President's Management Agenda Results Report for HUD
July 2005

I. Introduction

The President's Management Agenda (PMA) is a comprehensive strategy for improving the management of federal resources – staffing, systems, acquired services and program funds – to achieve increased results. Announced in 2001, the PMA is an integral part of the President's vision that government should be citizen-centered, results-oriented, and market-based.

The eight PMA initiatives applicable to HUD consist of the following five government-wide initiatives to improve general government performance, a multi-part sixth HUD-specific initiative to correct long-standing management control weaknesses, a seventh multi-agency initiative to improve program delivery by enabling increased participation of faith-based and community organizations, and an eighth multi-agency initiative on eliminating improper payments:

1. Strategic Management of Human Capital,

2. Competitive Sourcing,

3. Improved Financial Performance,

4. Expanded Electronic Government,

5. Budget and Performance Integration,

6. HUD Management and Performance:

    a. Improving Housing Quality and Intermediary Performance,

    b. Mitigating FHA Risk,

    c. Improving the Consolidated Community Planning Process,

    d. Strengthening Acquisitions Management Information.

7. Faith-Based and Community Initiative, and

8. Eliminate Improper Payments.

Within this PMA framework, HUD continues to strengthen management controls over its administrative resources and core program delivery systems to improve results for the American taxpayer. The following sections highlight some of our more significant results to date, explain the goals and activities of each of the eight initiatives in more detail, and explain how the goals of the PMA are integrated into HUD's normal performance management process to better assure improved results in the future.

## II. Significant "Results" Achieved To Date

HUD's success in improving results through the President's Management Agenda is already evident in the following examples of significant accomplishments in HUD's core program areas:

1. Rental Housing Assistance Programs

HUD has surpassed initial goals for improving adherence to housing physical condition standards for public and assisted housing properties and for reducing improper payments in its Rental Housing Assistance Programs. HUD's various Rental Housing Assistance Programs (public housing, tenant-based vouchers and project-based assistance) represent its largest program area with over $24 billion expended in FY 2004 to house more than 4.8 million households. These programs are locally administered by over 4,500 public housing agencies and 22,000 private housing owners/management agents, with HUD oversight. HUD set and communicated clear measurable goals and corrective actions for reducing improper payments and improving housing conditions and worked collaboratively with the housing industry and local housing program administrators to exceed initial goals as follows:

Improving Physical Conditions at Public and Assisted Housing Properties

The following chart shows that HUD has surpassed initial goals for increasing the percentage of public and assisted multifamily housing units in properties that meet physical condition standards:

Results on Housing Condition Goals

Percent of Units in Properties Meeting Standards
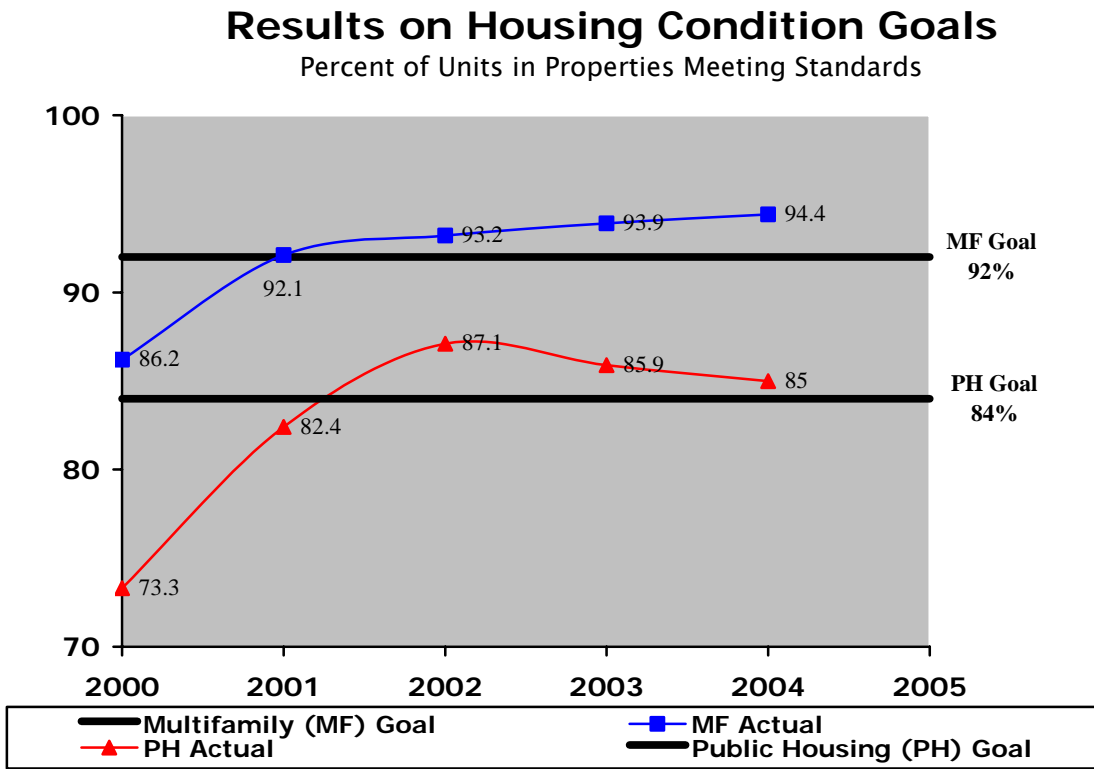
These improved results coincide with HUD's continuing efforts to strengthen and sustain adequate management controls over the physical condition of public and assisted housing properties. HUD's controls also provide for the timely correction of exigent health and safety deficiencies identified during physical inspections and the average number of such deficiencies per property continues a favorable downward trend. The Office of Inspector General no longer reports this aspect of HUD's program control structure as a material weakness area and the Government Accountability Office has likewise removed this issue as part of its high-risk program designation. HUD's Office of Multifamily Housing is addressing the remaining substandard property conditions through corrective action plans agreed to with project owners or appropriate enforcement actions. The Office of Public and Indian Housing is seeking to implement "asset management" funding concepts for public housing with the goal of further improving property site management and physical conditions at the property level.

Reducing Improper Payments in HUD's Rental Housing Assistance Programs

HUD has surpassed all interim goals for reducing the estimated $2 billion in net annual rental housing assistance overpayments, with a reduction of 71 percent. HUD's interim goals were for a 15 percent reduction in FY 2003, 30 percent reduction in FY 2004 and 50 percent reduction in FY 2005. These goals were established based on FY 2000 estimates of improper payments attributed to both housing administrator errors in subsidy determinations and tenant underreporting of income upon which benefits are based. An update of the measure of these two error components in FY 2003 found the following reductions in improper payments compared to the FY 2000 baseline:

Reduction in Improper Payments Due to Subsidy Determination and Income Reporting Errors

Errors*	Over Payments	Under Payments	Net Over-Payments	Gross Improper Payments
2000	2,594	622	1,972	3,216
2003	1,087	519	568	1,606
Change	1,507	103	1,404	1,610
Reduction	58%	17%	71%	50%

* - Amounts shown in dollars in millions

Preliminary results of the Office of Policy Development and Research's FY 2004 update of the estimates for one of these two types of improper payments, estimates due to errors in housing administrator subsidy determinations, evidence a continuing favorable downward trend in the incidence of errors and amounts of improper payments. Whereas 60 percent of all subsidy determinations were found to be in error in 2000, that number has declined to 41 percent in FY 2003 and 34 percent in FY 2004. The reductions in the dollar impact of erroneous program administrator subsidy determinations has been even greater, going from a baseline estimate of gross improper payments of $2.2 billion in 2000, to $1.4 billion in 2003, and $990 million in 2004.

The reductions in subsidy determination errors resulted from HUD efforts to work with its housing industry partners at public housing agencies and multifamily housing projects through enhanced program guidance, training, oversight, and enforcement. The reduction of erroneous payments due to tenant under-reporting of income are attributed to: improved income verification efforts by housing program administrators; increased voluntary compliance by tenants due to promotion of the issue; HUD's initiation of improved computer matching processes for upfront verification of tenant income; and an improved methodology for reviewing income discrepancies identified through computer matching to better determine actual cases of under-reported income impacting subsidy levels.

