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Report to Sen. Henry Bellmon; by Elmer B. Staats, Comptroller General.

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Streamlining the Department of Housing and Urban Development's (HUD's) organization through consolidating field offices and realining selected regional and field office functions could improve its delivery of services to the public at reduced costs. Findings/Conclusions: Streamlining HUD's organization could improve services to the public and save money by reducing the resources needed to provide the services. It would also reduce the potential for duplicate work and fragmented authority and responsibility which have been problems in the past. This streamlining can be accomplished by reducing the number of field offices and requiring field offices and regional offices to operate selected dissimilar programs, with both reporting to the central office, or by requiring field offices to operate all programs now being done by both field and regional offices. Recommendations: Congress should request the Secretary of HUD to submit to appropriate committees the reorganization plan resulting from the Department's organizational assessment before implementing the plans. The plan should explain in detail the changes, and it should address the following issues: cost benefits anticipated from the planned reorganization; improvement in program responsiveness that will result; changes in staffing requirements forecast for a reasonable period subsequent to the reorganization; and the impact on organizational patterns, roles, and authorities of regional and field offices. (Author/SC)

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*REPORT OF THE
COMPTROLLER GENERAL
OF THE UNITED STATES*

**Department Of Housing
And Urban Development
Could Be Streamlined**

Regional offices of the Department of Housing and Urban Development provide essential services. Yet, streamlining the Department's organization through consolidating field offices and realigning selected regional and field office functions can improve its delivery of services to the public at reduced costs.



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-114860

The Honorable Henry Bellmon
United States Senate

Dear Senator Bellmon:

This report describes (1) the role of regional offices in the organizational structure of the Department of Housing and Urban Development and (2) the opportunity to improve efficiencies and serviceability through streamlining the organization. Particular emphasis was directed toward past and present organizational studies conducted by a special interest group, the Congress, a private consultant, and the Department staff.

Our review was made pursuant to your request of August 2, 1976, and subsequent discussions with your office. As requested by your office, we did not obtain formal comments from the Department. However, the results of our review were discussed with various agency personnel, including members of an ad hoc departmental organization assessment group. Their comments have been considered in preparing the report.

During our review the organization assessment group began an intensive study of the Department's organization, including its basic structure. It plans to prepare a reorganization plan for the Secretary to submit to the Office of Management and Budget on or before June 15, 1977.

We are providing a recommendation to the Congress on page 22. We will soon be in touch with your office to arrange for release of the report.

Sincerely yours,

A handwritten signature in cursive script, reading "James R. Atchell".

Comptroller General
of the United States

D I G E S T

The Department of Housing and Urban Development has three organizational levels--a central office in Washington, D.C.; 10 regional offices; and 76 field offices, with about 15,000 permanent full-time staff located as follows:

<u>Location</u>	<u>Number</u>	<u>Percent</u>
Central office	3,814	26
Central office staff stationed in field	618	4
Regional offices	1,624	11
Field offices	<u>8,790</u>	<u>59</u>
Total	<u>14,846</u>	<u>100</u>

Streamlining the Department's organization could improve services to the public and save money by reducing resources needed to provide the services. It would also reduce the potential for duplicate work and fragmented authority and responsibility, which have in the past been problems.

This can be done by reducing the number of field offices and requiring

- field offices and regional offices to operate selected dissimilar programs, with both reporting to the central office, or
- field offices to operate all programs now being done by both field and regional offices. (See pp. 8, 42, and 43.)

Primarily, the regional offices monitor and evaluate field offices, provide policy and technical advice to them, carry out programs,

and do administrative work. The time spent on these functions in the Dallas Regional Office follows (see p. 15):

<u>Function</u>	<u>Percent</u>
Program operations	42
Administrative operations	20
Monitoring and evaluation	11
Policy and technical advice	17

Dallas's time spent is typical of the other regional offices. The four functions are essential tasks which, if not done by regional offices, would have to be done elsewhere.

Recent studies on Housing and Urban Development's organizational structure include:

--A 1973 study commissioned by the Mortgage Bankers Association of America. The study found disorganization, fragmentation, confusion, and inefficiency and recommended reorganization of regional and field offices. (See p. 7.)

--A March 1976 report of the House Surveys and Investigative Staff. It concluded that the central office urgently needed to review regional office functions, especially those that had expanded into the operational and decisionmaking functions of field office directors. (See p. 7.)

--An extensive Housing and Urban Development contracted study completed in March 1976. It concluded that the number of field offices and the size of regional offices could be reduced, resulting in improved programs and a savings of up to \$14 million a year. (See p. 8.)

--Internal Housing and Urban Development studies. These as well as the contracted study identified undesirable duplication at all levels. (See p. 8.)

The Senate Appropriations Committee directed Housing and Urban Development to reduce staffing and promote more efficient and streamlined

services by reorganizing regional offices.
(See pp. 7 to 8.)

Housing and Urban Development personnel differed on how much of the work currently done by a regional office should be done there.

Housing and Urban Development is studying its organization and expects to submit a reorganization plan to the Office of Management and Budget by June 15, 1977.

RECOMMENDATION FOR THE CONGRESS

GAO recommends that the Congress request the Secretary of the Department of Housing and Urban Development to submit to appropriate committees the reorganization plan resulting from the Department's organizational assessment before implementing the plan. The plan should in detail explain the changes and address the

- cost benefits anticipated from the planned reorganization;
- improvement in program responsiveness that will result;
- changes in staffing requirements forecast for a reasonable period subsequent to the reorganization; and
- impact on organizational patterns, roles, and authorities of regional and field offices.

This should give the Congress an opportunity to review the Department's plan to determine whether the reorganization will resolve past and current problems that have troubled both the Congress and Housing and Urban Development. (See p. 22.)

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GAO did not solicit written Department of Housing and Urban Development comments on

the report. However, GAO discussed the report with top management officials and the organization assessment group. In general, the Department of Housing and Urban Development agreed with the facts presented in the report. (See p. 23.)

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ABBREVIATIONS

FHA	Federal Housing Administration
GAO	General Accounting Office
HHFA	Housing and Home Finance Agency
HUD	Department of Housing and Urban Development

CHAPTER 1

INTRODUCTION

At the request of Senator Henry Bellmon on August 2, 1976, (see app. I) and subsequent agreements with his office, we reviewed the role of the regional offices in the organizational structure of the Department of Housing and Urban Development (HUD). We particularly examined recent HUD and external study reports on the subject to determine to what extent their recommendations had been considered or implemented. We also made extensive inquiries in HUD's Dallas Region to assess the result of some of the studies' findings and to determine what functions a regional office performs and why. Our objective was to assess whether regional offices were performing essential functions and how regional and field office staff felt about these services. We did not attempt to determine the optimum number or size of regional offices. Specific details concerning the scope of our work are contained in chapter 5.

HUD RESPONSIBILITIES

HUD was created in 1965 to consolidate Federal housing activities into a Cabinet-level department. HUD's involvement in the housing field has been guided by the Federal Government's recognition of (1) a responsibility to maintain and promote economic stability, (2) a social obligation to help those in need, and (3) an emerging interest in how the country's communities develop. In 1969 HUD and several other social agencies were organized into 10 regions with stated boundaries and regional office locations. On February 10, 1972, Executive Order 11647 formally established Federal Regional Councils in each of 10 standard Federal regions to develop closer working relationships between major Federal grant-making agencies and State and local governments and to improve coordination of the categorical grant-in-aid system. HUD participates on the Federal Regional Councils. (The historical development of the Department is presented in app. II.)

HUD is the principal Federal agency responsible for programs concerned with housing needs and improving and developing the Nation's communities. It has responsibility for the administration of over 50 Federal assistance programs involving housing, urban development, and related activities. Some major programs currently administered by HUD are:

- Mortgage insurance--A program administered by the Federal Housing Administration (FHA) which provides mortgage insurance for both single family and multifamily housing.
- Community development--A block-grant program to assist local governments with: eliminating slums, blight, and conditions which are detrimental to health, safety, and public welfare; preventing the deterioration of property; conserving and expanding housing stock; expanding and improving the quality and quantity of public services; using land and other resources efficiently; diversifying and vitalizing neighborhoods; and restoring and preserving property of historical, architectural, or esthetic value.
- Low-rent public housing--A program providing financial and technical assistance to public agencies in planning, building, acquiring, and operating decent, safe, and sanitary housing for low-income families at affordable rents.
- Comprehensive planning assistance--A program designed to foster sound State and local development through comprehensive planning. Grants are made to supplement State and local funds for preparing development plans, policies, and strategies; deciding implementation measures; and coordinating related plans and activities being carried on at various levels of government.
- Federal disaster assistance--A program to provide assistance to States, local governments, owners of selected private nonprofit facilities, and individuals in alleviating hardship and suffering resulting from emergencies or major disasters.
- Federal insurance--Programs designed to provide flood insurance in flood-prone areas; burglary and robbery insurance to businesses and residents of homes and apartments; and urban property insurance, particularly in areas subject to riots or civil disturbance.

HUD ORGANIZATIONAL STRUCTURE

HUD functions and responsibilities are generally performed within a three-tier organizational structure-- the central office located in Washington, D.C.; 10 regional offices located in designated major U.S. cities; and 76

field offices (area offices and insuring offices) located in various U.S. cities. Field offices are under the jurisdiction of the regional offices. (See app. III for HUD regional office and field office locations and jurisdictional boundaries.)

The administration of most HUD program and operating functions involves all three hierarchical tiers in a decentralized arrangement. There are, however, exceptions. For instance, Policy Development and Research is a completely centralized arrangement and Federal Disaster Assistance Administration is a bilevel, centralized arrangement with central office staff stationed in field locations. (HUD organization charts are presented in app. IV.)

