also reviewed HUD's training requirements and policies as well as the GTR training manual.

To obtain information on the adequacy of the data systems that support HUD's acquisition workforce, we obtained and analyzed data from several of HUD's programmatic and financial management information systems. We obtained data from HUD's centralized system, the HUD Procurement System (HPS). Our analysis of HPS was two-fold. First, we performed reliability assessments on several data fields for all contracts that were identified as "active/awarded," that is, currently active contracts. The data fields we analyzed were as follows: contract value, obligated amount, contract status, completion date, last completion date, and type of service. Second, we identified two groups of active contracts and purchase orders and downloaded the total dollar amounts obligated for these procurements from HPS. The first group was a judgmentally selected sample of 66 contracts and purchase orders from various HUD program offices.³ The second group was all active contracts in HUD's multifamily housing program with an obligated value over \$100,000 as of March 2002. We also obtained obligation and expenditure data from numerous HUD financial management systems for these contracts and purchase orders. (See app. IV for a description of these systems.) We then compared HPS data on those contracts and purchase orders to the data maintained in HUD financial management information systems. We requested aggregate data on HUD's contract obligations and expenditures. We also obtained data from the Federal Procurement Data Center (FPDC) to which HUD

³This sample, although it contains procurements from numerous program offices, is not representative of HUD's contracting actions as a whole and we did not extrapolate our findings HUD-wide.

reports detailed information on its contracting activity over \$25,000 in accordance with federal requirements.

Appendix II: Sampling Methodology for GAO Survey of HUD's Acquisition Management Reforms

Objectives

Our primary objectives in the survey were to (1) assess the acquisition workforce workload, (2) assess the availability of training and the perceived usefulness of the training that the staff receive, (3) determine the extent to which HUD's data systems are used to support its contract management and monitoring, and (4) determine the ways in which the acquisition workforce monitor HUD's contractors.

Scope and Methodology

To attain our objective, we surveyed a statistically representative sample of HUD's acquisition workforce. We developed and administered a survey designed to estimate characteristics of HUD's acquisition workforce relating to contract monitoring, training and workload issues, and data systems. The survey was administered from April to June 2002 by trained GAO employees to a stratified sample of 250 HUD acquisition workforce employees through telephone interviews that were entered into a computer-assisted data collection instrument. Our work was conducted in accordance with generally accepted government auditing standards.

Study Population

The study population for this survey consisted of 833 employees in HUD's acquisition workforce as of March 2002. We developed a list of acquisition workforce employees based on data from two sources. The first source used was the training records compiled by HUD's OCPO, the office responsible for providing the training required for acquisition workforce employees. In further audit work with HUD program offices that have contracts, we discovered that this list was not complete. We then supplemented the OCPO list by contacting 15 program offices to identify the number of acquisition workforce staff in each office, and the positions that those individuals hold.

When we administered the survey, we found that not all of the employees we identified in our study population were in HUD's acquisition workforce at the time of contact. Respondents who were no longer members of the acquisition workforce were "out of scope," and were excluded from the analysis.

Sample Design

The sample design for this study is a single-stage stratified sample of acquisition workforce employees in the study population. The strata were based on reported job position categories, based on the list we compiled from program office records. Of the total sample of 250, we received 185 completed responses from employees who were in the acquisition workforce at the time of the survey (in scope). We obtained sufficient

information for an additional 28 employees to determine that they were not in the acquisition workforce at the time of the survey (out of scope). The remaining 37 cases could not be contacted or refused to participate. These results are summarized by sampling stratum in table 2.

Overall, we obtained a response rate of 85 percent, and of those respondents, all estimates are based only upon the in scope respondents (in the acquisition workforce).

Table 2: Description of Sample

Stratum	Population size ^a	Sample size	Respondents ^b	In scope respondents ^c	Response rate (%) ^d
(1) Contracting Officers	33	25	20	19	80
(2) Contract Specialists	50	34	30	29	88
(3) Government Technical Monitors (GTM)	500	82	67	55	82
(4) Government Technical Representatives (GTR)	187	65	57	47	88
(5) Both GTR and GTM	69	42	37	34	88
(6) Purchasing Agents	2	2	2	1	100
Total	841	250	213	185	85

^aBased upon GAO compilation of HUD office records.

^bTotal number of questionnaires for which at least some sample data were obtained.

^c"In-scope" responses exclude respondents misidentified as part of the acquisition workforce, and those respondents who were away on extended leave at the time of the survey.

^dThis is the ratio of the respondents to the sample size for each stratum.

Source: GAO.

Estimates

All estimates produced in this report are for a target population defined as HUD's acquisition workforce during the study period. Estimates were determined by weighting the survey responses to account for the effective sampling rate in each stratum. The weights reflect both the initial sampling rate and the response rate for each stratum.