In FY 2004, HUD developed and began implementation of the Upfront Income Verification System to share state wage and unemployment compensation data from a computer matching program for use by public housing agencies in validating tenant reported income during annual re-certifications of tenant income and subsidy levels. In January 2004, HUD received statutory authority to work with the Department of Health and Human Services to pursue enhanced computer matching capability using other federal income and employment data sources. HUD plans to expand the Upfront Income Verification System to include these new data matching sources for public housing agency use in September 2005, through the Enterprise Income Verification System. By the end of FY 2006, HUD will consolidate all available income match data sources in the Enterprise Income Verification System for controlled use by program administrators in all HUD rental housing assistance programs. This increased computer matching capability has the potential to eliminate the majority of the remaining estimated improper rental housing assistance payments.

To achieve the related goal of eliminating both the Office of Inspector General's reported material weakness on HUD's controls over rental assistance payments, and the Government Accountability Office's high-risk program designation on HUD's Rental Housing Assistance Programs, HUD must: 1) sustain an adequate level of on-site monitoring of program administrator performance; 2) fully implement the Enterprise Income Verification system to improve the tenant income verification process; and 3) continue to show a favorable downward trend in the reduction of estimated gross improper payment levels.

2. FHA Single Family Housing Mortgage Insurance

The Federal Housing Administration's (FHA) Single Family Mortgage Insurance Programs enable millions of first-time, minority, low-income elderly and other underserved households to realize the dream and benefits of homeownership, but the populations served by FHA are particularly vulnerable to predatory lending practices that are harmful to those homebuyers and the self-sustaining FHA fund. HUD has taken a number of actions to reduce risks to homebuyers and the FHA fund, including the following:

- Significantly increased funding for "housing counseling," as an informed consumer is the best frontline protection against predatory lending;
- Banned the predatory lending practice of "property flipping" in FHA programs and established an automated systems control to preclude the practice on FHA insured loans;

- Issued a new "Appraiser Qualifications Rule" to establish stronger professional credentials for FHA-approved appraisers who play a key role in validating the values of FHA insured mortgages;

- Established a new "Appraiser Watch" process, wherein appraisers with poor performance records are automatically targeted for monitoring and disqualification from program participation if they have violated FHA standards;

- Established a new automated underwriting system, the Technology Open To Approved Lenders (TOTAL) Scorecard, and made it available to all lenders to increase lender efficiency and decrease losses to the FHA fund through more consistent, objective evaluations of the credit worthiness of borrowers, and better integration of the automated underwriting systems usage with FHA's existing processes and workflow; and

- Improved the risk-based targeting of FHA's compliance monitoring of lenders and established measures of the effectiveness of that monitoring. Based on monitoring reviews over the past three years, HUD's Mortgagee Review Board took action against 137 lenders, withdrawing 36 from the program and assessing $9.59 million in civil monetary penalties. Also, 8,980 indemnification agreements were executed on improperly insured loans for a total potential savings of $209 million. In addition, HUD made over 1,100 referrals to the Inspector General for further investigation, and debarred 407 individuals and entities from participating in FHA's Single Family programs.

- Initiated a new process for electronic verification of social security numbers to further reduce fraud in FHA applications.

With consistent implementation of these and other corrective actions taken by FHA, HUD's goal is to eliminate the Government Accountability Office's high-risk program designation on the Single Family Housing Mortgage Insurance Program area by January 2007.

3. Community Development Grant Programs

Formula grantees, states and units of local government, participating in Community Development Block Grants (CDBG), HOME, Emergency Shelter, and Housing Opportunities for Persons with AIDS grant programs are required to develop Consolidated Plans to guide their use of billions of dollars of annual funding. The PMA identified this planning process as one to be streamlined and made more results-oriented and useful to communities in assessing their own progress toward addressing the problems of low-income areas. Under the Consolidated Plan Improvement Initiative, HUD has worked closely with grantees, program stakeholders, and public interest groups to develop techniques for streamlining the Consolidated Plan process and making it useful to communities in assessing their own progress toward addressing their identified problems.

As part of the improvement initiative, the Office of Community Planning and Development (CPD) issued comprehensive guidance for the preparation of FY 2005 Consolidated Plan submissions that included the results of lessons learned from communities that participated in eight pilots that were designed to explore alternative planning requirements and test ideas related to streamlining and improving the Consolidated Plan process.

In addition, HUD released the Consolidated Plan Management Process Tool (CPMP) that introduced an automated approach to managing the consolidated planning and reporting process. The CPMP tool is a computer-based tool using Excel and Word that helps grantees prepare the strategic plan, each annual plan for up to five years, and the Consolidated Annual Performance and Evaluation Report for each of those years. This tool was developed entirely by CPD staff with grantee input and is an outstanding example of innovative and creative thinking. This tool will serve as the prototype for the re-engineered Integrated Disbursement and Information System (IDIS). A webcast and DVD with step-by-step instructions for using the CPMP tool was released and posted on the Consolidated Plan website, and training via Netmeeting was conducted with all CPD Field Offices.

On December 30, 2004, CPD issued a proposed rule that makes clarifying and streamlining changes that are expected to make the Consolidated Plans more results-oriented and useful to communities. CPD has worked, during the last year, with national public interest groups, including the National Community Development Association and the National Association of County, Community and Economic Development, to develop a standardized approach to outcome measurement that could aggregate outcomes at a national level. Also, CPD issued a notice requesting comments on a draft outcome performance measurement system. A satellite broadcast on the new performance measurement system was conducted on June 30, 2005; five facilitation sessions in locations across the country (Detroit, San Francisco, Atlanta, Philadelphia and Austin) are scheduled for July and August.

Finally, the CDBG program's "use it or lose it" incentives, established by HUD in 2001, resulted in a 76 percent reduction in the number of grantees failing to meet a timeliness standard of no more than 1.5 times the value of the most recent grant remaining in their line of credit 60 days before they receive a subsequent grant. Further incentives provided by HUD brought 95 percent of the grantees into compliance with the timeliness standard, ensuring HUD's grants are timely expended for their intended purpose.

III. Improving HUD's Management Infrastructure to Increase Results

To date, HUD has made or initiated improvements to its management infrastructure with corresponding results in each of the 8 PMA initiatives, as follows:

1. Strategic Management of Human Capital

HUD is proud of the following significant results it achieved in the area of human capital management, despite reductions in HUD's FY 2005 administrative budget and staffing levels:

- Launched the HUD Integrated Human Resource and Training System (HIHRTS) on April 13, 2005. HIHRTS provides on-line access to human resource data, thus improving the speed and accuracy of critical human resource transactions. In less than three months, almost 50 percent of the Department's employees have registered and verified their personnel data on-line. Over 50 percent of position descriptions for occupations in Headquarters and

70 percent in the Field are now available on-line, which saves time in recruiting for mission critical positions.

- Reduced HUD's average recruitment time (from announcement closing to job offer) by 43 percent to 33 days, which is 25 days less than the previous average recruitment time of 58 days in July 2004. *This is 12 days under the OPM government-wide 45-day standard.* This will result in getting better-qualified candidates who in the past may have taken other job offers due to the delay.

- Aligned the performance plans of all employees with the Department's strategic goals, moving towards a multi-level performance appraisal process for all employees, including SES members. This has allowed HUD to make meaningful distinctions in performance and also link strategic goals to individual performance ratings and to employee recognition/awards.

- Issued a plan entitled, *Workforce Planning at HUD: A Departmental Implementation and Action Plan for Program Offices* on April 6, 2005. The plan identifies cross cutting issues in each of the four core business area workforce plans and includes a comprehensive listing of actions and milestones to address staffing and skill gap issues.

- Addressed general and technical skill gaps in HUD's four (4) core business areas that completed a workforce plan last year: 1) Housing, 2) Public and Indian Housing (PIH), 3) Community Planning and Development (CPD) and 4) Fair Housing and Equal Opportunity (FHEO). HUD addressed skill gaps by hiring 63 employees and completing 742 on-line courses, which raise general skills in areas identified as deficient in the workforce plans. The on-line courses included written communication, analytical reasoning, and problem solving.