Functions and relationships of organization levels

The functions of the organizational levels prescribed by HUD are:

- Central office--should make and interpret policy; establish priorities; promulgate standards, criteria, and procedures for all levels of field operation; and direct program administration.
- Regional offices--should supervise, coordinate, and evaluate field office operations. They are to represent the Secretary with the Governors and with other Federal agencies on the Federal regional councils. They should be responsible for the allocation of program and administrative funds among field offices, receiving such funds and guidance and direction from appropriate assistant secretaries. Regional offices should not duplicate reviews and operations carried out in field offices, but provide program and technical backup and support as needed.
- Field offices--should operate and make decisions in the field and be the Department's principal contact with program participants and sponsors. Generally, delegations to take final actions should be decentralized to this level, without procedural qualifications or review requirements to dilute authority.

Lines of authority

All HUD programs, resources, and activities are vested by statute in the Secretary. For the most part,

general line authority flows from the Secretary to the regional administrators and from them to the field office directors. This structure was intended to give decision-making authority to the officials closest to the problems-- the field office directors.

The flow of programmatic line authority involves an additional central office level--assistant secretaries. Assistant secretaries were established to assist the Secretary in managing and administering HUD programs and functions. Programmatic authority is delegated to the assistant secretaries who, in turn, may redelegate to the regional administrators and, through them, to the field office directors for the accomplishment of program objectives. Not all authority, however, has been delegated by the central office. (See app. V for HUD staff and line relationships.)

Regional administrators are directly responsible to the Secretary for achieving HUD's goals and objectives, and are accountable to the responsible assistant secretaries for program delivery. The regional administrators have assistants to supervise, coordinate, and evaluate the programs decentralized to the field offices. These assistant regional administrators are responsible for maintaining quality control over field office programs; assuring that programs are carried out in accordance with HUD policies, criteria, and procedures; and seeing that program goals are being met. They perform continuing evaluations of the field offices and provide functional, technical, and programmatic guidance to field office staff. Assistant regional administrators, however, do not have line responsibility or authority over counterpart program areas in the field offices.

HUD staffing

There are about 15,000 permanent full-time employees in HUD. The following chart shows how onboard employees were spread among the three levels of organization as of September 30, 1976. (See app. VI for HUD permanent full-time positions on board by organizational level and percent of total at the end of each fiscal year since 1970 and remarks.)

<u>Levels of organization</u>	<u>Number of employees</u>	<u>Percent of total</u>
Central office	3,814	26
Central office staff stationed in field	618	4
Regional offices (10)	1,624	11
Field offices (76)	<u>8,790</u>	<u>59</u>
Total	<u>14,846</u>	<u>100</u>

DALLAS REGION STAFFING

The Dallas Region consists of a regional office and 11 field offices. These 11 field offices include 5 area offices and 6 insuring offices. Three insuring offices located in Albuquerque, Houston, and Shreveport are, however, in the process of being transformed into full-service housing offices. (See app II, p. 29, for a discussion of this change.) The area offices have responsibility for all HUD programs decentralized from central and regional offices. The insuring offices have responsibility for all decentralized housing programs except low-income and assisted housing. Full-service housing offices are responsible for activities of the insuring offices and low-income and assisted housing.

As of September 30, 1976, there were over 1,300 permanent full-time employees in the Dallas Region. The following table shows the location, type of office, and distribution of employees.

<u>Type/location of office</u>	<u>Number of employees</u>	<u>Percent of total</u>
Regional office:		
Dallas, Texas	177	13
Area offices:		
Dallas, Texas	250	19
Oklahoma City, Oklahoma	138	10
San Antonio, Texas	120	9
New Orleans, Louisiana	118	9
Little Rock, Arkansas	102	8
Insuring offices:		
Houston, Texas (note a)	109	8
Shreveport, Louisiana (note a)	60	4
Albuquerque, New Mexico (note a)	54	4
Fort Worth, Texas	86	6
Lubbock, Texas	67	5
Tulsa, Oklahoma	67	5
	<u> </u>	<u> </u>
Total	<u>1,348</u>	<u>100</u>

a/Designated to be full-service housing offices.

CHAPTER 2

ACTIONS RESULTING FROM ORGANIZATIONAL STUDIES

Widespread concern about HUD's organizational structure has prompted recent external and internal studies. In late 1973 the Mortgage Bankers Association of America commissioned a study of HUD's organizational structure with emphasis on FHA's role within the Department. The study concluded that the disorganization, fragmentation, and confusion of HUD makes it difficult for the Department to focus on the gravity, urgency, and organizational nature of its problems and inefficiencies. Further, the study noted that HUD's organizational structure results in red tape, slow service, inefficiency, and incapacity to control losses. To remedy these problems the study recommends that, in essence, HUD return to the organizational arrangement that prevailed prior to the decentralization of HUD that occurred in the 1970-71 reorganization. (See p. 27.) This change would result in a two-tier HUD organizational structure; that is, field and regional offices would report directly to the central office. (See p. 42 for a brief description of this alternative.)

In October 1974 the House Subcommittee on HUD--Independent Agencies of the Committee on Appropriations requested its surveys and investigations staff to conduct a comprehensive investigation of HUD's organizational structure. The study identified deficiencies but urged that HUD not undergo a major reorganization. Rather, it recommended that HUD review regional office functions and realine certain roles that had expanded into operational and decision-making functions of field offices. (See app. VII for specific details regarding the study.)

As a result of hearings, the House Committee eliminated 333 staff-years in regional offices. They identified the activities to be eliminated as "* * * the excess of regional office supervision, evaluation and review of area and insuring offices." The Senate Appropriations Committee, which also considered the House Committee report, restored all except 110 staff-years, but stated essential agreement with the reasons behind the House reduction.

The Senate Committee made it clear that they considered the staff of the regional offices larger than needed to perform their functions. The Committee concluded that a complete reorganization of the structure and responsibilities of regional offices was needed. It directed HUD to submit

with its fiscal year 1977 budget request a comprehensive reorganization plan providing for substantial regional staffing reductions in supervision in an attempt to promote more efficient and streamlined delivery of regional and field office services.

In March 1975 HUD initiated a management improvement program to address the deficiencies cited in the House staff study and internal concerns resulting from self-examination. Special teams were established to document and analyze program processes in regional and field offices and develop more logical procedures for program delivery. HUD also commissioned a consulting firm to conduct a thorough independent study of the organization. This study included an analysis of the percentage share of total workload of various field offices. Based on this analysis, the consultants concluded that the larger field offices enjoy the benefits of economy of scale when compared to the work done by the smaller offices and that inefficient offices could be closed and personnel reduced or shifted.

Various near-term and long-term recommendations were made as a result of these efforts. (See app. VII for specifics of both process analysis and the consultant's study.) The consultant's study recommended that HUD reduce a tier of HUD organization. It estimated savings through the reduction of the number of field offices and size of regional offices at up to \$14 million annually. (See app. VIII, p. 43, for alternative two.)

Subsequently, the Secretary solicited views on the proper functions and role of the regional offices from the assistant secretaries, the regional administrators, and several field office directors. There was no consensus among these managers, even those at the same organizational level. Some favored no regional involvement in program operations; others believed that regionalization of certain program operations was appropriate.

HUD did not submit a comprehensive reorganization plan with its fiscal year 1977 budget request. Instead, it submitted the "Secretary's Report to Congress on Organization and Management Activities." This document, dated March 1976, summarized the findings and resultant actions of a conference held by the Secretary in February 1976 to consider the various internal and external studies and the other previously described efforts. The Secretary stated that both the internal analyses and the consultant's study closely paralleled the conclusions of the House staff study. Specifically:

--HUD had been suffering from a lack of stability due to a series of reorganizations since the late 1960s.

--Lines of authority from the central office to the regional offices and ultimately to the field offices has been fragmented and confused.

--Inconsistencies existed in the decentralization of authority, which in turn had created undesirable duplication at all three levels of the organization.

--A lack of clarity was evident in the specific roles to be played by each of the three levels of the organization, particularly the regional office.

The Secretary noted that a consensus of the required action had emerged from the various analyses and studies. Namely, HUD must

--articulate clearly and disseminate effectively its goals and objectives;

--clarify the roles of personnel at the central office, regional office, and field office levels and ensure effective communication among these levels;

--eliminate any duplication of work between the regional offices and field offices; and

--avoid a large-scale reorganization at this time because of the potentially devastating effect on employee morale and disruptive impact on program delivery without curing management deficiencies.

The Secretary, however, decided to retain the present three-tier organization. She commented that the problems were not endemic to their present organizational structure but resulted from management deficiencies in defining program objectives, enforcing respect for lines of authority, and clarifying relationships in the chain of command.

HUD recognizes, however, that maintaining the present structure offers some disadvantages, such as Congressional concerns over HUD's regional office operations and costs not being fully satisfied. Also, levels of management are not reduced and program integration and coordination are not sub-

stantially improved. Further, opportunities for duplication remain.

Actions to be taken by HUD were cited by the Secretary of HUD during the 1977 appropriation hearings, as follows:

- Six major goals and 58 specific secretarial and 324 assistant secretarial objectives were established for fiscal year 1976. (These goals and objectives are contained in HUD's new goals management system.)
- Assistant secretaries are to continue to be fully responsible for all program activities delegated to them.
- That portion of authority dealing with actual program delivery and administration is to be decentralized and delegated to field offices to the maximum extent possible.
- Except in those instances where economies of scale can be achieved by delivery at the regional office level, all program delivery will be delegated to field offices.
- Regional offices are to continue to be responsible to each appropriate assistant secretary for supervising performance of the field offices.
- Field offices have been given greater staffing flexibility in carrying out their responsibilities. Managers are now being held accountable for the results attained by measurements against specific objectives.
- Duplicate processing was recognized as extremely inefficient and will be eliminated wherever possible.

Regarding the last point, the Secretary stated that all duplicate program processing should be identified and eliminated except in unusual circumstances in which approval by the Secretary is required. This was still an open issue. Therefore, two task forces were formed to deal with it. One dealt solely with duplicate processing in administrative support, and the other covered most other aspects of HUD's operations.