Sampling Error

Because we surveyed a sample of HUD's acquisition workforce, our results are estimates of actual acquisition workforce characteristics and thus are subject to sampling errors that are associated with samples of this size and type. Our confidence in the precision of the results from this sample is expressed in 95 percent confidence intervals. The 95 percent confidence intervals are expected to include the actual results for 95

percent of the samples of this type. We calculated confidence intervals for our study results using methods that are appropriate for a stratified probability sample. For the percentages presented in this report, we are 95-percent confident that the results we would have obtained if we had studied the entire study population are within +/- 10 or fewer percentage points of our results, unless otherwise noted. For example, our survey estimates that 54.5 percent of the acquisition workforce believes that their contracting workload has increased over the past 2 years. The 95 percent confidence interval for this estimate would be no wider than +/- 10 percent, or from 44.5 percent to 64.5 percent.

Nonsampling Error

In addition to these sampling errors, the practical difficulties in conducting surveys of this type may introduce other types of errors, commonly referred to as nonsampling errors. For example, questions may be misinterpreted, the respondents' answers may differ from those of people who did not respond, or errors could be made in keying questionnaires. We took several steps to reduce such errors.

Data were collected using computer-assisted telephone interviewing, and the GAO staff who administered the survey over the telephone attended a training session to familiarize them with the use of the computer-assisted survey instrument. In addition, computer analyses were performed to identify inconsistencies and other indicators of errors, and a second independent analyst reviewed all computer programs.

Survey Development

We identified areas to cover in the survey based on the congressional request and initial interviews with top-level HUD managers and staff.

The survey was pretested at HUD headquarters, through a simulated telephone interview. A GAO analyst administered the survey to two members of HUD's acquisition workforce over the telephone from an off-site location, while another GAO analyst observed the HUD employee on-site. The HUD employees were debriefed after the pretest, and the audit team was able to make appropriate changes to the questionnaire prior to implementation. The final survey contained 165 questions.

Survey Administration

A team of 30 GAO staff conducted the survey in April, May, and early June of 2002, through a computer-assisted telephone survey, the results of which were entered simultaneously in our computer-assisted data collection instrument. We called all initial nonrespondents at least three times in order to encourage a high response rate.

**Appendix II: Sampling Methodology for GAO
Survey of HUD's Acquisition Management
Reforms**

We performed our work between February and June 2002 in accordance with generally accepted government auditing standards.

Appendix III: Analysis of the HUD Procurement System (HPS) Identified Discrepancies in HUD's Contracting Data

Reliability problems identified with HPS data elements	Examples
Obligated amount is greater than the overall value of the contract	<p>A portion of HUD's active contracts contain a total obligated amount that is greater than the contract total value amount.</p> <ul style="list-style-type: none"> The two relevant data fields in HPS are "total value amount" and "total obligated amount." <ul style="list-style-type: none"> The total value amount data field represents the total value of the contract The total obligated amount represents the total amount of funds that have been obligated to date. According to the HPS administrator, the figure in the total value amount field should be greater than or equal to the figure in the total obligated amount data field; as funds should not be obligated in excess of the value of the contract. According to HPS, 4 percent of HUD's active contracts contain a total obligated amount that is greater than the overall contract total value amount, which means that according to HPS, HUD has obligated \$197 million in excess of the contracts' value.
Overall value of the contract and obligated amount is greater than the Indefinite delivery Indefinite quantity (IDIQ) Maximum	<p>About a quarter of HUD's active IDIQ contracts contain inconsistent data within three HPS data fields; according to HPS, HUD has obligated about \$14 million in excess of the maximum associated with the contract.</p> <ul style="list-style-type: none"> The three relevant data fields in HPS are "total value amount," "total obligated amount," and "IDIQ Max." <ul style="list-style-type: none"> The total value amount data field represents the total value of the contract. The total obligated amount represents the total amount of funds that have been obligated to date. The IDIQ Max identifies the maximum dollar amount for the contract; specifically, according to the HPS administrator, the IDIQ Max represents a ceiling and therefore the contract total value amount and total obligated amount should not exceed the IDIQ Max. According to the HPS administrator, the figure in the IDIQ maximum field should be greater than or equal to the total contract value and the total obligated amount data fields. According to HPS <ul style="list-style-type: none"> 24 percent of active awarded IDIQ contracts have a total obligated amount that exceeds the IDIQ maximum. 28 percent of active awarded IDIQ contracts have a total value amount that exceeds the IDIQ maximum.
Status of contract not consistent with date information and significant number of data fields blank	<p>About a quarter of all active awarded contracts contain inconsistent contract status and date information, and some date fields are blank.</p> <ul style="list-style-type: none"> The three relevant data fields in HPS are "status," "completion date," and "last completion date." <ul style="list-style-type: none"> The status represents the current status of the contract (e.g., pre-award, active: awarded, and inactive: closed-out). The completion date tracks the completion date by which the contractor will deliver product(s) and /or service(s). The last completion date indicates the very end of the contract, including option periods. According to the HPS administrator <ul style="list-style-type: none"> All of these data fields should be populated. If a contract has a status of active: awarded, then the last completion date should be in the future. The completion date should be prior to or equal to the last completion date. According to HPS <ul style="list-style-type: none"> For 27 percent of contracts identified as active: awarded, the last completion dates are in the past.