Hiring and Training In Four Core Business Areas:

	TOTAL	HOUSING	PIH	CPD	FHEO
Hiring to Close Skill Gaps	63	N/A*	12	11	40
On-line Courses Completed	742	300	251	97	94

*Because of budget limitations, Housing was unable to do any hiring.

- Began closing technical skill gaps through other individual program office efforts as follows:

  - FHEO closed technical skill gaps by training 106 employees in investigative and analytical skills to accomplish their enforcement mission. This training addressed civil rights, as well as laws, policies and programs relating to fair housing.

  - CPD has taken several other steps toward a high quality, well trained workforce:

- Trained 65 employees this year; of this total, 56 of these received training to address critical skill gaps, including Supervision, Leadership, Written and Verbal Communication, and Problem Solving.
- Hired 32 summer interns – high school, college and graduate students – and is making good use of this temporary resource to accomplish its work.

➢ Policy Development and Research (PD&R) trained:

- 40 employees on the Program Assessment Rating Tool (PART) process. The PART tool enables managers to conduct independent quality evaluations to ensure HUD programs are effective and are achieving results.
- 143 staff on its Management Information System that tracks and reports on critical procurements and projects.
- 20 field economists on technical analysis and 35 field economists on technical writing, which improved the consistency and quality of PD&R technical analysis.

➢ Trained 75 field Information Technology (IT) staff on technical and customer service. Also, 71 field IT staff received IT Security specialized training. As a result, field IT staff have a better understanding of their roles and responsibilities and are better able to provide IT support functions.

➢ Trained 62 Quality Assurance and Realty Specialists nationwide on using its Voucher Management System, conducting data integrity reviews, and performing rent reasonableness reviews. This training addresses a material weakness in the monitoring of HUD's rental assistance programs.

➢ Trained program area staff nationwide on Grants.gov. These sessions helped HUD employees educate the public and grantees on how to submit electronic applications through the interagency Grants.gov portal.

➢ Hired 20 Legal Honors Interns (LHIs) in the Office of General Counsel. This program provides formal training and rotational opportunities for these recent law school graduates. The LHI program helped address workload at various locations and is part of an effective succession planning strategy. In addition, 76 employees, including 8 from the Department of Justice, received Fair Housing Attorney Training and 69 received Paralegal Specialist Training.

➢ Furthered succession planning through a multi-faceted approach to leadership development for HUD's senior leadership, working-level managers/analysts, and mid-level managers:

- Thirty candidates completed the two-year Emerging Leaders Program, focusing on development needs of employees at the GS-11 through GS-13 levels.
- Ten employees were selected to participate in the HUD SES Candidate Program.

- Five employees were selected for the Council of Excellence in Government program, focusing on the development needs of employees at the GS-14 and GS-15 levels.

Program Participation in Succession Planning Programs

	TOTAL	HOUSING	PIH	CPD	FHEO	Other
Emerging Leaders	30	4	7	4	1	14
SES Candidate Program	10	N/A	2	1	6	1
Council of Excellence in Government	5	N/A	1	N/A	4	N/A

- Graduated 123 non-supervisory employees from leadership development training developed through an internal PIH and CPD partnership. As a result, eight employees have been selected for supervisory positions, thus helping to fill the leadership skill gap.

2. Competitive Sourcing

Competitive sourcing is a process to ensure that the government acquires services at the best value for the taxpayer, regardless of whether the service provider is a public entity (agency or other agency staff) or private entity (contractor staff). Public-private competitions are conducted in accordance with policies and procedures established in Office of Management and Budget Circular No. A-76, "Performance of Commercial Activities." Competitive sourcing can be applied from a potential outsourcing or in-sourcing perspective wherein commercial functions currently performed by either agency staff or contractors can be subjected to a public-private competition to achieve savings and improve performance. Competitive sourcing should be considered in areas where the Department is experiencing performance problems, risk or inefficiencies, or where workforce analyses identify existing or anticipated staffing or skills gaps that may be difficult to fill. The competitive sourcing process provides the opportunity to implement best business practices to increase productivity and enhance the quality and efficiency of operations.

HUD has announced 5 competitive sourcing efforts affecting an estimated 270 full-time equivalent (FTE) staffing positions. Three of those five competitions have been completed with an estimated savings to the government in excess of $3.1 million over a five-year performance period. Further details on the 3 completed and 2 on-going competitions are as follows:

- HUD's first completed competition was on the Office of the Chief Financial Officer's (CFO) Financial Management Systems Compliance Review function. This function had previously been outsourced to the private sector without the benefit of a public-private competition. The

competition resulted in a decision for performance by the government, with an estimated savings of more than $900,000 over a five-year performance period.

- A competition on the CFO's Financial Reporting function resulted in a decision for continued performance by the government at the current resource level.

- Completion of a competition on the Department's Spanish translation services resulted in a decision to bring the services in-house for performance by the government, with an estimated savings of $2.2 million over a five-year performance period.

- HUD's largest competitive sourcing effort affects an estimated 251 FTE staffing positions involved in the administration and oversight of assisted multifamily housing program activity other than the Section 8 Program. While the Section 8 Program administration and oversight activity is adequately performed by Performance-Based Contract Administrators (PBCAs), the remaining HUD-administered rental housing assistance programs are not getting the same level of oversight. The Office of the Inspector General and Government Accountability Office have reported material internal control deficiencies and high-risks associated with HUD's oversight of the rental housing assistance programs. The objective of this public-private competition is to determine the most cost-effective source for providing an adequate level of service that is equivalent to that provided to the Section 8 Program activity by the PBCAs. The bidding window on this competition closes in July 2005, and HUD's plan calls for completion of the evaluation and performance decision by September 30, 2005.

- HUD's most recently announced competitive sourcing effort, on June 30, 2005, pertains to the HUD motor pool operations. This function is currently performed in-house.

Competitive sourcing has been integrated as a resource management tool in HUD's strategic human capital management planning process. In addition to public-private competitions, HUD is also considering a possible pilot public-public competition with other federal agencies as a means of addressing staffing deficiencies in inherently governmental functions

3. Improved Financial Performance

The Improved Financial Performance Initiative is designed to improve the quality of financial information so that agencies and Congress can use the information to make decisions about federal programs; reduce waste, fraud, and abuse; and manage federal programs more effectively. Success is measured against clear and specific criteria for successful financial performance, including:

- Accurate and timely financial information;
- Integrated financial and performance management systems that support day-to-day operations;
- Financial systems that meet federal requirements; and
- Clean and timely audit opinions with no material weaknesses.

HUD continued to make significant progress in addressing long-standing weaknesses in its financial management activities, specifically in improving and accelerating financial reporting and audit results; resolving material weaknesses and improving internal controls; and strengthening funds control and financial systems compliance. Of specific importance are the corrective actions HUD is taking to address its remaining material internal control weaknesses in the following 3 areas:

- Financial Systems Compliance – which is being addressed by the following corrective actions on HUD's remaining non-compliant systems, which have been reduced in number from 17 to 4 since 2001:

  o Full completion of the FHA Subsidiary Ledger Project, which has already successfully implemented a new compliant FHA general ledger system and improved systems support for budget execution and funds control, with plans for further integration of program feeder systems and enhancement of related accounting processes to assure full systems compliance by December 2006 (FHA reports it has already addressed the 3 remaining non-compliant FHA systems issues, pending independent verification, and believes the overall project progress to date warrants a downgrading of this issue from a material weakness to a reportable condition level);

  o Replacement of the CFO's non-compliant Loan Accounting System with a modern financial system to support the Section 202/811 (Housing for the Handicapped and Elderly) direct loan receivable portfolio. A commercial off-the-shelf system solution has been acquired, and the system configuration and testing of the COTS software started in May 2005. Testing is expected to continue through the fourth quarter of FY 2005, with implementation of the new Loan Accounting System projected to occur during the first quarter of FY 2006;

- Controls Over Rental Housing Assistance Payments – which is being addressed by a comprehensive corrective action plan that is tracked under the separate PMA initiative on Eliminating Improper Payments; and

- Controls Over FHA's Credit Subsidy Estimation – which is being addressed by a separate corrective action plan to provide increased quality controls over FHA's credit subsidy estimation processes to eliminate this issue in the first quarter of FY 2006.