The administrative support task force recommended the authority of field offices be increased to strengthen their capability to act quickly and decisively on primarily internal operations issues. Recommendations were also made to broaden some regional office authority for similar reasons. Of the fifty issues the task force identified, most dealt with the location of authority and little actual duplication surfaced.

The task force that covered most other operating functions recommended delegating authority to officials at lower organizational levels on 13 items, all of which have been accepted.

HUD REORGANIZATION STUDY IN PROGRESS

During our review the National Administration changed. Consistent with the new President's reorganization program, which includes all executive departments, the Secretary of HUD, in February 1977, established a special in-house task force for internal organizational assessment. At the outset this group planned to:

- Review the reporting relationship of assistant regional administrators for housing and community planning and development, including whether this reporting relationship should be more vertical to the central office.
- Review the role of HUD area offices and the functions they perform.
- Examine the viability and function of the regional office system to determine what reforms or modifications might be necessary.
- Consider consolidating some of the various staff offices now reporting to the Secretary.
- Consider consolidating various field offices.

The task force, named the organization assessment group, is composed of representatives from the major program areas of the Department at the central office level from regional offices and field offices representing different geographic areas of the country.

Initial assignments for the group have included:

- Review the statutory missions of the Department, analyzing those programs used to accomplish each mission and listing organizational units now having lead responsibility for their delivery. HUD considers this analysis to be essential to the nature, degree, and extent to which the integration and coordination of HUD programs can be achieved within certain organizational alternatives.
- Prepare an activity analysis to identify existing HUD programs reasonably expected to continue in operation over the next four years and their estimated levels.
- Analyze the staffing resources currently available in the Department. This resource inventory will contain information on total staff-years and detailed data on the availability of personnel having specific skills necessary to implement programs--appraisers, engineers, financial management analysts, architects, etc.
- Develop a preliminary statement of organizational problems now perceived within the Department, relying upon several studies already completed and the personal experience of the group's participants. This analysis already has identified several key issues which must be addressed as HUD frames alternative organizational structures.

On March 1, 1977, the Secretary of HUD notified the Director of the Office of Management and Budget that HUD expects to submit a complete reorganization plan no later than June 15, 1977. We were advised by central office officials that the magnitude of the reorganization will depend upon the results of the organizational assessment. The phrase "complete reorganization" may, therefore, be an overstatement, especially since the Secretary of HUD stated that "During its brief existence as a Cabinet level Department, HUD has been reorganized too many times. As a result, the Department has become preoccupied with its internal processes, and forgot its external responsibilities." 1/

1/Mar. 28, 1977, in testimony before the Subcommittee on HUD--Independent Agencies, Senate Committee on Appropriations.

CONCLUSIONS

The issue of the need for and role of HUD regional offices has been studied thoroughly in recent years. A number of problems have been identified, including

- duplicate effort at all organizational levels,
- fragmented and confused lines of authority, and
- inconsistent decentralization of authority.

Recommendations have been made for substantially reducing the number of field offices and the size and role of regional offices, and organizational alternatives have been proposed. (See app. VIII.) Cost savings have been estimated at up to \$14 million annually.

HUD has begun, short of major reorganization, to alleviate some of the identified problems in its organization. This includes establishing departmental goals and objectives and conducting process analyses, which resulted in proposals for streamlining HUD procedures for program delivery. In addition, efforts were made to identify and minimize duplicate program processing.

HUD is currently conducting a comprehensive organizational assessment with a goal to submit a complete reorganization plan to the Office of Management and Budget no later than June 15, 1977.

CHAPTER 3

THE HUD REGIONAL OFFICE FUNCTIONS

When HUD was reorganized in 1971-72 and a formal field office and regional office structure established, HUD management envisioned that the regional office would relinquish the day-to-day responsibility for operating HUD programs to the field offices. The regional office was to evaluate and monitor activities of the field office level, provide them technical services and specialized support, allocate funds, and set program priorities. In addition, they were to perform certain operational functions.

WHAT REGIONAL OFFICES ACTUALLY DO

In 1974 HUD conducted a study of the Philadelphia Regional Office to determine how many people were involved in various regional office functions. Drawing on this data HUD projected the total number of people involved in the various functions in all 10 regional offices, as shown below.

Regional office functions (<u>note a</u>)	Percent of time spent in <u>Philadelphia</u>	Projections of total people involved in ten regional <u>offices</u>
Monitoring and evaluation	13	216
Policy and technical advice	16	266
Program operations	30	500
Administrative operations	16	266
General management	14	233
Employee development & training	6	100
Resource allocation & management	<u>5</u>	<u>83</u>
Total	<u>100</u>	<u>1,664</u>

a/See app. IX for definitions of regional office functions.

We reviewed the functions performed by the Dallas Regional Office. We also asked personnel in the Dallas regional area how they felt about these functions. Our results are presented below.

The Dallas Regional Office generally performs the same functions that were identified in the 1974 Philadelphia study. The percent of time devoted to the regional office's various functions is shown below.

<u>Regional office functions</u>	Percent of time spent (note a)
Monitoring and evaluation	11
Policy and technical advice	17
Program operations	42
Administrative operations	20
General management	4
Employee development & training	4
Resource allocation & management	<u>2</u>
Total	<u>100</u>

a/Does not include time spent by 17 employees in the immediate office of the Dallas Regional Administrator.

Monitoring and evaluation

According to HUD officials, monitoring and evaluation is needed in tracking the performance and accomplishments of the 76 field offices. In testimony before a subcommittee of the House Government Operations Committee, the Atlanta Regional Administrator stated that HUD needs to monitor and evaluate field offices' performance if only to identify deficiencies and assist the field offices in correcting them. This function consists primarily of site evaluations at the field offices and is a prime responsibility of the regional office.

The Dallas Regional Administrator advised us that this function could perhaps be shifted to the central office. However, he said it would not be performed as well there, because the closeness of the regional offices to the field offices allows for more effective execution of the function.

A task force was formed in December 1975 to study current monitoring and evaluation processes. Its May 1976 draft report concluded that there are 10 different regional evaluation systems with no common link to the central office in terms of procedural guidance, joint planning, or standardization of performance measures.

As a result, another task force was created in December 1976 to develop standard technical and management criteria to evaluate the performance of both the regional and field

offices. The Deputy Under Secretary for Field Operations advised us that the monitoring and evaluating function had been a significantly deficient area for years. He viewed this effort to develop a standardized system of performance evaluation with appropriate criteria as an extremely important recent undertaking.

Policy and technical advice

Another major role of the regional office is to provide policy and technical advice, guidance, and support to field offices. These services include passing on, explaining, and interpreting policies, procedures, technical guidelines and requirements, and related directions and instructions.

Most field office personnel we interviewed were displeased with the assistance received from the regional specialists. Key criticisms expressed were:

- The regional office staff does not have expertise or familiarity with HUD programs because they are not involved on a day-to-day basis.
- The regional office is serving more as a relay station between the field and central offices.
- Responses from the regional office are untimely.

Field personnel provided a number of examples to support their observations. One said the regional office took nearly a year to respond to a policy question after indicating an answer would be forthcoming within several days. Another indicated that because of the region's unwillingness to make a policy interpretation requested in March 1976, a housing application form problem remains unsolved. To avoid these and other problems, field personnel told us they often bypassed the regional office, directing their inquiries to the central office. Also, some said they do not request advice because they are more familiar with the programs and have more confidence in their own judgments and decisions than those rendered by regional office personnel.

Officials in the Dallas Regional Office have acknowledged these deficiencies and the reasons for them. The Regional Administrator contends that the regional office cannot be the main source of technical assistance because regional office personnel are caught between the central office, where technical guidance is formulated, and the field offices where the day-to-day confrontation between that guidance and reality

occurs. Accordingly, he maintains that technical assistance cannot realistically be assigned to the regional office. According to the Deputy Under Secretary for Field Operations, these responsibilities should be carried out by selected field offices instead of the regional office.

HUD's 1969 reorganization study indicated that for the regional staff to remain current on actual program conditions, a close working relationship between them and field office personnel would be necessary. Also, the regional office staff would have to be self-sufficient in the variety of skills required for the program being monitored and be limited in number to insure they did not become enmeshed in the day-to-day details. However, regional office efforts in providing policy and technical advice seems to have followed a pattern contrary to these views. Close working relationships do not appear to have developed between regional and field offices.

Program operations

Under HUD's decentralization theme, program operations should be the responsibility of the field offices. The study which led to HUD's reorganization in 1971-72 stressed that if the regional office level or above is involved in direct program processing, another unwanted layer of management would be created, thereby preventing prompt delivery of services. At the same time, the study recognized there were some programs, such as equal opportunity, which were better suited for direct regional office control. Consequently, some programs were not decentralized to the field offices.

HUD defines program operations and its connection with the regional office as all functions which normally, under ideal circumstances and adequate staff resources, would be performed by field offices. This includes direct project processing performed in the regional offices and direct contact with clients on specific cases or projects. Such processing may be originated in the regional office, or it may be a reprocessing of material forwarded from field offices. The function also includes direct support to field offices.

In the Dallas Regional Office, approximately 42 percent of the staff's work time is devoted to program operations. This ranged from 20 percent in housing management to 87 percent for equal opportunity.

Regional involvement in programs
not delegated to field
during reorganization

Program functions which were not delegated to field offices during the 1971-72 reorganization account for nearly half of the Dallas Regional Office's involvement in program operations. These functions include the Regional Counsel's actions regarding litigation, tort claims, and private market financing; equal opportunity; and certain engineering support.

On a test basis, the central office has delegated full litigation authority to three field offices--one of which is in the Dallas region. Field attorneys we interviewed thought this was long overdue; they believe they are more knowledgeable of day-to-day operations than the regional office staff.