**Appendix III: Analysis of the HUD
Procurement System (HPS) Identified
Discrepancies in HUD's Contracting Data**

Reliability problems identified with HPS data elements	Examples
Service Type data fields not Complete or not Consistent	<p>The data does not readily lend itself for analysis because the data is not complete or consistent. HPS contains three separate data field to capture the "type of good or service" being provided by the contractor.</p> <ul style="list-style-type: none"> • For 21 percent of the contracts identified as active awarded, the completion date is after the last completion date. • For 17 percent of the contracts identified as active awarded, the last completion date data field is blank. <p>The three relevant data fields in HPS are the "type of service," "deliverable description," and "product service code."</p> <ul style="list-style-type: none"> • The type of service field is populated by HUD field staff when they select the appropriate description from a drop down menu. • The deliverable description data field is populated by all HUD staff when they are entering information on individual deliverables. • The product service code field is populated by all HUD staff. The codes are based on the Federal Procurement Data System's (FPDS) codebook. <p>According to the HPS administrator, HUD conducts analysis on the type of service and deliverable description data fields.</p> <ul style="list-style-type: none"> • According to HPS <ul style="list-style-type: none"> • The type of service data fields are blank for about a third of the active awarded contracts because only field staff are required to complete this field. • The deliverable description data field contains narrative entries generated by HUD staff who do not use standard terminology to describe the service being purchase.

Source: GAO analysis of HUD data.

Appendix IV: HUD's Financial Management Information Systems that Contain Contracting Obligation and Expenditure Information

Financial system	Description
HUD's Central Accounting and Program System (HUDCAPS)	HUDCAPS is the department's General Ledger and Funds Control System, and it serves as a focal point for integrating other HUD financial systems. The Chief Financial Officer sponsors the system. All HUD offices use HUDCAPS to control and manage administrative and program budgets. For example, since fiscal year 2000, the obligations and expenditures for all of FHA's administrative contracts (i.e., headquarters and field) are processed from the HUDCAPS system.
Program Accounting System & Line of Control and Credit System (PAS & LOCCS)	PAS & LOCCS are two financial systems that are integrated. PAS is the project-level funds control system and is used to record, control, and report on the commitment, obligation, and expenditure of funds. LOCCS is the payment control system that is used by those requesting payments. Together, PAS& LOCCS is an accounting system that tracks the reservation, obligation, and expenditure of funds, and it is the department's primary disbursement and cash management system for the majority of HUD programs. For example, obligations and expenditures associated with the Office of Public and Indian Housing's (PIH) contracts are tracked in these systems. Further, prior to fiscal year 2000, LOCCS was the financial system that maintained information on FHA's administrative contracts in the field. The Chief Financial Officer sponsors this system.
Single Family Acquired Asset Management System (SAMS)	SAMS tracks information on single-family properties that HUD acquires due to foreclosure; the system tracks the property from acquisition to sale and the system is used to manage the properties. For example, this system tracks the expenditures that are associated with contracts for services provided by closing agents; this system does not track obligations.
Cash Control Accounting Report System (CCARS)	CCARS tracks and disburses funds received by FHA, from the Department of the Treasury, to various internal FHA offices. These funds are received electronically and are downloaded into the CCARS database daily. Prior to FY 2000, CCARS maintained obligation and expenditure information on FHA's administrative contracts in headquarters.
Comprehensive Servicing and Monitoring System/Property Management System (CSMS/PMS)	CSMS/PMS tracks HUD-held Multifamily properties and certain HUD-held defaulted notes, which are in mortgagee-in-possession (MIP) status. ^a CSMS/PMS performs several management and accounting functions for these properties (e.g., property management, tax servicing, tenant leases, accounts receivable, accounts payable and disbursements processing, financial accounting, and management reports). A HUD contractor maintains CSMS/PMS.
Macola	Macola is Ginnie Mae's financial system. The system is commercial off-the-shelf software and tracks obligations and expenditures of funds.

^aAn MIP case occurs when HUD takes over property management responsibilities from the mortgagor, but the loan has not yet gone into foreclosure.

Source: HUD data.

