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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

RESOURCES, COMMUNITY, AND ECONOMIC DEVELOPMENT DIVISION

May 19, 1983

B-211612

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The Honorable Martin Frost
House of Representatives

The Honorable John Bryant
House of Representatives

Subject: Impact of the Department of Housing and Urban Development's Proposed Consolidation of Its Field Offices in the Dallas and Fort Worth, Texas, Area (GAO/RCED-83-155)

In your February 25, 1983, joint letter you requested that we study the Department of Housing and Urban Development's (HUD's) proposal to consolidate the Dallas Area Office with the Fort Worth Regional and Service Office in one office in Fort Worth, Texas. That proposal is part of HUD's major reorganization plan for field activities, published in the Federal Register February 22, 1983.

Pursuant to your request, our work focused on two issues: (1) the cost effectiveness of consolidating all of the Dallas and Fort Worth HUD operations in Fort Worth and (2) the impact of such a consolidation on Dallas housing activities and of HUD's changing program initiatives and direction. We analyzed the material elements of the cost and savings projection prepared by the HUD Fort Worth regional staff which supported the figures they furnished to you that $1,570,000 would be saved in the first year and $2,370,000 each year thereafter. We also examined pertinent documents and interviewed HUD and other Federal officials and representatives of the Dallas housing industry. In addition, using statistical sampling methods, we selected and interviewed HUD employees to obtain an estimate of the number of eligible employees in the Dallas area willing to relocate their residences to Fort Worth. We did not evaluate the cost effectiveness or efficacy of the overall field reorganization plan proposed in the Federal Register.

Our evaluation showed that the potential cost and savings projection developed by the HUD Fort Worth regional staff included personnel savings that could be achieved independent of a consolidation of the Dallas and Fort Worth offices. Certain costs and savings related to leased space and potential relocations of employees also appeared questionable due to improper assumptions or methodology. Finally, in computing estimates of personnel savings attributable to the consolidation, a material

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reduction in savings will occur if on-board personnel are used rather than fiscal year 1982 authorized staffing ceilings.

While in all likelihood a net savings may still result through implementation of the proposed consolidation, our findings clearly support the need to recompute the overall costs and savings directly attributable to such action. Also, since our evaluation indicated that there are both positive and negative impacts on Dallas housing activities if the housing service segment of the Dallas Area Office is moved to Fort Worth, it would appear reasonable that they should be weighed in concert with revised potential savings figures in determining whether the proposed consolidation is appropriate.

We also found no evidence that HUD's proposed reorganization is part of any long-term plan aimed at addressing the impact of changing program initiatives. These initiatives emphasize shifting responsibility from the Federal Government to the private sector and State and local governments. Many of these changes may affect the organization and staffing levels of HUD's varied field operations.

Based on our findings, we recommend that the Secretary of HUD reevaluate the proposal to consolidate the Fort Worth and Dallas offices in light of the information in this report. As part of this reevaluation, we recommend that the Secretary (1) develop complete and detailed cost and savings projections and (2) determine the effects of HUD's changing initiatives before deciding on the most appropriate organizational structure for the Dallas-Fort Worth area. This is particularly important since nationwide, Dallas is the only city where HUD plans to close an area office.

The results of our review are discussed in more detail in enclosure I. It also contains an explanation of the review's objectives, scope, and methodology.

We are sending a copy of this report to the Secretary of Housing and Urban Development and to others upon request.

J. Dexter Peach
Director

Enclosure

Contents

ABBREVIATIONS

GAO General Accounting Office
GSA General Services Administration
HUD Department of Housing and Urban Development

HUD'S PROPOSED CONSOLIDATION OF FIELD OFFICES IN THE DALLAS AND FORT WORTH AREA

HUD'S FIELD REORGANIZATION

Between November 1981 and March 1982, the 10 regional offices of the Department of Housing and Urban Development (HUD) responded to several requests from headquarters for input regarding proposed organizational changes and personnel reductions. Reorganization proposals were developed by regional administrators, reviewed by assistant secretaries, and consolidated by the Under Secretary for Field Coordination. The results of this input led to HUD's field reorganization plan published February 22, 1983, in the Federal Register. The plan proposes consolidating nine regional and nine area offices and changing some aspects of field program operations. HUD estimates the reorganization will save the Government $30,800,000 over the first 2 years. Also, HUD believes the reorganization will (1) strengthen the role of the regional administrators, (2) improve services to HUD clientele, and (3) simplify its organizational structure thereby reducing overhead, duplication, and overlaps. There are no planned changes to HUD headquarters operations.

The present field structure includes two levels of responsibilities and functions: regional offices and field offices. Regional offices supervise field offices by monitoring and evaluating overall program performance and general management of resources. Field offices are currently designated as either area offices, service offices, multifamily service offices, or valuation and endorsement stations. Their responsibility is to implement the various HUD programs. For example, area offices carry out the full range of decentralized HUD programs centered in three divisions. Service and multifamily service offices' functions are limited to housing programs. Limited-scale housing activities are carried out by valuation and endorsement stations, generally a three- or four-person operation.