Regional office officials stated that equal opportunity and housing compliance reviews and investigations are more logically located at the regional office level due to greater efficiency of operations and the possibility of bias if field staff were permitted to perform their own reviews and analyses. Most field personnel did not concur with the regional office personnel and believed that most, if not all, program operations performed by the regional office could be decentralized to the field offices.

Regional office consolidation of engineering services is designed to alleviate uneven workload distribution while still maintaining a level of expertise. Field office officials reacted favorably to this source of expert advice and were pleased with the services provided by regional office staff.

Regional involvement in programs
regionalized since reorganization

The remaining program functions currently performed in the Dallas Regional Office consist of those which management believed would be best handled by the regional office. Their rationale included increased efficiency through economies of scale, inadequate field performance, greater concentration of expertise, and an improved vehicle for coordination with other agencies.

We found insufficient evidence to support the rationale. For example, seven programs are being phased out as a result of the Housing and Community Development Act of 1974. According to regional office officials, these programs were

regionalized because (1) the field was not giving proper priority to closing out the projects and consequently was not meeting its assigned goals and (2) a savings in staff years was expected. The support provided for the first rationale included a series of evaluation reports which, in our opinion, did not reveal any shortcomings that could not have been corrected by the field offices. In several programs, the field had closed more projects during the six months prior to regionalization than had the regional office during the six months since regionalization. Additionally, there was no documentation or formal analysis supporting anticipated savings in staff years.

Problems have developed because of regional involvement in program operations. To illustrate, the comprehensive planning assistance program was regionalized in 1975, but since then a system of coordination between field and regional office staffs has not developed. Field personnel were displeased since programmatic difficulties between the comprehensive planning assistance program and closely related programs administered by the field offices have occurred and the regional office has not taken the initiative to remedy them.

Prior to regionalization, a team of HUD analysts expressed the opinion that regionalization of the comprehensive planning assistance program would undermine the program's potential and prevent effective coordination with closely related programs. For example, the analysts reported that, because officials in specific field offices have developed close contact with chief elected officials who have influence in local community planning decisions, field office staff can manage the comprehensive planning assistance program more effectively than regional office planners. Also, the analysts claim that there is need for considerable interface between the comprehensive planning assistance program and the community development block grant program--administered, for the most part, at the field office level--because of common requirements regarding housing assistance plans. They say that while coordination is not guaranteed if both programs are in the field office level, coordination is precluded by regionalization.

Possibilities of additional regionalization in the future seem strong. The Regional Administrator believes the community development block grant program, a new approach in funding city development emanating from the 1974 legislation, is a candidate because the program's simple format and basic reliance on locally determined priorities eliminates the need

for on-the-scene management by HUD employees. This would, according to a field official, resolve serious problems of fragmented authority. Some field officials view the whole series of past regionalizations as means for the regional office to justify its existence.

Administrative operations

Another major responsibility of the regional offices is direct administrative support for the field offices. Administrative support includes personnel operations, administrative services, financial management, and management organization and information systems.

Generally, HUD recognizes that a certain degree of centralized administrative processing is justified because of the small volume of activity at field offices. Yet, some field office personnel in the Dallas region believe that decentralizing more administrative functions would be more effective, because field office directors are closer to the problems. They admit, however, that this would most often require additional staff.

Recently HUD has studied ways to improve the administrative operations of the Department. Attention was given to eliminating duplicate effort and determining the most logical levels for performing duties. Most of the recommendations from these studies have been accepted and are in various stages of implementation.

CONCLUSIONS

The primary functions of a regional office are (1) monitoring and evaluation, (2) policy and technical advice, (3) program operations, and (4) administrative operations. In our view, these are essential functions which need to be performed at some level in the organization. If they were not done at the regional level, they would have to be done either by the central office or at selected field offices.

HUD personnel had differing views on the need for these functions to be regionalized as well as the effectiveness with which they were performed by regional office personnel. Some believe that regionalized functions could be better carried out by the central or selected field offices; others believe these functions to be best carried out at the regional office level. Overall, there was no clear consensus of views.

CHAPTER 4

OVERALL CONCLUSIONS AND RECOMMENDATION

The issue of whether HUD regional offices are needed is not a simple one to address or resolve. The answer depends, to an important degree, on the appropriate delegation of program authority and responsibility to meet Departmental goals and objectives.

In recent years the issue of the delegation of authority and responsibility and its relationship to the regional offices has been studied. From these studies, organizational problems have been identified and recommendations made to modify HUD's organization, including the role and size of the regional offices. Organizational alternatives have been proposed. (See app. VIII.)

HUD has initiated action on some of the study recommendations, short of major reorganization. This reluctance to reorganize may have been appropriate since a number of studies, while recognizing the need for reorganization, concluded that its impact on morale outweighed the benefits of near-term reorganization.

Evidence suggests that HUD can streamline its organization if (1) field offices perform only selected common functions and their number is reduced through consolidation, while other functions are performed by regional offices, with both reporting directly to the central office, or (2) field offices perform all program operation functions now done by those offices and regional offices, but their number is reduced through consolidations and they report directly to the central office. Adopting one of these alternatives seems to be economical and would reduce the opportunities for duplication and fragmentation of authority which have been problems in HUD in recent years. Nevertheless, the question of the appropriate organizational form for HUD and the place of the regional offices in the organization still remain unresolved.

HUD's priority should be to clearly define its goals and objectives and sort out appropriate program authority and responsibility so that organizational form can follow a logical assignment of functions. This, we believe, is the charge for HUD's newly formed organizational assessment group. Attempts to simplify HUD's organization could go a long way

toward improving the delivery of its services and minimizing the resources committed to doing it.

HUD's efforts to reorganize the Department should, therefore, focus on the best means to meet its legislated program responsibilities and Departmental goals and objectives.

RECOMMENDATION FOR THE CONGRESS

We recommend that the Congress request the Secretary of HUD to submit to appropriate committees the reorganization plan resulting from HUD's organizational assessment before implementing the plan. The plan should in detail explain the planned changes and address the

- cost benefits anticipated from the planned reorganization;
- improvement in program responsiveness that will result;
- changes in staffing requirements forecast for a reasonable period subsequent to the reorganization; and
- impact on organizational patterns, roles, and authorities of regional and field offices.

This should give the Congress an opportunity to review HUD's plan to determine whether the reorganization will resolve HUD's past and current problems that have troubled both the Congress and HUD.

CHAPTER 5

SCOPE OF REVIEW

We reviewed policies, procedures, and practices relating to various HUD programs. Our methodology included the use of flow charts to identify and analyze the pertinent decision points for the major programs. We also reviewed applicable legislation and congressional hearings.

We reviewed, analyzed, and summarized reports pertaining to HUD's organizational structure and overall management. Organizational alternatives proposed by groups both internal and external to HUD were considered. We discussed these matters with, and obtained narrative comments of, HUD officials at all major levels of the organization.

We made our review at HUD Central Office in Washington, D.C., and at the Dallas Regional Office. We also visited field offices in Shreveport, New Orleans, Fort Worth, Dallas, and Oklahoma City.

The majority of our review work was conducted between September 1976 and February 1977. At the instruction of Senator Bellmon's office, we did not solicit written HUD comments. Throughout the review, however, we discussed our findings as they were developed with responsible HUD officials and obtained their comments. At the conclusion of our work, we held conferences with HUD top management officials and the organization assessment group.

HENRY BELLMON
OKLAHOMA

United States Senate
WASHINGTON, D. C. 20510

COMMITTEES:
BUDGET
APPROPRIATIONS
AGRICULTURE AND FORESTRY
POST OFFICE AND CIVIL SERVICE
SELECT COMMITTEE ON
NUTRITION AND HUMAN NEEDS

August 2, 1976

Mr. Elmer Staats
Comptroller General of the United States
General Accounting Office
441 G Street, N. W.
Washington, D. C. 20548

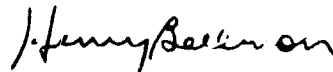
Dear Mr. Staats:

During recent years, the Department of Housing and Urban Development has created a sizeable bureaucracy at the regional levels. For instance, at Dallas, there are now about 200 federal employees serving in the Regional Office. At the same time, HUD operates state and district offices in all or most of the 50 states.

This letter is being written to inquire as to whether or not the General Accounting Office has examined the HUD Regional Office operation to determine whether these offices are providing an essential service. There is the danger that the Regional Offices amount to simply another costly layer of bureaucracy.

If such a study has been made, I would appreciate a copy. If it has not been made, I would like to discuss with you or the appropriate member of your staff the possibility of undertaking such an investigation prior to the beginning of the appropriations process for the 1978 budget.

Sincerely,



Henry Bellmon

HB:csb
cc: The Hon. William Proxmire

HISTORICAL DEVELOPMENT OF THE
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PRE-HUD ORGANIZATION

The complex and many-faceted role of the Federal Government in housing had its origin in the collapse of the housing economy during the Great Depression of the 1930s.

At that time, Congress made two fundamental policy decisions that remain basically intact today. The first was completely restructuring the private home financing system creating

--the Federal Housing Administration (mortgage insurance);

--the Federal Home Loan Bank Board and the Bank System (savings and loan industry);

--such institutions as the Federal Deposit Insurance Corporation and the Federal Savings and Loan Insurance Corporation (insurance on deposits of commercial banks, mutual savings banks, and savings and loan associations); and, finally,

--the Federal National Mortgage Association (secondary mortgage market).

These institutions resulted in the acceptance of long-term, low-downpayment, fully amortizing mortgages and a system to provide a large flow of capital into the mortgage market.

The other decision was the concept of Government-subsidized housing for low-income families. The creation of the U.S. Housing Authority (subsequently the Public Housing Administration) by the Housing Act of 1937 began a program which, although intended primarily as a means of stimulating employment and clearing slums, marked the first time that Federal funds were used to finance new housing construction for the less fortunate.