Appendix V: Comments from the Department of Housing and Urban Development

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



U. S. Department of Housing and Urban Development
Washington, D.C. 20410-3000

OFFICE OF THE ASSISTANT SECRETARY
FOR ADMINISTRATION

Mr. Stanley J. Czerwinski
Director, Physical Infrastructure Issues
United States General Accounting Office
441 G Street, N.W.
Washington, DC 20548

Dear Mr. Czerwinski:

Thank you for the opportunity to provide comments on the draft report *HUD Management: Actions Needed to Improve Acquisition Management* (GAO-03-157). The report contains GAO's assessment of HUD's acquisition management, focusing on contracts for the Office of Multifamily Housing as representative of those awarded by the Office of the Chief Procurement Officer (OCPO) for the entire Department.

We appreciate GAO's recognition in the "Results in Brief" comments on page 5 that "HUD has taken actions to improve its acquisition management," and we concur that the Department "still faces significant challenges . . ." which are "long-standing and will likely require years to resolve."

In this response, I will discuss the steps the Department is taking to address the specific recommendations made in the draft report. Although additional comments on several statements in the report are included as Enclosure 1, we should also emphasize here that HUD is focused on pursuing contractor oversight as a major tool in its program of management controls for preventing fraud, waste, abuse and mismanagement. The enclosure describes how this management controls emphasis is reflected in our ongoing improvements to the oversight of contractors providing property management services for the Department's Multifamily Housing programs.

Recommendation:

- **Implement a more systematic approach to HUD contract oversight that (1) uses monitoring/contract administration plans; (2) uses a risk-based approach for monitoring to assist in identifying those areas where HUD has the greatest vulnerabilities to fraud, waste, abuse, and mismanagement; and (3) tracks contractor performance.**

Response:

(1) The Department agrees that it should make greater use of contract administration plans as recommended in the Office of Federal Procurement Policy's (OFPP's) *Best Practices for Contract Administration*. The importance of the preparation of, and compliance with, such plans will be emphasized in the Department's Government Technical Representatives (GTR) and Government Technical Monitor (GTM) training. The OCPO will prepare a publication on

contract monitoring, featuring a sample contract administration plan, for distribution to GTRs and GTMs with direction to prepare a plan for each contract or task order.

(2) The Department will require each program organization to review its current contract oversight and monitoring policies and procedures to ensure that they are clear, consistent and risk-based. In addition, the Department will examine the feasibility of including contract monitoring performance goals and measures, along with resource requirements in its management planning process. This strong focus on contractor oversight is a key element of the management controls structure for all HUD programs where contracting plays a major role.

(3) The Department has entered into an agreement with the National Institutes of Health (NIH) to access its Contractor Performance System (CPS), beginning with Fiscal Year 2003. The Department will enter contractor performance data into the CPS, and it will be able to access its data and the contractor performance data provided by most Federal civilian agencies, such as the Departments of Agriculture, Commerce, Justice, State, and Transportation, the Environmental Protection Agency, and the General Services Administration. The Department will take appropriate steps to ensure the timeliness, accuracy, and reliability of the data entered by HUD staff.

Recommendation:

- **Clarify the roles and responsibilities of the Multifamily Housing GTRs and GTMs, including the need to (1) clearly define reporting lines and (2) reduce overlap of responsibilities consistent with HUD guidance.**

Response:

(1) HUD's Office of Multifamily Housing has assessed both the roles and the reporting lines of the GTRs and GTMs in our Multifamily Property Disposition Centers. Due to the nature (i.e. an elderly project loses heat or air conditioning due to mechanical failures that need to be repaired immediately in order to not endanger the welfare of the residents) and magnitude of these property management contracting activities, HUD has already taken some proactive steps to assure that on-going procurement activities are being properly performed and the Department's oversight of the contractors and procurement activities are strengthened. Multifamily Housing is currently clarifying and refining the roles and the reporting lines of the GTRs and GTMs to ensure consistency with HUD's GTR/GTM policies and procedures to the extent possible. As a result of the refinement, no GTR will oversee the work of their supervisor or of someone in a management position that is in a reporting line above them. This clarification and refinement process, including the issuance of revised written policies and guidance and the training of Multifamily staff, will be completed within the next 90 days.

(2) As noted in the audit, the overlap of responsibilities between GTR and GTM was in part, due to a transitional phase of restructuring our contract management for property disposition services and to assure that contractors could be given appropriate direction to respond to property management emergencies expeditiously. The restructuring of the contract management function, as mentioned above, and the training of the Multifamily staff will eliminate the overlap of responsibilities. The Department is currently conducting new procurements for property management activities and the oversight of these activities. The new contracts will clearly define

the roles of the GTR and GTM and their separate functions consistent with HUD guidance. We anticipate these contracts will be executed early in calendar year 2003.