In addition to addressing these material weaknesses, other HUD accomplishments include:

- Progressive acceleration of the issuance of HUD's annual consolidated financial statements on March 29, 2001, for FY 2000; February 28, 2002, for FY 2001; January 31, 2003, for FY 2002; December 19, 2003, for FY 2003; and November 15, 2004, for FY 2004,

- Receipt of an unqualified audit opinion on the Department's consolidated annual financial statements for four consecutive fiscal years (2000-2003), with receipt of unqualified audit opinions on the financial statements for the FHA, Ginnie Mae, and the Office of Federal Housing Enterprise Oversight components of HUD for FY 2004. While the Office of the

Inspector General was unable to complete the audit of HUD's consolidated FY 2004 financial statements by the accelerated deadline of November 15, 2004, with issuance of a disclaimer of opinion, HUD management is working closely with the auditors to meet that deadline on the FY 2005 audit.

- Reduction of the number of auditor-reported material weakness and reportable condition issues by 7 since FY 2001,

- Timely completion of monthly reconciliation of the funds balance with Treasury and production of quarterly consolidated financial statements within 21 days after the end of each quarter,

- Issuance of updated funds control policies and procedures, with an increased emphasis on funds control training for HUD staff, documentation and testing of funds control processes for all accounts and activities, and proper processing and action on possible violations of the Antideficiency Act,

- Reduction of HUD travel card delinquencies to among the lowest levels in the federal government, with improved controls over purchase card activity,

- Completion of an analysis and reconciliation of accounting records and source documents on the 3,100 housing projects remaining in the Section 236 Program portfolio to facilitate needed improvements to the accounting and funding estimation processes for that $5 billion portfolio (HUD developed a system prototype to replace manual processes with an automated process for payments and general ledger maintenance, with procedures for improved communication among HUD offices and servicing agents to keep records current. The new processes will be in effect in FY 2006.),

- Improvements to FHA's annual actuarial review methodology for the Mutual Mortgage Insurance Fund,

- Completion of the first phase of the HUD Integrated Financial Management Improvement Project to develop a next-generation core financial management system for the Department, with provision of resources for project management and completion of the requirements phase in FY 2005.

4. Expanded Electronic Government (E-Government)

HUD continues its E-Government transformation to meet public expectations and government performance mandates by increasing access to information and services using the Internet, developing systems within expected costs and schedules that can be shared and used to simplify business processes, ensuring the protection of personal data, and providing increased security to guard against intrusion and improve reliability. These E-Government efforts support HUD's mission and goals by delivering more value to citizens and business partners, promoting innovation, and incorporating best practices and federal-wide solutions. HUD's E-Government transformation is built around five major areas: Enterprise Architecture (EA), Information

Technology Investment Management (ITIM) Information Security, Privacy, and PMA E-Government participation.

HUD has adopted a service-oriented and component-based approach to EA, which is consistent with government and industry best practice and enables HUD to "build once, use often." By separating out the functionality or capabilities of a business process or application into discrete pieces, business, technological, and service components can be shared and reused. HUD's IT investment decisions are driven by EA, funding only those initiatives that demonstrate they are proceeding in accordance with the target architecture for their line of business. The Department is now positioned to identify common business and information needs, eliminate redundant and obsolete systems, leverage emerging technologies, modernize and simplify systems solutions, reduce costs, and streamline operations. As a result of these actions, HUD's EA Practice has completed actions required to satisfy the OMB Enterprise Architecture Maturity level "3" thresholds.

HUD has built a comprehensive ITIM process to ensure that its portfolio of IT initiatives adequately addresses HUD's business strategies and is managed to achieve expected benefits in accordance with accurate and complete cost, schedule, technical, performance, and strategic capacity baselines. The designation of HUD's business cases for FY 2006 on the OMB Watch List assisted HUD in evaluating its IT management controls, and defining "at-risk" projects and agency-wide challenges. HUD established an aggressive, agency-wide plan to improve the oversight of our IT investments and has corrected the deficiencies in over 94 percent of HUD's major business cases. HUD expects to have all deficiencies corrected by September 2005.

IT project management has improved greatly, with more projects meeting their cost, schedule and performance goals. HUD requires monthly reporting of actual cost and schedule and earned value through an update of the project plans that are analyzed using an earned value management tool. Current reports identify that major initiatives have a cumulative, average, weighted cost and schedule variances under 10 percent. To continue this progress, the Chief Information Officer and the Chief Procurement Officer jointly issued a policy regarding the use of an Earned Value Management System to all HUD program areas, and provided standard language to be included in all IT contracts supporting major development efforts.

In support of the Federal Information Security Management Act (FISMA), HUD's Office of IT Security met with Program Office representatives to assess progress in mitigating risks and validate the data maintained in HUD's Plan of Action and Milestone (POA&M) database for Major Applications and General Support Systems (GSS). Outdated, inconsistent, and duplicative information was corrected. Weaknesses were closed due to progress in completing various IT security efforts, including security awareness training, risk assessments, security plans, IT Security policy and certification and accreditation (C&A) methodology implementation, and documenting incident response procedures. Because of these efforts, in May 2005, HUD's Inspector General verified the effectiveness of the Department-wide IT Security POA&M remediation process. HUD continues to complete C&As for all applications and GSS, with all C&As to be completed by September 2005.

Over the past year, HUD has entered into agreements with the managing partners of 14 E-Government initiatives and lines of business (LoB) and through these agreements, the Department is improving the delivery of information and services with innovative, cost-effective solutions. By establishing strong partnerships and alliances, the Department is committed to the planning and implementation of federal-wide solutions and has achieved the following results this year:

- Established CAIVRS as a best practice and extended service, security, cost savings, and loss avoidance to HUD and its partners, realizing cash collections of delinquent debts in excess of $6 million;
- Simplified and standardized processes for finding HUD grant opportunities, as well as applying for competitive grants, on Grants.gov;
- Migrated from a paper-based docket system to EPA's EDOCKET system;
- Implemented the Department of Treasury's HR cross-servicing solution that significantly reduced the investment risk, resulted in $22.8 million in cost avoidance, and delivered a mature solution that is used by several Treasury bureaus;
- Reduced contractor reporting burden and increased efficiency in obtaining key business and financial information for procurement transactions through the Central Contractor Registration (CCR), as well as improved acquisition data accuracy and increased timely data submissions through the Federal Procurement Data System - Next Generation (FPDS-NG);
- Facilitated the development, sharing, and use of Departmental geospatial data; and
- Gained an awareness and understanding of authentication requirements and identified systems and customers that are potential candidates for E-Authentication solutions.

In addition to the IT security efforts, HUD is using the Privacy Impact Assessment (PIA) to protect personal information. HUD has evaluated the privacy of personally identifiable information in 45 automated systems via the Privacy Impact Assessment (PIA). The resulting PIAs, available for viewing at http://www.hud.gov/offices/cio/privacy/pia/pia1.cfm, have ensured that appropriate administrative controls are in place to protect personal information and ensure that only information deemed necessary and relevant to HUD's mission is collected.

5. Budget and Performance Integration

This President's Management Agenda initiative is directed at reducing and better focusing performance measures, establishing program efficiency measures, and better integrating budget and performance information for use by program decision makers to increase results. This initiative has heightened awareness of the need for clear, measurable program goals and indicators to make budget and resource allocation decisions based on performance results.

One way HUD is using this initiative to increase results is to establish national performance goals to which many different individual or smaller programs can contribute to collectively make a significant difference. For example, in June 2002, President Bush announced an aggressive homeownership agenda to increase the number of minority homeowners by at least 5.5 million by the end of this decade. Increasing the focus on minority homeownership in all of HUD's various housing programs -- from FHA mortgage insurance to Housing Counseling to GSE housing goals -- is making a difference. At the end of FY 2004, 2.2 million new minority

homeowners had been counted towards this goal, putting the nation ahead of pace for this goal. Similar crosscutting goals have been established for reducing chronic homelessness and moving families from HUD's rental assistance to homeownership, and new goals are being contemplated for eliminating neighborhood blight and addressing other objectives such as energy conservation on a crosscutting program basis.