A reorganization in 1947 brought together the Federal Home Loan Bank Board, the Federal Housing Administration, and the Public Housing Administration under the auspices of the Housing and Home Finance Agency (HHFA). This "super agency," however, had only general supervision and coordination responsibilities for the housing programs under

these agencies. Each agency, therefore, remained intact and continued to operate as a distinct entity under HHFA. For example, FHA continued to run its own discrete organization with 76 field insuring offices established in the 1930s. In addition, another organizational structure, with six regional offices, was created for HHFA's direct administration of various categorical grant programs, such as urban renewal.

Because the HHFA Administrator did not have line authority over the subordinate agencies or the power to reorganize agency functions, HHFA programs often operated at cross purposes. The inability of State and local officials to look to a single authority for housing added to the dissatisfaction with the lack of coordination within HHFA. There was a general feeling that only a Cabinet-level department and an improved organizational structure would give coherence to the widely separated efforts and provide focus for local inquiries.

THE CREATION OF HUD

Efforts to strengthen HHFA's organizational structure in the 1950s and 1960s paralleled increasing Federal involvement in housing and urban development. Finally, the Department of Housing and Urban Development Act, passed September 9, 1965, created HUD. The most significant results were that the functions of HHFA were raised to Cabinet level and the administration of these functions was simplified by consolidating most statutory authority in the Secretary. It did not, however, consolidate housing and urban development functions existing in other parts of the Federal Government (Farmers Home Administration and Veterans' Administration).

The initial organizational structure of HUD provided the Secretary with the full capability to direct HUD policy and operations. Program responsibilities were regrouped at the national level by four assistant secretaries who were to function as both line and staff officers, responsible not only for executing specific programs, but also for fully and continuously coordinating these programs.

In this organizational structure, HHFA regional administrators represented all HUD programs at the regional and local levels. They were given responsibility for processing and approving individual project actions. Each administrator was to be assisted by various assistant regional administrators.

FHA remained essentially intact and in full control of its programs, funds, resources and field operations during the first 3-1/2 years of HUD's existence. One change of significance in the FHA field structure affected the FHA zone operations commissioners. These officials had always been part of the FHA Central Office and had direct lines of communication and authority between the central office and the 76 local insuring offices.

The zone operations commissioners on the FHA Central Office staff were replaced by assistant regional administrators for FHA who were stationed in HUD regional offices. They continued to answer to the central office, but were also responsible for coordinating with other affected assistant regional administrators on project applications having interprogram effects. This was significant because it marked the beginning of regional layering in the FHA organizational structure.

DECENTRALIZING HUD

On March 27, 1969, a Presidential policy memorandum directed HUD to reorganize into eight regions with stated boundaries and regional office locations. This original memorandum was amended on May 21, 1969, to add two additional Federal regions, with minor adjustments in the original boundaries. To comply with this directive and to improve the effectiveness of the organizational structure, the Secretary undertook a comprehensive study for reorganization. The primary objectives the Secretary established for the organization of the Department were:

- To achieve greater effectiveness, coordination, and productivity by combining related functions under a single official.
- To achieve greater responsiveness, flexibility, and service to communities by decentralizing operations beyond the regional office level to a new level of area offices.
- To foster better coordination of HUD programs and assist communities on a unified basis by organizing the area offices on a geographic and functional basis rather than a program basis.

In developing the area office structure, the basic assumptions were that the area office should

- normally have full program processing and decision-making authority;

- have clear lines of authority and direction that flow from the regional administrator to the area office director to the staff of the area office;
- be organized to assure maximum coordination and production of all HUD programs;
- be structured to insure maximum use of personnel and skills available;
- provide an easy access "one-stop" capability for private and public contacts with HUD.

In selecting the locations for the new area offices, HUD officials felt that the existing FHA insuring offices formed the most obvious base of possible locations because the factors that governed their original selection put them in urban areas of HUD concern. Of the 76 FHA insuring offices, 39 assumed the role of area offices and 37 remained in the role of performing FHA insuring functions, but without processing capability for all HUD programs. Often, an area office will be responsible for FHA mortgage insurance programs for only a portion of the geographic area for which it has responsibility for other HUD programs. (See app. III.)

Thus, a major change occurred in the role of the regional offices. Under the new organization structure, the regional office was to relinquish day-to-day responsibility for operating HUD programs to the field offices. The regional office was to evaluate and monitor activities at the field office level; provide them technical services and specialized support; allocate funds; and set program priorities.

The reorganization also caused a major change in the role of the central office. The new modified roles were in the areas of policy establishment and guidance, fund allocations, and progress and program management monitoring.

The objectives of the reorganization were carried out in two phases for the central office level. By November 1971, when the second stage was completed, HUD had completely shifted the focus of its central office from narrow and uncoordinated categorical programs to major functional areas, with related programs grouped under a single official.

The revised field organization was similarly carried out in two phases. The major changes were

--installing area offices and delegating day-to-day program operating authority to them and

--incorporating FHA insuring offices into the unified HUD structure.

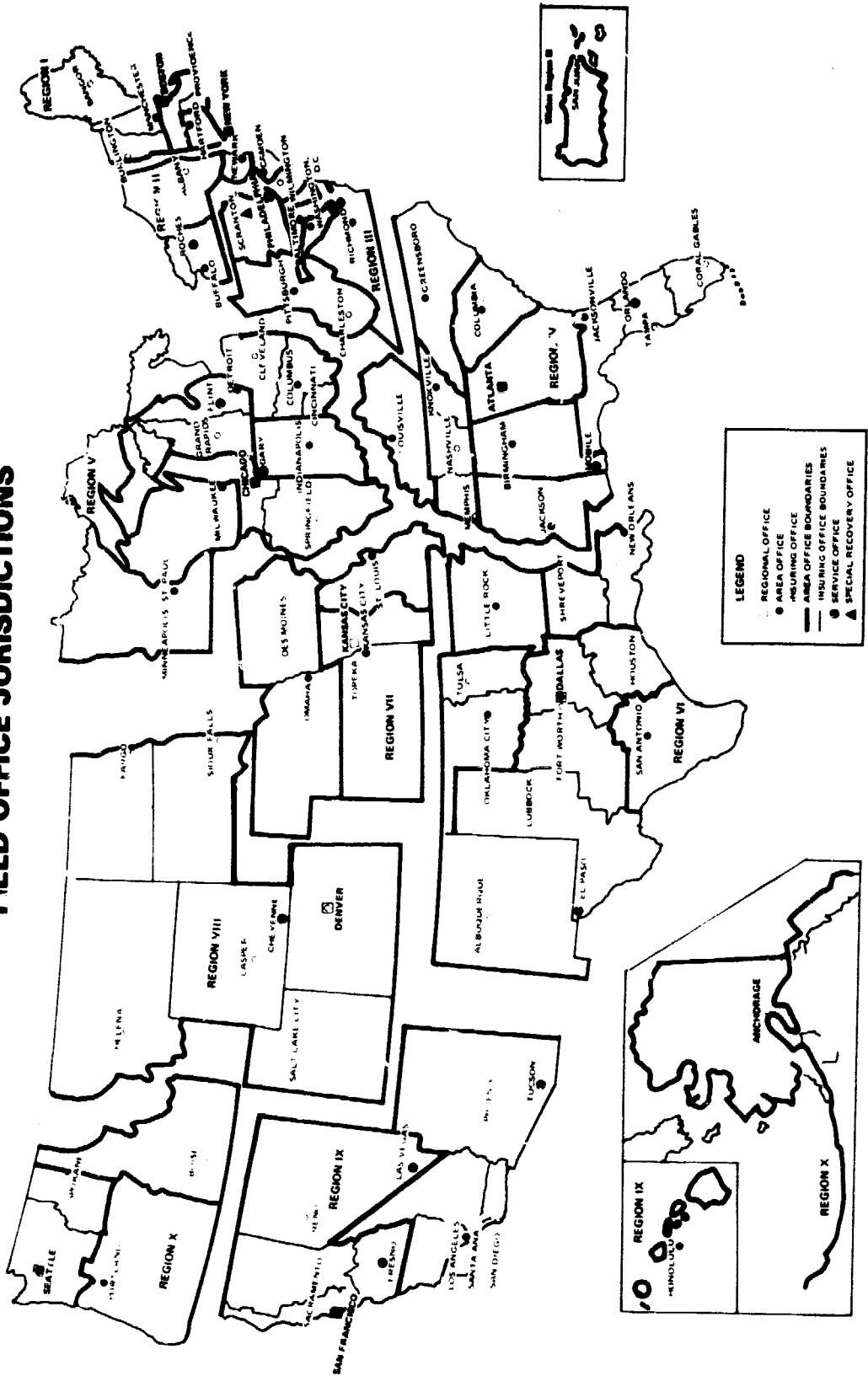
The overall intent of these changes was to give decision-making authority on projects and applications to officials closest to the problems--the field office directors. Discussions continue as to whether this philosophy is appropriate, and it remains to be seen if it will have a permanent impression on the organization. Certainly if the philosophy does change, the organizational structure could also be altered once again.

CREATION OF FULL-SERVICE HOUSING OFFICES

During our review the Secretary of HUD announced that 16 HUD insuring offices will become full-service housing offices. These offices join six others that were established in mid-1974 on an experimental basis. This change gives full-service housing offices low-income and assisted housing responsibilities in addition to the FHA insurance activities they have had. According to a HUD press release, these additional duties may or may not require additional people in each of the offices depending on how they are presently staffed. If additional staff in a given office are needed, they will be provided from resources presently allocated to that region.

The Secretary said that the change is being made to get maximum productivity out of a limited staff available to HUD and to locate the delivery of HUD's housing programs closer to those who benefit from these programs. The new Secretary has, however, stopped the conversion of the Denver and San Diego Insuring Offices until completion of the ongoing organization assessment.