Recommendation:

- **Improve management of HUD's acquisition workforce by (1) addressing workload disparities, (2) finalizing and implementing the Acquisition Management Career Plan, (3) assessing the skills and capabilities of the existing workforce, and (4) ensuring that appropriate training is provided to staff with contract oversight responsibilities and that staff meet federal training requirements.**

Response:

(1) The report noted that the Resource Estimation and Allocation Project (REAP) undertaken by HUD determined that OCPO headquarters staffing was inadequate. In response to the REAP study, and to alleviate the workload disparities identified in the report, the Deputy Secretary approved a fifty percent increase in staff resources devoted to contract award and administration and increased training and development of the acquisition workforces as required by the Clinger-Cohen Act. HUD has hired a new Chief Procurement Officer to lead our acquisition improvement efforts. The OCPO is currently taking action to fill those additional positions and existing vacancies. This increase will enable OCPO to implement an organizational structure that will be capable of providing attention to each customer and its unique challenges, and monitor contract performance more closely.

(2) The Department expects to finalize and implement its Acquisition Career Management Plan (ACMP) in the second half of FY 2003.

(3) Implementation of the ACMP will include an assessment of the skills possessed by those in the 1102 job series and the preparation of an individual development plan for each employee. OCPO will use the individual development plans to arrange for the training its employees need to obtain required skills and keep those skills current.

(4) The report states that the "HUD acquisition workforce [is] not receiving required training." It is difficult to assess the accuracy of this statement because the report does not distinguish those in the 1102 series from GTRs and GTMs. Each has different functions and different training requirements. The Clinger-Cohen Act does not mandate any training for GTRs or GTMs, and OFPP Policy Letter 97-01 merely states that contracting officer technical representatives (COTRs) must have training that covers the competencies in the Federal Acquisition Institute (FAI) COTR workbook.

To qualify for GTR certification, the Department requires an individual to attend a three-day FAI-compliant course. This has been supplemented with specific courses on such topics as cost estimating, contract administration, and performance-based statements of work. The OCPO has posted on its intranet website

<http://hudweb.hud.gov/po/arc/café/gtr/gtrhome.htm>

See comment 1.

See comment 2.

See comment 3.

an extensive collection of GTR resources, including an on-line orientation/refresher course with 23 job-specific lessons followed by a quiz, as well as guidance on the preparation of statements of work and cost estimates. We have enclosed, for your information, the main page of our intranet "GTR Resources", the course index to our on-line GTR orientation, and a fact sheet that highlights and distinguishes the roles and responsibilities of the GTR and GTM (Enclosures 2, 3 and 4, respectively).

Most GTMs monitor contractor performance as it relates to programmatic requirements and perform inspections. The scope of their duties, in terms of contract management, is more limited than that of GTRs. To effectively manage its limited training funds, the Department gives first priority to training GTRs. The GTMs are provided with the level of training appropriate to their duties, including GTR Training when warranted. The fact that both do not receive the same training is appropriate and demonstrates that the Department manages its limited training resources effectively. Furthermore, the amount of training provided the "HUD acquisition workforce" has increased dramatically in the last three years, from \$66,871 in FY 2000, to \$78,046 in FY 2001, to \$163,537 in FY 2002 (the figures for FY 2000 and FY 2001 were provided to the GAO staff on March 14, 2002). The level of training investment in FY 2002 represents an increase of over 144 percent greater than the FY 2000 level. The FY 2002 allocation provided 141 individual training courses, three on-site Basic GTR/GTM courses for 75 individuals, and five on-site Performance-Based Work Statement courses for 101 individuals.

See comment 4.

Based on this information, the Department believes that the HUD acquisition workforce is receiving required training. OCPO will continue to assess the GTR and GTM program to define more clearly and differentiate the functions and training needed to more effectively monitor contractor performance.

Recommendation:

- **Improve the usefulness of HUD's centralized contracting management information system by (1) providing training to staff on the definitions of data intended to be captured; (2) providing training to program office staff on the functions, such as tracking deliverables and contractor performance of the system, and (3) developing and implementing verification procedures.**

Response:

The Department is in agreement with the findings and the recommendations, and is taking action to implement the recommendations. The training will be revised to provide more detailed definitions of data to be captured and more emphasis on the functions available in the HUD Procurement System (HPS). The OCPO has already conducted three sessions for GTRs on using HPS for contract oversight during the 4th quarter of FY 2002, and intends to expand its offerings in FY 2003. The verification procedures will be implemented in FY 2003.