Other accomplishments under this initiative to date included actions that:

- Streamlined and improved strategic goals and performance indicators to better focus on the Department's core mission and to better align budgeted resources with those strategic goals;

- Completed PART reviews on 20 programs, representing 77 percent of HUD's total budget;

- Initiated PART reviews on an additional 6 programs, representing 18 percent of HUD's total budget;

- Began participation in the web-based government-wide PART data collection system;

- Assured there are acceptable efficiency measures for at least 50 percent of PARTed programs;

- Submitted HUD's FY 06 budget justifications reflecting improved budget and performance integration;

- Provided guidance to HUD Components on utilization of the PART and performance information in formulation of the FY 2007 budget justifications;

- Began the process of updating the Department's six year Strategic Plan;

- Adopted several new outcome indicators, some of which reflect efforts conducted under the PART process;

- Started to identify PARTed programs rated as "Results Not Demonstrated" that may be candidates for rePARTing;

- Instituted performance evaluation protocols for all managers and employees that match their ratings to their efforts to improve the performance of the Department;

- Continuing and improving upon a multi-year effort to utilize logic models to measure performance of competitive grant programs;

- Implementing the results of several substantive research and data collection efforts that are yielding significantly improved program performance measures. HUD also has several newer major research and data efforts beginning or underway.

HUD continues to work with the Office of Management and Budget to develop major, long-range goals for its affordable housing and community development programs, which will be integrated and supported in HUD's future budget justifications.

6. Improved HUD Management and Performance

This HUD-specific initiative is focused on addressing HUD's high-risk programs and material weakness issues that are not covered by the other PMA initiatives, including Improved Housing Conditions and Intermediary Performance; Improved FHA Risk Management; Consolidated Plan Improvements; and Improved Acquisition Management. HUD has made considerable progress in meeting the standards for success in this initiative. The results associated with the first three sub-initiatives were addressed in Section II of this report, and results in improving HUD's acquisitions management information follow:

Improved Acquisition Management: HUD acquires over $1 billion in contracted services and goods each year, and the Government Accountability Office has reported that HUD needs to improve its acquisitions information systems and workforce for more effective acquisitions management. Under the President's Management Agenda, HUD has pursued an overall strategy to improve its acquisition management information, including actions to ensure that:

- HUD's centralized contracting management information system contains reliable data on the number of active contracts, the expected cost of the contracts, and the types of goods and services acquired; and
- HUD's financial management information systems provide complete and reliable obligation and expenditure information on HUD's contracting activities.

To date, HUD has:

- Upgraded the HUD Procurement System with new data verification edits and initiated training for program staff on the use of the HUD Procurement System for contract management and oversight;
- Implemented the interface from the HUD Procurement System to the Financial Data Mart to assist in the reconciliation of procurement and finance information;
- Issued policies and procedures on the use of the National Institutes of Health's Contractor Performance System and trained 117 headquarters and field contracting and program staff on the use of the system to strengthen HUD's contract administration;
- Developed contract obligation and expenditure reports for all contracts maintained in HUD Central Accounting and Program System through the Financial Data Mart, with electronic dissemination of those reports to contract oversight staff and managers;
- Used performance-based contract techniques during FY 2004 on contracts totaling $535.1 million, or 428 percent, of the goal, significantly exceeding HUD's FY 2004 Annual Performance Plan goal of $125 million. This will result in services that are more timely, cost-effective, and producing the desired results;

- Implemented corrective actions to address audit recommendations to improve contract monitoring and acquisition staff skills; and

- Established HUD's Acquisition Workforce Council, comprised of senior officials in HUD's major program areas, to set annual training plans for contract oversight staff and ensure training meets federal requirements. In FY 2004, HUD set aside $100,000 for training as part of HUD's Acquisition Career Management Program, enabling 35 acquisition professionals to receive 1,224 hours of training in FY 2004.

Other aspects of HUD's acquisitions management improvement strategy are being addressed through the human capital strategic implementation plan, which incorporates actions to enhance HUD's procurement staff capacity and improve guidance and training for HUD's acquisition workforce.

7. Faith-Based and Community Initiative

The mission of the Center for Faith-Based and Community Initiatives is to *"cultivate support for faith-based and community organizations in strengthening American communities."*

The Center at HUD plays a critical role in actively supporting and engaging in HUD's goal of improving the efficiency and effectiveness of the delivery of its essential programs and services to the American people. Faith-based and community organizations (FBCOs) are, in many cases, already delivering essential programs and services in communities throughout the United States. The Center acts as a catalyst by organizing and facilitating technical assistance training and outreach programs to strengthen the competencies and skills of those FBCOs that may wish to compete for federal funds.

From 2002 to 2004, the number of grants to faith-based organizations increased by 27 percent, from 659 to 835. These results were made possible by the following actions:

Comprehensive Outreach and Technical Assistance: The centerpiece of the Center's comprehensive training, the grant-writing training program, provided training to over 15,000 individuals since its inception. This has resulted in these organizations receiving over $44 million in 2004 from public and private grant sources, including over $35 million in HUD grant funds. Coordinated by the 81 faith-based and community liaisons that have been appointed nation-wide, these sessions provide invaluable information on both federal and local funding, with the participation of both HUD and local officials. In addition to the training series, the Center maintains an open line of communication with faith-based and community organizations in order to keep them apprised of opportunities that may assist their goals of strengthening America's communities.

Equal Treatment Compliance: In order to ensure that all eligible organizations are treated equally in the grant application process, HUD made historic changes to its regulations and is ensuring that stakeholders inside and outside of HUD are well-educated about the changes in regulations that allow faith-based groups to participate. From detailed guidance to webcasts, federal, local, and state officials have been informed about these important changes.

Pilot Programs: Innovative ideas are a hallmark of America, and HUD's pilot programs in building partnerships are no different. Whether it is the innovative joining of faith-based and community organizations with public housing authorities through the Public Housing Mentoring NOFA, partnering with leading organizations on capacity building and economic development, or the Unlocking Doors Initiative that partners cities with faith-based and community organizations to determine how effective they are in contributing to homeownership and affordable housing, the Center is always looking for ways to ensure that faith-based and community organizations are brought to the table when trying to fulfill HUD's mission.

Data Collection: In order to accurately determine how effective a program is, it is necessary to determine how much change has been effected. At HUD, our timely and accurate data collection has shown that we are leading this initiative government-wide.

Evaluations: While innovation and ideas are essential to growth, evaluation is necessary in determining how programs, new and old, are working for HUD. In evaluating all programs on an outcomes-based scale, the Center has been able to determine quickly and with great accuracy what programs are successful and which should be revised.

8. Eliminate Improper Payments

The President's new initiative on eliminating improper payments was established in conjunction with the requirements of the Improper Payments Information Act (IPIA) of 2002. The IPIA requires agencies to annually assess improper payment risk and measure and report on programs/activities that may be susceptible to improper payment levels in excess of a $10 million threshold. It holds agency managers accountable for strengthening financial management controls in order to reduce any significant improper payment levels identified.