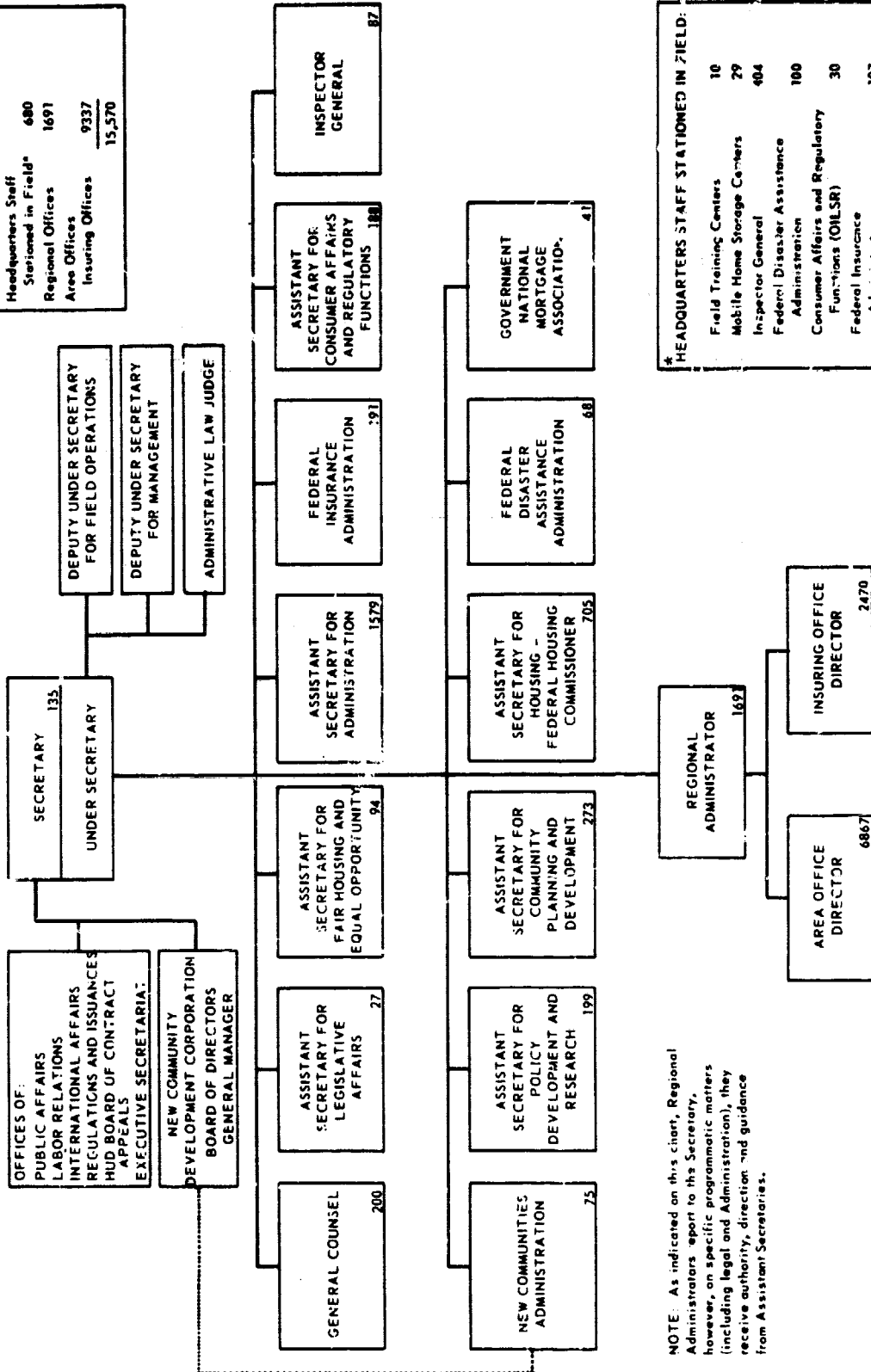
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FIELD OFFICE JURISDICTIONS



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

AUTHORIZED FULL TIME PERMANENT STAFF AS OF 10-1-76

Headquarters	3862
Headquarters Staff Stationed in Field*	680
Regional Offices	1691
Area Offices	9337
Insuring Offices	15,570

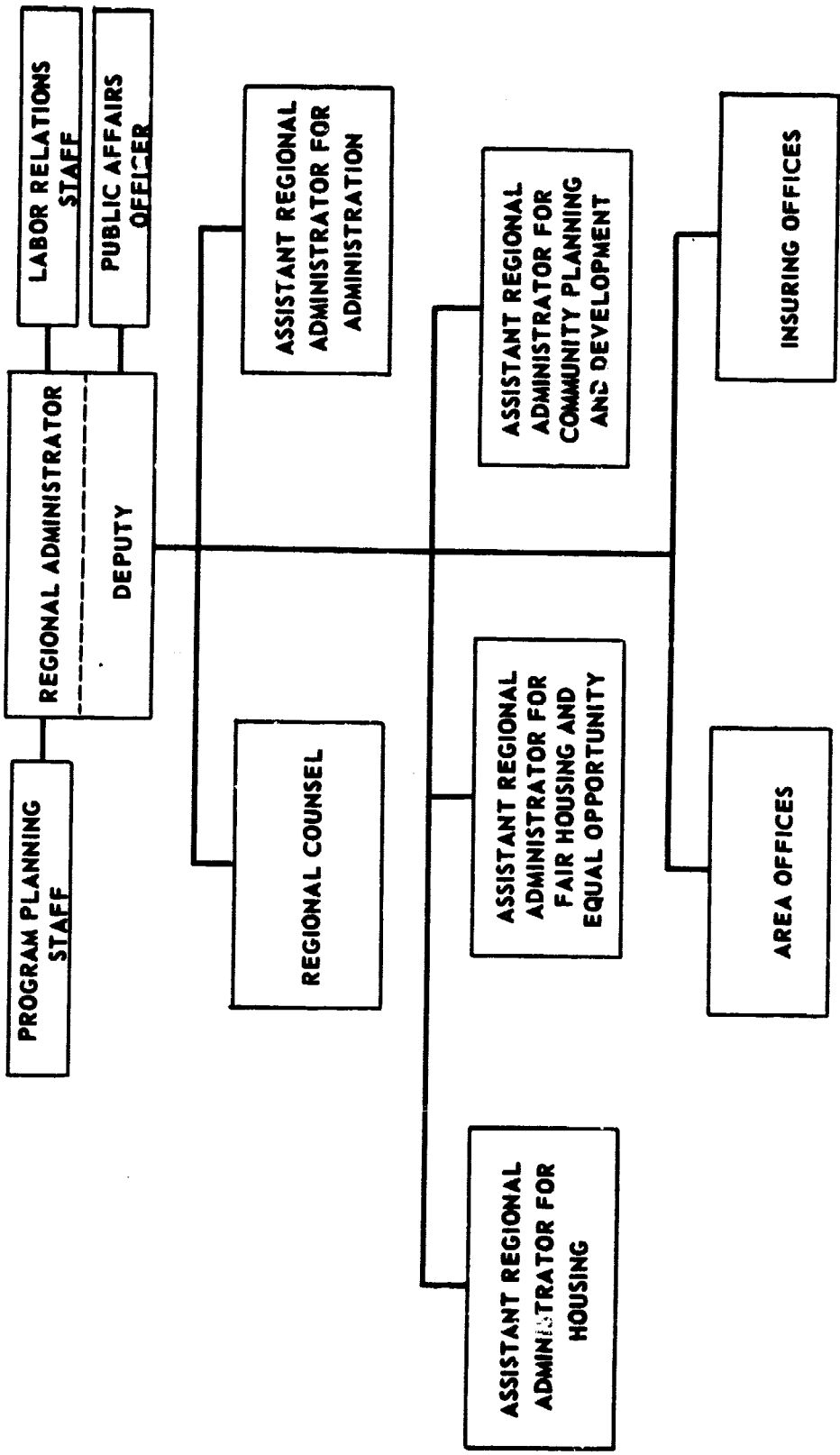


* HEADQUARTERS STAFF STATIONED IN FIELD:

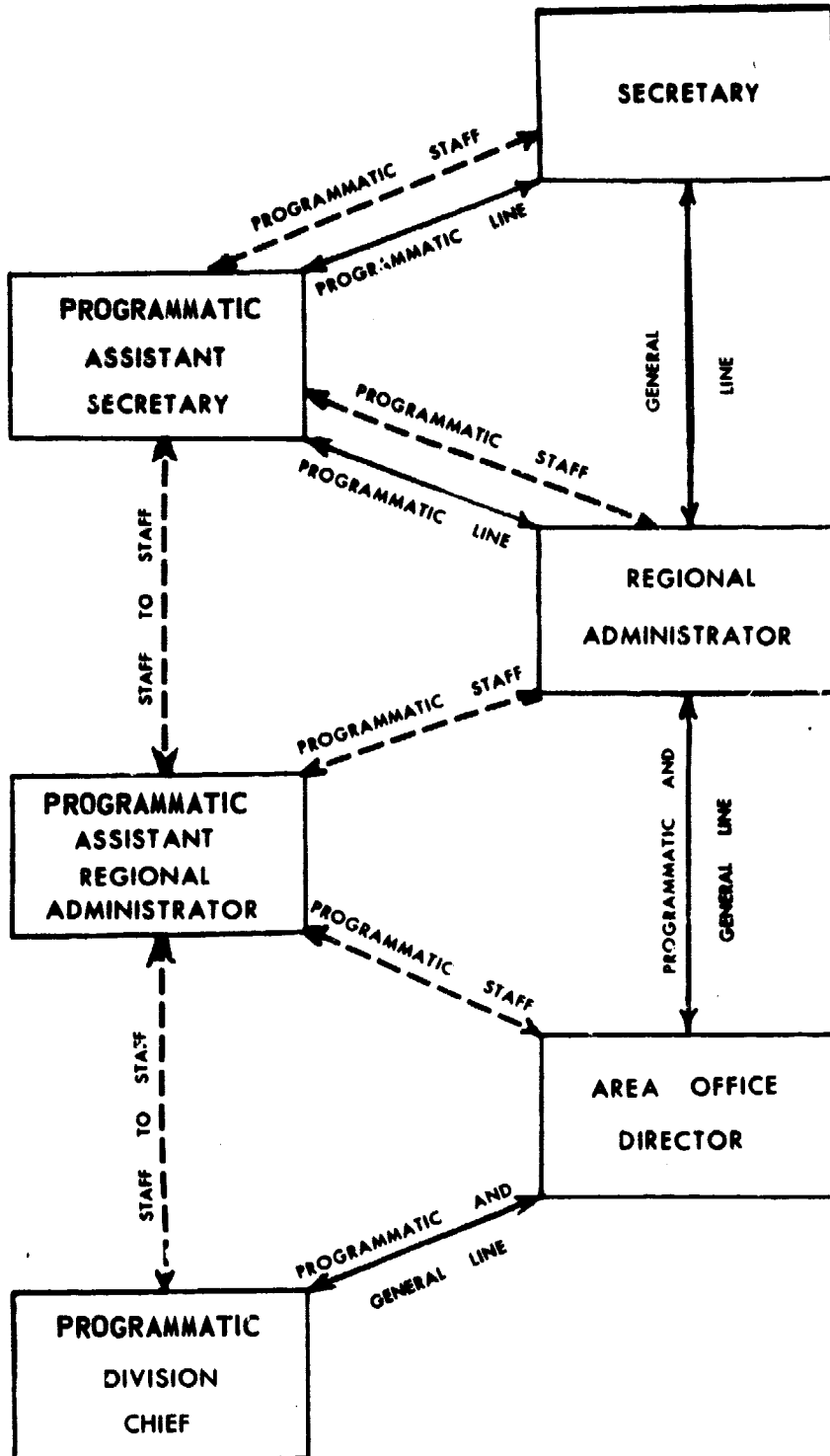
Field Training Centers	10
Mobile Home Storage Centers	29
Inspector General	484
Federal Disaster Assistance Administration	100
Consumer Affairs and Regulatory Functions (OILSR)	30
Federal Insurance Administration	107
Total	680

NOTE: As indicated on this chart, Regional Administrators report to the Secretary. However, on specific programmatic matters (including legal and Administration), they receive authority, direction and guidance from Assistant Secretaries.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
REGIONAL OFFICE



STAFF AND LINE RELATIONSHIPS



SOURCE: RECOMMENDATIONS FOR NEAR TERM FIELD ORGANIZATION STRUCTURE, JANUARY 1976, COOPERS & LYBRAND.

HUD PERMANENT FULL-TIME POSITIONS ON BOARD BY ORGANIZATION LEVEL AND PERCENT OF TOTAL AT THE END OF EACH FISCAL YEAR SINCE 1970 AND REMARKS

Fiscal Year	Central office Washington		Central office field (note a)		Regional offices		Field offices		Total	Remarks
	Positions	Percent	Positions	Percent	Positions	Percent	Positions	Percent		
1970	4,132	28	347	2	3,740	26	6,442	44	14,661	Area offices not yet established. FHA insuring offices administered all insured housing programs. All other programs administered by regional offices.
1971	4,130	26	371	2	3,085	19	8,444	53	16,030	Phase I of regional realignment accomplished: 23 area offices in operation; 3 regional offices still administering non-FHA programs.
1972	3,482	23	330	2	1,319	9	10,069	66	15,200	Phase II of regional realignment accomplished: all 39 area offices in operation; no regional offices administering programs (except Denver, which has no area offices in the region).
1973	3,465	22	366	2	1,360	9	10,629	67	15,820	
1974	3,568	24	459	3	1,416	9	9,558	64	15,021	Office of Emergency Preparedness abolished; Federal Disaster Assistance Administration established in HUD.
1975	3,725	25	512	3	1,587	10	9,318	62	15,142	
1976	3,793	25	554	4	1,681	11	8,914	60	14,942	
1977	3,814	26	618	4	1,624	11	8,790	59	14,846	60 Federal Insurance Administration field staff transferred from regional office to "other field" (central office managed).

a/Central Office--Field = Headquarters-managed staff not under direction of regional administrators. 6/30/70 & 6/30/71--audit and investigation staff under A/S for Administration.
 6/30/72 & 6/30/73--Inspector General staff.
 6/30/74--Inspector General, FDAA, & Interstate Land Sales Registration staff.
 6/30/75--Same as 1974 plus Personnel Training Centers staff.
 6/30/76--Same as 1975 plus Mobile Home Strategic Storage Centers staff.
 9/30/76--Same as 1976 plus Federal Insurance Administration staff.

SIGNIFICANT INTERNAL AND EXTERNAL STUDIESOF HUD'S ORGANIZATIONSTUDY OF THE HOUSE SURVEYS
AND INVESTIGATIONS STAFF

The investigation of the regional and field office structure addressed four general areas: (1) the organization and management of regional and field offices, (2) the functions and interrelationships of organizational levels, (3) the effectiveness of program delivery, and (4) the caliber, adequacy, and morale of HUD's regional and field office personnel. The information used to prepare the study was developed through interviews and visits at all levels within the organization. In all, approximately 115 individuals representing HUD and its clients were contacted. Supplementing the interviews, the staff analyzed HUD handbooks and other documentation dealing with matters of organization, management, and delegations of authority.

The general observation of the investigative staff, which was reported to the Committee on March 26, 1975, was that the organization and management of HUD suffered from confusion, fragmentation, and administrative inconsistency. This situation had resulted in ineffectiveness in many areas of HUD's program delivery. More specifically, they observed that a detrimental effect had resulted from HUD's numerous reorganizations and realignments, and as a result, confusion concerning lines of authority and lack of adherence to them had occurred. Further, the lack of effective decentralization of authority had created a perceived tendency to expand the supervisory role of the regional offices and the administrative oversight of the central office. The investigative staff also noted that the field offices had an overall lack of flexibility in the allocation of funds and use of personnel, and that considerable variation existed in the manner and degree of communications and evaluations which took place between the various organizational levels.

The study made several constructive recommendations to change what they viewed as serious shortcomings in management discipline of a Cabinet department. It recommended that HUD

- pursue the establishment of clearly stated Departmental objectives and goals for carrying out the legislation provided by the Congress;

- give immediate attention to insuring stability in its organization and management structure; and
- instill upon its policymaking officials their responsibility to more strictly respect the lines of authority and to renounce those areas in which operational functions have been improperly assumed.

In addition, as was pointed out in chapter 2, the study specified that there was "* * * an urgent need for the central office to review the regional office functions and, where necessary, take steps to realign their role that has, in some instances been expanded into the operational and decision-making functions of the area office directors."

The investigative staff further recommended that the Committee consider obtaining a commitment from HUD which would have precluded any further large-scale reorganization or realinement for a logical period of time.

DEPARTMENTAL MANAGEMENT INITIATIVES

Initiated in March 1975, Departmental management initiatives were a series of comprehensive management studies of HUD's organization and major field program functions and operations. Included were an activity known as "process analysis" and a study by an independent management consulting firm.

Process analysis

Process analysis consisted of a series of detailed on-site reviews of selected field offices to analyze the processes used to deliver HUD's programs to the public. The responsibilities assigned to the field teams, which were headed by field office directors, were specific:

- Determine how Departmental program processes are actually being carried out at field offices.
- Incorporate recommendations of field office staff on how these processes can be improved.
- Develop these ideas, techniques, and recommendations into simplified, improved methods and instructions.
- Prepare "as" flow charts of certain program processing in the designated field office.

- Develop simpler, more logical procedures in processing and identify them by a recommended flow chart.

In essence, process analysis was an attempt to discover, through recommendations from field managers, whether there were better, simpler, and more realistic ways to get the job done. All four major program areas in the field and a thorough review of the administrative support functions and operations were covered. This encompassed the work of about 85 percent of HUD's field staff.

Numerous recommendations for improvement surfaced from these efforts, and they may lead to developing and adopting several more logical procedures aimed at streamlining program delivery. In addition, many significant observations concerning numerous aspects of HUD management were raised and brought to the attention of policymaking officials. Two of those which were common throughout the field offices were the need for

- improved and effective communication and coordination between all organizational levels and
- clear and supported Departmental policies and goals.

Current plans are for HUD to continue to employ process analysis as a means to improve the efficiency of its operations.

Consultant's study

The study by a consulting firm focused on HUD's present organization and made recommendations concerning both near-term and long-term actions. The methodology employed included analyses of administrative and legislative documentation, interviews with appropriate officials both internal and external to HUD, and analyses of procedures and decision points of the various programs. The culmination of these efforts was internal seminars and a "sounding board" meeting in which HUD personnel from several levels discussed the organizational alternatives developed and proposed by the study.

The basic organizational problem of HUD field structure identified by the study could be generally described as an environment in which a lack of programmatic coordination at the assistant secretary level had resulted in conflicting

priorities and confused communications in the field. The study indicated that the present HUD organizational structure had built-in potential conflicts due to the existence of both a programmatic line authority from assistant secretaries to regional administrators to field office directors and a general line authority from the Secretary/Under Secretary to the regional administrators to the field office directors. This dual authority structure was cited as creating dysfunctions in the formal organizational communications and in the delegation of authority.

With specific regard to HUD's field organization, the study stated:

"In addition to problems caused by the dual authority structure, the 76 offices in the Field vary greatly in workload accomplished when compared by staffing and in the staff/grade relationships when compared to Headquarters.

"Our examination of the communications with the Field showed that they can be characterized by:

A lack of standardized channels of communications up or down the organization, which vary in quality by location, program, or personality.