HPS is an acquisition tracking system, and it is intended to track and manage procurement actions through procurement planning, request for services, solicitation, award, contract administration, and contract closeout. In addition, HPS interfaces with the Department's core financial system (HUDCAPS) to reserve and obligate funds. In contrast, management information systems for large programs, such as the Property Management System (PMS) used

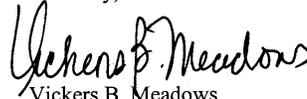
**Appendix V: Comments from the Department
of Housing and Urban Development**

See comment 5.

to track multifamily properties, are specifically designed to perform management and accounting functions that are unique to that program. Appendix IV of the report lists the various financial management information systems at HUD, and it indicates that PMS provides information on "property management, tax servicing, tenant leases, accounts receivable, accounts payable and disbursements processing, financial accounting, and management reports." Tracking and providing this information is well outside the scope and capabilities of HPS; however, it is central to the management of the contracts that support multifamily property disposition. Mandating the use of HPS to track deliverables under those contracts would represent a duplication of effort.

Thank you once again for the opportunity to comment on the draft report. If you have questions, please contact Dexter J. Sidney, Chief Procurement Officer at (202) 708-0600.

Sincerely,



Vickers B. Meadows
Assistant Secretary for Administration

Enclosures

1. Additional Comments
2. GTR Resources Page from CPO's Intranet
3. The outline of our on-line GTR Orientation Training
4. Fact Sheet on GTR & GTM responsibilities

**Appendix V: Comments from the Department
of Housing and Urban Development**

**GAO Draft Report: HUD Management: Actions Needed
to Improve Acquisition Management**

Additional Comments

Location	GAO Draft Report Citation	Departmental Comments and Requested Changes
Page 14, Paragraph 2, second sentence	The Contract Management Review Board was to review all contracts over \$250,000 to provide a departmentwide planning perspective.	<p>On August 16, 2002, the Deputy Secretary issued revised CMRB rules and procedures. Among the changes was an increase in the dollar threshold for the Board's review of planned procurement actions. Accordingly, this sentence should be revised to read as follows:</p> <p>At present, the Contract Management Review Board reviews all proposed contract actions over \$500,000 to provide a departmentwide planning perspective.</p>
<p>Page 16 Paragraph 2</p> <p>Page 20, Paragraph 1</p>	<p>Our more recent work in HUD's multifamily program found little evidence that the concept of risk management or risk-based monitoring has been applied to contract oversight.</p> <p>Weaknesses in HUD's monitoring processes limit the department's ability to identify and correct contractor performance problems, hold contractors accountable, and assure itself that it is receiving the services for which it pays.</p>	<p>Since the GAO conducted its initial reviews with HUD's Atlanta and Forth Worth Property Disposition Centers and discussed its areas of concern, the Department has modified the current contract with the property management Oversight Contractor to include new inspection and procurement assessment requirements that will assist the Centers in their oversight of the Property Management Contractor's procurement activities. The new requirements require the Oversight Contractor to perform the following activities:</p> <ul style="list-style-type: none"> • Review the Property Manager's procurement activities, including subcontracting activities. • Perform on-site reviews of subcontract work, services, and deliverables to assure compliance with the terms and conditions of the Property Managers' subcontracting requirements, on a random sampling basis. • Perform on-site comparisons of subcontractor billings to work performed, on a random sampling basis. • Review the Property Manager's subcontracting file documentation and on-site invoices to assure that work orders were not deliberately split to avoid competition and/or HUD approval.

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		<ul style="list-style-type: none"> • Perform physical inspections of completed subcontracted work to compare work orders to actual work performed, and produce both written and photographic records of significant work items actually completed, on a random sampling basis. <p>HUD is currently procuring new property management contractors nation-wide to manage the mortgagee-in-possession and HUD-owned properties. These new contractors should begin work early in calendar year 2003. The Department has significantly strengthened the requirements for oversight and management in the new property management contract solicitation. The new contracts have increased the contractor's oversight responsibilities, particularly in the areas of quality controls and subcontracting activities. Some of these new requirements include:</p> <ul style="list-style-type: none"> • Provide an upfront Quality Control (QC) Plan for the overall operation of the Property Management Contract. The Plan will establish written procedures to monitor work assignments of employees and subcontractors, inspect work completed, and ensure compliance with the Property Management Contract as well as Federal, state, and local laws and regulation. • Provide photographic documentation to accompany all inspections of significant work or subcontracted work. • Perform yearly audits of on-site subcontracting activities, on a project-by-project basis. <p>Other revisions were made to the new contract documents to better address the Department's need for improved quality control under these contracts, such as:</p> <ul style="list-style-type: none"> • A definition of what constitutes an emergency repair, which was lacking in the old Property Management Contracts. (Emergency repair is defined as a situation
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See comment 6.