In FY 2004, HUD completed its first annual improper payment risk assessment on payment activity during the completed fiscal year 2003 accounting cycle ending September 30, 2003. An inventory of 225 distinct program and administrative payment activities was identified from HUD's financial management systems, with total payments of $52.9 billion. The risk assessment concluded that $30 billion or 57 percent of HUD's payment universe was "at risk" or "potentially at risk" of an unacceptable level of improper payments in 8 major program categories, subject to statistical sample testing to determine if payments in those programs exceeded the $10 million improper payment reporting threshold established in the IPIA. HUD's statistical sample testing was conducted in accordance with OMB guidance and found that payments in 5 of those 8 program areas did not exceed the $10 million improper payment threshold to warrant further reporting and action:

1. CPD's Homeless Assistance Grants
2. CPD's HOME Investment Partnership Program
3. CPD's Economic Development Initiative Special Purpose Grants
4. PIH's HOPE VI Revitalization Grants
5. FHA's Multifamily Housing Property Management System

HUD's 3 other "at risk" program areas, which totaled $26.5 billion or 50 percent of HUD's total payments in FY 2003, exceeded the IPIA reporting threshold. Details on these 3 program areas and HUD's corresponding corrective actions and plans to reduce improper payments and seek recoveries are as follows:

Rental Housing Assistance

HUD's 45 rental housing assistance program activities collectively make up the Department's largest program area with $24 billion in total payments in FY 2003. Collectively, these programs constitute one of the "Big 7" improper payment areas in the federal government. In FY 2001, HUD established the Rental Housing Integrity Improvement Project (RHIIP) to address the 2000 baseline estimate of $3.2 billion in gross improper payments attributed to program administrator errors in subsidy determinations and tenant underreporting of income. Under the President's Management Agenda, HUD set a goal of a 50 percent reduction in the estimated $2 billion in net subsidy overpayments by FY 2005. Working with its third party program administrator partners and tenant advocacy groups, HUD has well exceeded all interim improper payment reduction goals and established aggressive future reduction goals, as discussed in more detail in Section II of this report.

Single Family Housing Property Management and Disposition Activity

In FY 2003, HUD's Single Family Asset Management System (SAMS) paid $385 million to manage, market and sell the single family housing property inventory acquired through foreclosures in the FHA mortgage insurance programs. HUD reviewed a statistical sample of these payments to determine the level, rate and nature of any improper payments. Based on the review, HUD estimated an annual improper payment amount of $26.08 million, or 6.8 percent of total payments. The reasons for the improper payments were: 1) missing supporting documentation (75 percent); 2) missing approval signature (10 percent); duplicate payment (1 percent); and other errors (14 percent). HUD took corrective actions that included:

- Award of new Management and Marketing contracts which call for increased quality assurance by the contractor and strengthen HUD's ability to monitor contractor work;
- Contracting for monitoring services to strengthen oversight of property management;
- Training of field staff to provide more specific guidance on policies and procedures;
- Researching the implementation of data mining procedures to identify and prevent improper payments.

For the most part, the nature of the improper payment issues disclosed in SAMS were processing deficiency issues not subject to potential recovery. To the extent substantive improper payments are disclosed in testing, like duplicate payments, they are recovered through collection or off-set. HUD's goal is to improve its payment process controls to reduce improper payments below the IPIA threshold and to avoid substantive improper payments.

Public Housing Capital Fund

HUD completed the statistical sample testing for the Public Housing Capital Fund Program and estimated that the total gross improper payments for the program in FY 2003 were $133.5 million or 5.1 percent of the $2.6 billion in total payments covered by the sample testing.

The total estimated gross improper payments amount consists of two categories of substantive causes of error and two categories of error associated with incomplete sample testing due to time and cost constraints on the testing. Almost all of the improper payment issues discovered during HUD's sample testing related to the largest Capital Fund grant recipient, the New York City Housing Authority (NYCHA), and do not appear to be a program-wide problem. NYCHA accounted for 16 of the 211 sampled HUD payment transactions and those 16 large NYCHA transactions totaled $160.7 million or 83 percent of the total sampled dollars of $192.8 million. The nature of the improper payment issues disclosed in the Capital Fund Program were primarily payment timing issues not subject to recovery actions. Under the circumstances, HUD will follow-up with a review of NYCHA's FY 2004-2005 payment transactions under their new financial system, in lieu of another review of payments in the entire Capital Fund Program.

HUD's annual update of its improper payment risk assessment in FY 2005 did not disclose any new "at risk" areas. HUD will continue to pursue its improper payment reduction targets in its at risk rental housing assistance and single family housing program areas.

IV. Integration with Performance Management Process to Produce Results

To assure the PMA produces desired results and is not viewed as another passing management fad, the following structure was established to ingrain the PMA into HUD's management environment:

- PMA goals and activities have been ingrained in HUD's on-going performance management process through their incorporation in the Department's long-range Strategic Plan, Annual Performance Plan and Management Plan.

- The Deputy Secretary oversees and supports the PMA through coverage of PMA plans and progress at a quarterly Executive Management Meeting (EMM) with HUD's Assistant Secretaries and other Principal Staff.

- HUD has assigned PMA Initiative Owners at the Assistant Secretary or equivalent level, with responsibility for planning and coordinating necessary actions to achieve the goals of each initiative.

- An annual PMA plan of actions and milestones is developed to establish where HUD thinks it would be "Proud-To-Be" on PMA goals at the end of the annual period, with refinement of planned actions and milestones each quarter.

- OMB provides quarterly scorecards that assess where agencies are against the overall goals of each initiative (goal scores), as well as the progress made in carrying out actions planned towards that goal each quarter (progress scores).

- HUD has a management meeting with OMB each month to discuss PMA progress, plans and scores.

- The Deputy Secretary has designated a Special Assistant to conduct bi-weekly meetings with HUD's PMA Initiative Owners to discuss plans and actions needed to sustain progress and achieve results on the PMA.

- Progress on PMA actions and attainment of PMA goals are critical factors in HUD's performance evaluation and awards processes for managers, supervisors and staff.

- Communication of information on PMA goals, criteria, plans, progress and accomplishments are shared with HUD staff, affected program industry participants, and the public through a variety of means, including print media, satellite broadcasts, and the HUD web site.

The degree to which HUD has achieved results is reflected quarterly in the PMA scorecard. The scorecard provides a macro-level assessment of how well HUD is performing, using a "traffic light" scoring system of Green, Yellow, and Red. A score of Green indicates success, Yellow reflects mixed results, and Red denotes an unsatisfactory result. Progress against the deliverables and timelines established for the initiatives that are agreed upon between HUD and the Office of Management and Budget are similarly scored using the "traffic light" scoring system.

The chart on the following page displays the continuous improvements HUD has made in implementing the President's Management Agenda and achieving results for the American taxpayer. HUD's Status scorecard was entirely Red in June 2002. By focusing on achieving results, HUD has since earned Status scores of Green on two initiatives, and Yellow on an additional five initiatives. HUD also attained Green "progress" scores on seven of eight PMA initiatives for the most recent quarter ending June 30, 2005.

While HUD has made significant progress in implementing the PMA, much remains to be done to attain the high standards and goals of the PMA. Appendix A provides the PMA goals and scoring standards for each of the eight initiatives applicable to HUD. Detailed information on the PMA Scorecard can be accessed at: http://www.whitehouse.gov/results/agenda/scorecard.

HUD's PMA Scoring Progress 2002 - 2005

Initiative	Status				Progress			
	June 2002	June 2003	June 2004	June 2005	June 2002	June 2003	June 2004	June 2005
Human Capital *Moved to yellow in June 2004.*	Red	Red	Yellow	Yellow	Yellow	Green	Green	Yellow
Competitive Sourcing *Moved to yellow in June 2005.*	Red	Red	Red	Yellow	Green	Yellow	Green	Green
Improved Financial Performance	Red	Red	Red	Red	Yellow	Green	Green	Green
Expanded E-Government *Moved to yellow in June 2005.*	Red	Red	Red	Yellow	Green	Green	Green	Green
Budget and Performance Integration *Moved to yellow in June 2005.*	Red	Red	Red	Yellow	Yellow	Green	Green	Green
HUD Management and Performance *Moved to yellow in June 2005.*	Red	Red	Red	Yellow	Yellow	Yellow	Green	Green
Faith-Based and Community Initiative *Moved to green June 2005.*	N/A	Yellow	Yellow	Green	N/A	Green	Green	Green
Eliminate Improper Payments	N/A	N/A	N/A	Green	N/A	N/A	N/A	Green