A lack of standardized procedures for Field Office monitoring done by the Regions with a separate evaluation format developed by each Region.

A lack of clarity in the de facto authorities and responsibilities. Each Region perceives its role and the role of the Field Offices differently and assumes a varying degree of authority and responsibility.

"To a great degree, these communications problems are caused by the delegations of authority. These delegations are such that:

The Department is characterized by a dual span of command in which 'general line authority' and 'programmatic authority' are assigned differently and interpreted differently by the Regions.

The Regional Administrator is the focal point for potential conflict between the programmatic influence of the Assistant Secretaries and the 'general line authority' of his own position.

The delegation of authority to the Area Director through the Regional Administrator is a source of overlap and confusion.

The Assistant Regional Administrators are not considered in the programmatic or general line authority chain, but their job descriptions say they shall 'supervise'-- which is exactly what many do.

"A duplication of programmatic effort exists in the Field because:

The delegation of authority to the Field Offices are not followed: many forms that are processed at the Field Offices are reviewed and reprocessed again at Headquarters.

Frequently, the Regions merely reprocess Field Office paperwork and then almost always concur with the Field Office decisions--allegedly without independent review.

"Our analysis showed that in regard to Field staffing and workload that:

With only 25% of the total staff, HUD Headquarters has two-thirds of all grades GS-15 and higher, whereas the Field has most of the responsibility for operating the programs.

There exist great variations in workload performed by similar-sized offices; workload varies by office size, location, and program area.

The smaller Area and Insuring Offices suffer from diseconomy of scale; they are overstaffed and below average in workload equity."

The study examined five different options for the development of both near-term and long-term field organizational

structure. These were (1) maintaining the status quo, (2) reducing the regional offices to serve strictly a ministerial function, (3) eliminating completely the regional offices, (4) consolidating the regional office and coincident field office, and (5) clustering offices into a series of field program offices. The latter option was the preferred choice of the study since it was viewed as a means by which less efficient offices could be closed and personnel shifted to bring about economies of scale. The study stated that:

"Under this alternative, the present Regional Offices would be eliminated as a HUD managerial tier and the personnel at subordinate geographic locations of the Field Program Offices should be withdrawn to the main FPO [Field Program Office] location to the extent politically feasible. If political considerations dictate keeping certain other offices, they should be 'service offices' subordinate to the FPO and should not be another tier in the organization. In this way, all of HUD's Field operations would be conducted out of 22 to 29 Field locations, and no other managerial level would lie between them and a newly reorganized HUD Headquarters."

Since the above recommendation involved a major reorganization, and since the study specifically recommended that HUD not totally reorganize within the next four years, various interim steps were suggested for all three organizational levels. They were proposed in order to restructure the duties and responsibilities of the regional administrators and the assistant regional administrators to prevent their involvement in operational activities at the regional level, to insure the staff role of the assistant regional administrator position, and to strengthen the coordination of the evaluation function. A two-step approach was recommended for near-term changes in the field structure. Step one included

- removing all program execution (excepting liquidating programs) from the regional offices and locating them in the coincident field offices;
- keeping at the regional office only the program expert staff necessary for providing technical assistance to the field offices; and
- structuring the regional office in such manner as to preclude the temptation to pull back programmatic authority.

Step two recommendations were

- restructuring the duties of the assistant regional administrators to remove supervising from their job descriptions and to end de facto direction of field office program activities;
- creating new assistant regional administrators for program planning and equal opportunity and citizen services; and
- eliminating the strictly program execution units at the regional offices.

PROPOSED TWO-TIER ORGANIZATIONAL ALTERNATIVES

Various HUD organizational structures have been proposed by groups internal and external to HUD. For informational purposes, brief narratives on two proposed organizational structures which would reduce or eliminate a level of management are provided below.

ALTERNATIVE ONE

An alternative proposing a two-tier organization is the separation of the subsidized housing and community development programs from the FHA mortgage insurance programs of the Department. In essence, this would constitute a return to the FHA structure which existed prior to the integration of FHA and HUD and, according to some, would represent a revitalization of FHA activities.

Under this alternative, the regional offices would assume responsibility for all subsidized housing and community development programs and report directly to specific assistant secretaries in the central office. All FHA mortgage insurance programs would be administered by field offices. According to HUD consultants, the number of these offices could, however, be reduced by about two-thirds through consolidations. These offices would report directly to specific central office assistants to the FHA Commissioner. (The Department of Housing and Urban Development Act, 1965, provided that there shall be in HUD a Federal Housing Commissioner, who shall be one of the assistant secretaries and shall head a Federal Housing Administration within HUD.) It has been purported that this latter arrangement keeps the lines of communications and authority between the central office and the field offices short, direct, and close.

This alternative structure would give autonomy to FHA, which could then return to the basic function of insuring mortgages made by private lenders. It would also give autonomy to the other programs of the Department. The overall HUD structure would then consist of two or three major two-tier bureaus, each self-contained and fully empowered to carry out its functions. In addition, this structure could eliminate program fragmentation that presently exists between field offices and regional offices, thus reducing the potential for duplication.

This alternative coincides with views of several HUD officials and special interest groups, such as the Mortgage

Bankers Association of America. The special interest groups were especially concerned that both insured and assisted housing programs are presently a responsibility of each field office. These groups and several officials we interviewed maintain that the present offices should not be responsible for both areas and that changing to such a structure would eliminate current program effectiveness concerns.

Steps are being taken in behalf of the Mortgage Bankers Association and others to introduce a proposal in the 95th Congress, 1st session, to bring about this type of organizational structure for HUD.

ALTERNATIVE TWO

Executive Order 11647 and an amended Presidential policy memorandum require that HUD maintain a regional presence and preserve the basic integrity of regional boundaries. A reduction of the regional office role was proposed by a consulting firm. It recommended, as a long-term option, that HUD greatly reduce the number of field offices. This could provide the basis to eliminate the regional office level or place regional offices in a ministerial role and establish a two-tier managerial structure.

To implement this recommendation, the consulting firm proposed a "clustering" strategy that involved consolidating HUD field offices into primary offices designated as field program offices. Based on workload considerations, this would combine all field activities into a lesser number of offices. The consultants believe HUD's field operations could be conducted by 22 to 29 field program offices. These field program offices would communicate and interact directly with the central office.

If field program offices are to be established based on the clustering methodology, the process of relating the goals management system to HUD's mission should be beneficial in deciding which field offices could be closed or reduced in staff. Based upon workload, field offices could be closed and programmatic personnel shifted to field program offices where economies of scale could be achieved.

Innate to the clustering strategy is the elimination of the regional office as a managerial tier. The resulting creation of a two-tier HUD organizational structure would, according to the consultants, facilitate more effective management operations and organizational communication while

achieving a significant cost savings. HUD consultants estimate that HUD could save between \$6.9 and \$14.2 million annually by eliminating 23 to 47 percent of the 1,664 regional office positions. (See p. 14.) Under this plan HUD would keep between 18 and 16 percent at the regional offices and relocate between 37 and 18 percent and between 22 and 19 percent to the central office and selected field offices, respectively. Generally, eliminating these positions is the result of achieving economies of scale by consolidating some functions in the central office.

Another clustering benefit is the reduction of field offices. Fewer field offices could enable the central office to achieve a reasonable span of control with the reorganized two-tier organization.

DEFINITIONS OF REGIONAL OFFICE FUNCTIONSGENERAL MANAGEMENT ACTIVITIES

This category includes general activities relating to overall regional office and regionwide management functions. Specifically included are management by objectives, long-range planning (including implementing new legislation or program activities), the Federal Regional Council, the regional administrator's staff meetings, general correspondence, public affairs, and the managing and supervising activities of the regional administrator and assistant regional administrators.

RESOURCE ALLOCATION AND MANAGEMENT

This category includes regional office activities devoted to the distribution of resources (either funds, personnel, or units, etc.) among area and insuring offices and monitoring and evaluating the use of such resources.

POLICY AND TECHNICAL ADVICE

This category includes all formal and informal policy and technical advice, assistance, and direction provided by regional office staff to HUD field offices or clients. This includes passing on, explaining, or interpreting policy, procedures, technical guidelines or requirements, and related directions or instructions. Activity in this category may be performed at the regional office through memorandum, by phone, or onsite at area or insuring offices or client locations.

MONITORING AND EVALUATION

This category includes all activities devoted to the monitoring and evaluation of field office activities and performance. Included in this category are two specialized activities--audit review and followup and the review, analysis, and consolidation of field office reports. Activities included in this category may be performed either at the regional office or onsite in field offices.

EMPLOYEE DEVELOPMENT AND TRAINING

This category includes most employee development and training activities, both formal and informal, but does not include all informal on-the-job training. The category includes training activities devoted to both regional and field office employees and, in some cases, client employees

(such as housing authority management employees). Included in this category are workshops and regionwide meetings, such as the quarterly meeting of area economists.

PROGRAM OPERATIONS (RETAILING)

This activity includes all functions performed by regional office staff which are, or relate directly to, program operations or processing, etc. This category includes all functions which normally, under ideal circumstances and adequate staff resources, would be performed by area or insuring offices. The category includes direct project processing performed in the regional offices and direct contact with clients on specific cases or projects. Such project processing may be originated in the regional office, or it may be a reprocessing of material forwarded from area and insuring offices. The category includes direct staff support to field offices in terms of the provision of regional office staff as temporary supplements to, or in place of, field office staff. The category also includes the following activities which, although assigned to the regional office, are of an operational or project nature: litigation, private market financing, and equal opportunity complaint processing.

ADMINISTRATIVE OPERATIONS

This category includes the direct administrative operating functions under the Assistant Regional Administrator for Administration. It includes such functions as processing personnel actions, performing accounting operations, operating the library, or running the motor pool. It does not include functions or activities such as providing advice or assistance to field offices on administrative matters or monitoring or evaluating field office administrative functions.