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		<p>where life, health or property is in danger and immediate action is needed to eliminate or mitigate the dangerous conditions.)</p> <ul style="list-style-type: none"> • Additional language to emphasize the importance of procurement planning to avoid costly emergency acquisitions. • The use of long-term, indefinite delivery subcontracts to consolidate the purchase of routine supplies and recurring services. • An expanded list of the types of documents to be included in subcontract files. • Expanded requirements for monthly subcontracting reports and inspection requirements. • The Property Manager must conduct internal audits of the subcontracting activities performed at each project site and submit annual reports to HUD's Contracting Officer. <p>Management oversight by HUD staff is a critical component on reducing the risk to both the Department and residents residing in HUD-managed projects. HUD's Property Disposition Centers have the responsibility for the management of both the oversight and property management contractors. Further, HUD has to ensure that these contractors are performing their duties to ensure that residents live in decent, safe and sanitary housing in projects that are HUD-owned or where the Department is Mortgage-In-Possession. In order to ensure that the residents live in decent, safe and sanitary units, the roles and responsibilities for HUD staff in the management of the contracts for this program must adhere to HUD's contracting procedures but also have built-in flexibility to address the management of this inventory. HUD mandates that the contractor be as responsive to emergencies that impact tenant safety and well being as HUD staff would be on a 24-7-365 basis. Under the new contracts discussed above, this</p>
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to Improve Acquisition Management**

Additional Comments

See comment 7.

See comment 8.

		<p>responsiveness will be built in, as well as controls that address the types of issues that GAO identified.</p> <p>In addition, while the GAO audit was helpful, it was targeted to review all potentially problematic transactions, rather than a random selection. The FHA annual financial audit takes a broader look at our controls on a more systematic basis. While we are focused on addressing GAO's concerns, HUD managers in the PD centers will manage both the contracts and the GTRs and GTMs that are responsible for the contracts as part of their responsibilities as asset managers and the management of the HUD inventory of multifamily properties.</p> <p>HUD is also taking immediate steps to reduce its HUD-owned and managed resources. Five years ago, HUD owned and managed 66 properties with 8,571 units in over 35 different offices. HUD's current policy calls for immediate transfer of foreclosed properties to local government or sale of the mortgage note in HUD's note sales. As of October 2002, this inventory is less than 40 properties. This and the new contracts have long-term implications for staff and financial resources to meet HUD's responsibility for property management. It also lessens the overall exposure to the types of errors identified by GAO and possibly the need for more elaborate controls beyond those currently envisioned.</p>
<p>Page 25, Paragraph 3, Line 6</p>	<p>In response to our observations, the OCPO Director of Policy and Field Operations said that while it is likely that some of these individuals do not meet the training requirements, it is probable that many of the individuals have met the training requirements but the centralized information system maintained by OCPO has not been updated, partly because HUD is waiting for a new government wide system to be completed that will track such information.</p>	<p>HUD would like to clarify this issue. The majority of the HUD contracting community (1102-series personnel) has ten or more years of experience. While a review of our training records may have disclosed the absence of some entry-level courses, by the time those courses were mandated by OFPP, the employees had either mastered the required skills (through on-the-job training and experience) or taken other equivalent courses. Accordingly, there was no reason to expend limited training resources on duplicative training. To ensure this information is captured, a training waiver will be developed, as authorized by OFPP, and the waiver will be incorporated in OCPO's Acquisition Career Management Program.</p>

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		Regarding the record-keeping issue, the Federal Acquisition Institute (FAI) was given responsibility, under the Clinger-Cohen Act, to develop the Acquisition Career Management Information System (ACMIS). The ACMIS has been in development since FY 2000, and was tentatively scheduled for government-wide availability and access on October 1, 2002, although implementation appears to be delayed. HUD, along with many other federal agencies, including the General Services Administration, has determined that it would not be beneficial to invest agency resources into developing a separate agency-specific system since all agencies will be required to utilize the government-wide system. As an interim measure, OCPO has tracked 1102 skills and training with a spreadsheet. This has allowed management to determine the most critical training needs and plan accordingly.
Page 41, Section 1, Paragraph 2,	Obligated amount is greater than the overall value of the contract: According to the HPS administrator, the figure in the total value amount field should be greater than the figure in the total obligated amount data field; as funds should not be obligated in excess of the value of the contract.	Obligated amount is greater than the overall value of the contract: According to the HPS administrator, the figure in the total value amount field should be greater than <i>or equal to</i> the figure in the total obligated amount data field; as funds should not be obligated in excess of the value of the contract.
Page 41, Section 2, Paragraph 2	Overall value of the contract and obligated amount is greater than the Indefinite delivery Indefinite quantity (IDIQ) Maximum: According to the HPS administrator, the figure in the IDIQ maximum field should be greater than the total contract value and the total obligated amount data fields.	Overall value of the contract and obligated amount is greater than the Indefinite delivery Indefinite quantity (IDIQ) Maximum: According to the HPS administrator, the figure in the IDIQ maximum field should be greater than <i>or equal to</i> the total contract value and the total obligated amount data fields.
Page 41, Section 3, Paragraph 2, bullet 3	Status of contract not consistent with date information and significant number of data fields blank: The completion date should be prior to the last completion date.	Status of contract not consistent with date information and significant number of data fields blank: The completion date should be prior to <i>or equal to</i> the last completion date.