PMA "Yellow" and "Green" Scoring Criteria

Human Capital

| Yellow	Green
X Developed, documented and communicated throughout the agency a comprehensive Human Capital Plan that: • Clearly aligns with the agency's mission, strategy and goals; • Fully addresses the Human Capital Assessment and Acountability Framework (HCAAF); • Incorporates metrics, including timelines for implementation; and • Designates accountable officials; **X** Analyzed and optimized existing organizational structures from a service delivery perspective, using redeployment and delayering as necessary; **X** Implemented succession strategies, including structured executive development programs, to assure continuity of leadership, sets targets for closing leadership competency gaps, and has implemented gap closure strategy; **X** Implemented fair, credible, and transparent performance appraisal plans and award programs for SES and managers that adhere to merit system principles (efficient, effective, and compliant); assure supervisors, managers, and executives have appropriate competencies and are accountable for managing employee performance; include employee involvement and feedback; and effectively link to agency mission, goals and outcomes, differentiate between various levels of performance (i.e., multiple performance levels with at least one summary rating above Fully Successful), and provide consequences based on performance; **X** Implemented strategies to address under representation, particularly in mission-critical occupations and leadership ranks; **X** Conducted a workforce analysis to identify, set targets, and address competency gaps in mission critical occupations, and developed short- and long-term strategies to close gaps, including targeted employee development and recruitment and retention programs; **X** Has regular, auditable system(s) for collecting and analyzing data on stages of the hiring process consistent with CHCO Council criteria, and sets a standard for time from closing of announcement until offer is made (e.g., 30 days for SES and 45 days for all others); and **X** Has developed an OPM-approved accountability system, based on the HCAAF; the system uses outcome measures to make human capital decisions, demonstrate results, and drive continuous improvements in human capital standards. The system includes conducting periodic accountability reviews with OPM participation, taking corrective and improvement action based on findings and results, and providing an annual report to agency leadership and OPM for review and approval.	___ Implemented a comprehensive Human Capital Plan that is fully integrated with the agency's overall strategic plan, analyzes the results relative to the plan, and uses them in decision making to drive continuous improvement; ___ Analyzed existing organizational structures from service and cost perspectives and is implementing a plan top optimize them using redeployment, restructuring, competitive sourcing, E-Gov solutions and delayering, as necessary, and has process(es) in place to address future changes in business needs; ___ Succession strategies, including structured executive development programs, result in a leadership talent pool available and agency meets its targets for closing leadership competency gaps; **X** Demonstrates that it has fair, credible, and transparent performance appraisal plans and awards programs for all SES and managers, and more than 60% of the workforce, that adhere to merit system principles (efficient, effective and compliant); hold supervisors accountable for the performance management of subordinates as reflected in their performance plans and ratings; include employee involvement and feedback; and result in employee ratings that differentiate between various levels of performance and employees getting higher cash awards and/or recognition than those they outperform. The agency is working to include all agency employees under such systems; **X** Reduced under representation, particularly in mission-critical occupations and leadership ranks; established processes to sustain diversity; ___ Meets targets for closing competency gaps in mission critical occupations, and integrates appropriate competitive sourcing and E-Gov solutions into gap closure strategy; ___ Is on track to meet its planned aggressive hiring timeline goals and hiring process improvements; and ___ Periodically conducts accountability reviews with OPM participation, taking corrective and improvement action based on findings and results, and providing annual report to agency leadership and OPM for review and approval.

PMA "Yellow" and "Green" Scoring Criteria

Competitive Sourcing

| Yellow	Green
X Has an OMB approved "yellow" competition plan to compete commercial activities available for competition; **X** Has completed one standard competition or has publicly announced standard competitions that exceed the number of positions identified for competition in the agency's "yellow" competition plan; **X** In the past two quarters, has completed 75% of streamlined competitions in a 90-day timeframe or timeframe otherwise approved in accordance with the Circular; **X** In the past two quarters, has canceled fewer than 20% of publicly announced standard and streamlined competitions; and **X** Has positive anticipated net savings and/or performance improvements from competitions completed either in the last fiscal year for which data has been officially reported to Congress by OMB or in the past two fiscal quarters; or has taken corrective actions to address identified weaknesses.	__ Has an OMB approved "green" competition plan to compete commercial activities available for competition; __ Publicly announces standard competitions in accordance with the schedule outlined in the agency "green" competition plan; __ Since January 2001, has completed at least 10 competitions (no minimum number of positions required per competition) or has completed a sufficient number of large competitions to demonstrate meaningful use of competitive sourcing; __ In the past four fiscal quarters, completed 90% of all standard competitions in a 12-month timeframe or timeframe otherwise approved in accordance with the Circular; **X** In the past four fiscal quarters, completed 95% of all streamlined competitions in a 90-day timeframe or timeframe otherwise approved in accordance with the Circular; **X** In the past year, canceled fewer than 10% of publicly announced standard and streamlined competitions; **X** Has OMB reviewed written justifications for all categories of commercial activities determined to be unsuitable for competition; **X** Structures competitions in a manner to encourage participation by both private and public sectors as typically demonstrated by receipt of multiple offers and/or by documented market research, as appropriate; and **X** Regularly reviews work performed once competitive sourcing studies are implemented to determine if performance standards in contract or agreement with agency provider are met and takes corrective action when provided services are deficient.

PMA "Yellow" and "Green" Scoring Criteria

Improved Financial Performance

| **Yellow** ⬤	**Green** ⬤
_X_ Receives an unqualified audit opinion on its annual financial statements; **_X_** Meets financial statement reporting deadlines; ___ Reports in its audited annual financial statements that its systems are in compliance with the Federal Financial Management Improvement Act; **_X_** Has no chronic or significant Anti-Deficiency Act Violations; ___ Has no material auditor-reported internal control weaknesses; **_X_** Has no material non-compliance with laws or regulations (**except FFMIA**); and ___ Has no material weaknesses or non-conformances reported under Section 2 and Section 4 of the Federal Managers' Financial Integrity Act that impact the agency's internal control over financial reporting or financial systems.	___ Meets all Yellow Standards for Success; ___ Currently produces accurate and timely financial information that is used by management to inform decision-making and drive results in key areas of operations; and ___ Is implementing a plan to continuously expand the scope of its routine data use to inform management decision-making in additional areas of operations.

PMA "Yellow" and "Green" Scoring Criteria

Expanded Electronic Government

| Yellow ⚪	Green 🟢

X Has an Enterprise Architecture with a score of 3 in either the "Completion" or "Use" sections;
X Has acceptable business for more than 50% of its major systems investments;
X Submits security reports to OMB that document consistent security improvement and either:
   ▪ 80% of all IT systems are properly secured; OR
   ▪ Inspector General verifies the effectiveness of the Department-wide IT Security Plan of Action and Milestone Remediation Process;
X Has demonstrated appropriate planning, execution, and management of major IT investments, using EVM or operational analysis, and has IT portfolio performance operating within 30% of cost, schedule, and performance goals; and
X Has established an OMB-approved process and plan for implementing all of the appropriate E-Gov/Lines of Business/SmartBuy initiatives rather than creating redundant or agency unique IT projects.
	X Has an Enterprise Architecture with a score of 3 in both the "Completion" and "Use" sections OR at least 3 in the "Results" section;
	___ Has acceptable business cases for all major systems investments;
	___ Has demonstrated appropriate planning, execution, and management of major IT investments, using EVM or operational analysis, and has portfolio performance within 10% of cost, schedule, and performance goals;
	___ Inspector General verifies the effectiveness of the Department-wide IT security remediation process and rates the agency certification and accreditation process as "Satisfactory" or better;
	___ Has 90% of all IT systems properly secured (certified and accredited); and
	___ Has implemented all of the appropriate E-Gov/Lines of Business/SmartBuy initiatives rather and has transitioned and/or shut down investments duplicating these initiatives in accordance with the OMB-approved implementation plan.

PMA "Yellow" and "Green" Scoring Criteria

Budget and Performance Integration

Yellow	Green

Yellow

 X Senior agency managers meet at least quarterly to examine reports that integrate financial and performance information that covers some of the major responsibilities of the Department. Agency can demonstrate information is used to improve performance of agency programs;

 X Strategic plans contain a limited number of outcome-oriented goals and objectives. Annual budget and performance documents incorporate measures identified in the PART process;

 X Implemented fair, credible, and transparent performance appraisal plans and award programs for SES and managers that adhere to merit system principles (efficient, effective, and compliant); assure supervisors, managers, and executives have appropriate competencies and are accountable for managing employee performance; include employee involvement and feedback; and effectively link to agency mission, goals and outcomes, differentiate between various levels of performance (i.e., multiple performance levels with at least one summary rating above Fully Successful), provide consequences based on performance;

 X The full cost of achieving performance goals is accurately reported in budget and performance documents;

 X At least 50% of agency programs rated by the PART have at least one efficiency measure; and

 X PART ratings and performance information are used to justify funding requests, management actions, and legislative proposals. No more than 50% of agency programs receive a Results Not Demonstrated rating for two years in a row.

Green

___ Senior agency managers meet at least quarterly to examine reports that integrate financial and performance information that covers all major responsibilities of the Department. Agency achieves planned improvements in program performance and efficiency in achieving results each year;

 X Strategic plans contain a limited number of outcome-oriented goals and objectives. Annual budget and performance documents incorporate measures identified in the PART and focus on the information used in the senior management report described in the first criterion;

 X Demonstrates that it has fair, credible, and transparent performance appraisal plans and awards programs for all SES and managers, and more than 60% of the workforce, that adhere to merit system principles (efficient, effective, and compliant); hold supervisors accountable for the performance management of subordinates as reflected in their performance plans and ratings; include employee involvement and feedback; and result in employee ratings that differentiate between various levels of performance and employees getting higher cash awards and/or recognition than those they outperform. The agency is working to include all agency employees under such systems;

___ Reports the full cost of achieving performance goals accurately in budget and performance documents and can accurately estimate the marginal cost of changing performance goals;

___ Has at least one efficiency measure for all PARTed programs; and

___ Uses PART evaluations to direct program improvements, and PART ratings and performance information are used consistently to justify funding requests, management actions, and legislative proposals. Less than 10% of agency programs receive a Results Not Demonstrated rating two years in a row.

PMA "Yellow" and "Green" Scoring Criteria

HUD Management and Performance

Yellow ⬤	Green ⬤

Yellow

Sub-Initiative #1 – Controls Over Housing Physical Conditions

 X At least 84 percent of public housing (PH) units and at least 92 percent of private subsidized multifamily housing (MFH) units pass HUD's physical inspection standards.
 X The management of at least 45 percent of public housing authorities classified as "troubled" is turned around within one year of classification.
 X Sixty-five percent of multifamily projects with physical scores below 60 are corrected or have had enforcement action completed within 12 months from the date of the second inspection.
 X The average number of observed exigent deficiencies per property continues a downward trend with a reduction from 3.41 for public housing and 2.1 for multifamily housing.
 X HUD commits to completing a study by October 31, 2005, to identify viable policy options for further reducing exigent health and safety (EH&S) defects frequently detected on physical inspections of HUD-assisted properties.

Sub-Initiative #2 – Controls Over FHA Risks

 X In the 12 months following the effective date of the new rule, no verified instances of property flipping have been detected in the FHA single-family mortgage program.
 X FHA conducts four rounds of Credit Watch a year to reduce its business risk.
 X FHA establishes a "compliance measure" relative to loans at risk, which FHA defines as loans 90 days or more delinquent. Denominator: Number of loans reviewed. Numerator: Number of reviewed loans found to be in substantial compliance (without material findings). The initial target measure will be set based on the most recent 3-year average. The results of the measure and the underlying data will be annually analyzed to determine causes of material findings and corrective actions necessary to manage risks.

Sub-Initiative #3 – Results-oriented community planning

 X Legislative and/or regulatory changes have been proposed, based on pilot results, that will provide a results-oriented planning and reporting system nationally for major grant programs.

Sub-Initiative #4 – Improved Acquisitions Management Data

 X Plans are developed and initiated to enhance data quality in the HUD Procurement System (HPS) and to provide contract obligation and payment reports from the data financial management Data Mart.

Green

Sub-Initiative #1 – Controls Over Housing Physical Conditions

 X HUD improvements to management controls over physical conditions at assisted PH and MFH properties eliminate GAO's high-risk program designation
 X HUD continues a positive trend in eliminating substandard housing conditions and EH&S defects at PH and MFH through its GPRA planning and reporting, or pursues program changes that will better enable the Department to achieve such goals.

Sub-Initiative #2 – Controls Over FHA Risks

 __ HUD improvements to management controls over its single-family housing mortgage insurance programs eliminate GAO's high-risk program designation
 X FHA implements Appraiser Watch to reduce its business risk.
 __ FHA implements electronic verification of social security numbers, and regularly reports potential fraud avoided (number and percentage of applications denied).
 __ FHA collects reports by lenders of credible instances of suspicious activities through the Neighborhood Watch reporting feature, which includes activities of lender employees and others involved in the loan transaction such as, homeowners, appraisers, title agents, inspectors, etc.
 __ FHA sets new performance targets for its "compliance measure" that reflect commitment to continuous improvement.

Sub-Initiative #3 – Results-oriented community planning

 __ A new consolidated planning process has been implemented nationwide that is results-oriented and rated as useful by 90 percent of grantee communities.

Sub-Initiative #4 – Improved Acquisitions Management Data

 __ HUD completes actions to enhance data quality in the HUD Procurement System (HPS) and to provide contract obligation and payment reports from the financial management Data Mart.

PMA "Yellow" and "Green" Scoring Criteria

Faith-Based and Community Initiative

Yellow	Green

Yellow ⬤

 X Has developed a comprehensive outreach and technical assistance strategy for enhancing opportunities of faith-based and community organizations (FBCO) to compete for federal funding, including working with state and local officials to expand access to Federal funding awarded through them, and has begun to implement the plan. This strategy employs 8 of 15 best practices;

 X Has taken steps to ensure barrier free access for FBCO to the Federal competitive grants process. These steps include 7 of 13 best practices;

 X Has established procedures to collect data on participation of FBCO in selected Federal programs;

 X Has implemented pilot programs to strengthen the partnership between FBCO and the Federal government to deliver services; and

 X Has undertaken outcome-based evaluations of its first set of pilot programs and has provided progress reports to WHOFBCI.

Green ⬤

 X Has implemented a comprehensive outreach and technical assistance strategy for enhancing opportunities of faith-based and community organizations (FBCO) to compete for federal funding, including working with state and local officials to expand access to Federal funding awarded through them. This strategy employs 12 of 15 best practices;

 X Regularly monitors compliance with the equal treatment regulations at the State and local levels, promptly addresses violations once they are detected, and has a process in place to ensure that compliance information is use to inform future funding. Compliance monitoring activities include 10 of 13 best practices;

 X Collects accurate and timely data on participation of FBCO and other applicants, including government entities, in selected Federal non-formula grant programs and has taken steps to expand data collection efforts to formula grant programs and make them a routine part of program administration. Programs are working to make this information accessible to the public;

 X Implements pilot programs to strengthen the partnership between FBCO and the Federal government to deliver services and inform implementation of the Initiative, and expands the use of pilots to test new strategies when appropriate; and

 X Undertakes outcome-based evaluations of its pilot programs where FBCO participate, provides quarterly progress reports and interim results to White House Office of Faith-Based and Community Initiatives (WHOFBCI) throughout the life of the program, and builds an evaluation component into new pilots. Incorporated FBCO component into broader program evaluations when appropriate.

PMA "Yellow" and "Green" Scoring Criteria

Eliminating Improper Payments

Yellow ⬤	Green ⬤

_X_ Has a risk assessment in place that identifies all programs that are at significant risk of improper payments;
_X_ Has an OMB-approved plan for measuring improper payments on an annual basis and meets milestones established in the plan that include the following for each risk susceptible program:
  o yields a statistically valid annual improper payment amount either for -- (a) the program as a whole; or (b) one or more significant components of the program;
  o tracks sampled payments through each phase of the payment lifecycle (i.e., internal agency processing, payment to any intermediary, and payment to the ultimate recipient; and
  o identifies the causes of error so that corrective action plans can be tailored appropriately
_X_ Agency has an OMB-approved corrective action plan that includes aggressive, yet feasible, reduction targets; and
_X_ Agency complies with improper payments reporting requirements.
	_X_ Has met all Yellow Standards for Success;
	_X_ Demonstrates that improper payments are being reduced consistent with reduction targets; and
	_X_ Has established improper payments recovery targets, where appropriate, and is actively meeting such targets.