See comment 8.

See comment 8.

See comment 8.

The following are GAO's comments to HUD's letter dated October 23, 2002.

GAO Comments

1. HUD has defined its acquisition workforce to include contract officers, contracting specialists, purchasing agents, GTRs, and GTMs. Therefore, our report recommends that HUD assess the skills and capabilities of its existing acquisition workforce, not simply the contract officers and contracting specialists in the 1102 series.
2. We believe that the report accurately and properly distinguishes the different acquisition positions at HUD—including GTRs, GTMs, and various OCPO staff—and accurately reflects the federal training requirements associated with these positions. Specifically, the Clinger-Cohen Act mandates that executive agencies, through consultations with OFPP, establish specific education, training, and experience requirements for acquisition workforces. Under implementing guidance issued by OFPP, an agency's acquisition workforce—including its contracting officers, contract specialists, purchasing agents, contracting officer representatives, and contracting officer technical representatives, which HUD calls GTRs—must meet an established set of contracting competencies. HUD has developed a GTR training program in response to federal requirements; however, we found that a significant portion of staff serving in this capacity have not received this training. In addition, HUD has identified GTMs as part of its acquisition workforce and HUD's policies permit the duties and responsibilities of GTRs to be delegated to GTMs; and its draft Acquisition Career Management Plan—which establishes training requirements for HUD's acquisition workforce—states that the GTR training requirements also apply to GTMs. Therefore, we remain concerned that, according to HUD's records, a significant portion of the department's GTRs have not received training and that 93 percent of GTMs have not received any specialized acquisition training.
3. We agree that GTMs may not require the same level of training as GTRs; however, HUD policies and handbooks indicate that providing acquisition training to GTMs is necessary and is part of its intent. And therefore, as discussed in comment 2, we remain concerned that, according to HUD's records, 93 percent of GTMs have not received any specialized acquisition training. We revised the report to reflect the increases in HUD's training budgets discussed in its response.

4. As discussed in comment 2, we recognize that HUD is providing required training to some members of its acquisition workforce and we are encouraged by HUD's plans to assess the training needed for GTRs and GTMs to more effectively monitor contractor performance. However, we remain concerned that not all components of HUD's acquisition workforce are receiving the required training and, based on the reasons discussed in comment 2, we made no changes to our conclusions or recommendations.
5. We recognize that HUD has multiple information systems that are used to manage and monitor the department's contracting activities and that some might be better suited to track the deliverables of specific types of contracts than others. However, we found that HUD staff were not utilizing HPS to its fullest potential, including its ability to track deliverables. We clarified the wording in our report to make clear that we are not suggesting that HPS be used to track specific deliverables for all HUD contracts.
6. HUD's emphasis on reviewing subcontractor work would not necessarily identify the improper payments we found. The improprieties occurred, in part, because the vendors split the work into multiple invoices to fall below HUD's established threshold of review and subcontractor requirements. HUD's plan to review the property management subcontracting file documentation and on-site invoices to assure that work orders were not deliberately split to avoid competition and/or HUD approval is a step to assist in catching such irregularities; however, we believe that part of developing a risk-based approach and monitoring contractor performance is to include monitoring those disbursements made by the property management contractors that are under the dollar threshold for individual anomalies and unusual disbursement patterns to identify potentially improper billing practices.
7. The review of improper payments that HUD refers to was part of a separate congressional request to review disbursement processes that are particularly susceptible to improper payments and determine whether improper payments occurred. Based on our review of the multifamily disbursements, it was evident that the existing internal controls would not prevent and detect improper payments in the normal course of business. Consequently, a random sample approach was unnecessary, and we used our data mining approach to search for and identify irregularities that indicated the existence of possible improper payments. While the annual financial statement audit is

designed to broadly assess internal controls, the auditors would not necessarily focus their work on payments not expected to have a material impact on the financial statements. Our improper payments review was not limited by such constraints and therefore, could be a much more detailed analysis of the areas that we determined to be particularly susceptible to improper payments.

8. We modified the report to reflect these clarifications.

Appendix VI: GAO Contacts and Staff Acknowledgments

GAO Contacts

Stanley J Czerwinski, (202) 512-5535
Steve Cohen, (202) 512-2834

Acknowledgments

In addition to those named above Amy Bevan, Dan Blair, J Bryant, Anne Cang, Bonnie Derby, Eric Diamant, Colin Fallon, Evan Gilman, Barbara Johnson, Irvin McMasters, Andy O'Connell, Mark Ramage, and Nico Sloss made key contributions to this report.

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