The five-State Fort Worth region (Region VI) has a regional office, five area offices, one multifamily service office, and five service offices. The proposed field reorganization, as it pertains to this configuration, involves closing the Dallas Area Office and consolidating its functions with the Fort Worth Regional Office and Fort Worth Service Office into one regional office in Fort Worth. The regional office will then become one of HUD's largest processing activities for single-family housing programs covering 71 Texas counties.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of our review was to evaluate HUD's proposal to move the Dallas Area Office to Fort Worth where it will be consolidated with the regional office and Fort Worth Service

Office. To evaluate the justification and rationale for the proposal, we examined regional office input and documentation which was provided to HUD headquarters. We interviewed officials at HUD headquarters, Fort Worth Regional Office, Dallas Area Office and the Dallas Mortgage Bankers Association. We also interviewed six mortgage companies which process a substantial number of loans in Dallas: Murray Investments Company, Weyerhauser Mortgage Company, Lomas and Nettleton Mortgage Company, Plavco Mortgage Company, Fort Worth Mortgage Company, and Southern Trust and Mortgage Company. We discussed HUD's capabilities to carry out programs, services to its clients, and other implications of the proposed reorganization.

To evaluate the material elements of the projected savings associated with the consolidation, we interviewed regional office staff responsible for developing the estimates and analyzed assumptions and data utilized in the projections. We also interviewed General Services Administration (GSA) officials regarding HUD's office space requirements and lease costs and discussed office space requirements with a Federal agency which was identified by GSA as a potential tenant for the facility HUD is vacating in Dallas. In addition, to obtain an indication of their intent to move their residences to the Fort Worth area, we randomly selected and interviewed 69 of the 137 HUD employees in the Dallas Area Office who would be eligible for relocation allowances. In projecting our sample we used sampling methodology to determine significance at the 95-percent confidence level, with a sampling error of 7.8 percent.

As agreed with your offices, we did not obtain formal agency comments. However, we did discuss our observations and findings with HUD headquarters and Fort Worth regional officials, and their responses are included where appropriate.

Except as noted above, we made our review in accordance with generally accepted government audit standards.

HOW THE FORT WORTH REGION ESTIMATED CONSOLIDATION SAVINGS

The Fort Worth Regional Office staff in February 1983 projected that a consolidation of the Fort Worth and Dallas offices would result in first-year net savings of about $1,570,000 and about $2,370,000 in net annual savings thereafter. The specific components of their projections and the basic assumptions made are shown below, followed by a more complete explanation of how the projections were made.

Regional Estimates of Costs and Savings Associated With Proposed Consolidation

Category	Assumption	Estimated savings
Annual savings		
Personnel	Eliminate 59 positions by combining the expertise of the regional and field offices staff, and centralizing certain functions.	$2,006,000
Space requirements	Combined lease costs of $1,342,950 would be reduced to $978,978.	363,972
Projected total annual savings		$2,369,972
Less one-time first-year costs		**Estimated costs**
Office space	Alterations of 30,000 square feet estimated at $7.50 per square foot.	225,000
Office equipment and furniture	An estimated 54,000 square feet of equipment and furniture would be moved at $1 per square foot.	54,000
Relocate employees	An estimated 22 employees would relocate at a cost of $18,000 each.	396,000
Severance costs	An estimated 11 employees would be involuntarily separated and $11,030 would be required for each employee.	121,330
Total one-time costs		$ 796,330
Net first-year savings		$1,573,642

To arrive at personnel savings of $2,006,000, the region used authorized staffing ceilings of 443 personnel which had been established at the beginning of fiscal year 1982 and determined that the consolidated office would require 384 staff positions or 59 less than what was then authorized. In calculating overall personnel savings the region utilized annual employee costs of $34,000 for each position eliminated. This differs from the $30,000 used in the savings calculations shown by HUD headquarters in the Federal Register because regional cost averages were applied.

The region projected it would save $363,972, or 27 percent, of its leasing costs as a result of the consolidation. Currently, space being occupied in both cities for the three offices totals about 123,000 square feet. In Fort Worth the region expects to use only 90,000 square feet after consolidation. This space will consist of about 67,600 square feet obtained in 1979 under a 20-year lease at a $10 per square foot annual rate and the remainder to be obtained at an annual rate of about $13 per square foot. The resulting annual rate average of about $11 per square foot will be about $1 less than the $12 per foot annual rate being paid for space in Dallas.

In computing one-time first-year costs, the region used a $7.50 per square foot rate for space alteration costs or $2.50 higher than the rate used in the Federal Register. Regional officials said they used the higher figure because of their experience with a 1979 relocation of the regional office from Dallas to Fort Worth and on the advice of GSA. Additionally, one-time costs were included to move office equipment and furniture to Fort Worth. For this estimate, the region used $1 per square foot, the same figure used by HUD headquarters in the Federal Register, and projected that $54,000 would be needed.

The largest one-time expenditure shown by the region was to relocate employees. In developing this estimate, the region assumed that 22 of an identified 137 Dallas employees who would be eligible for relocation allowances to the Fort Worth area would move.[1] In arriving at the 22 Dallas employees anticipated to move, regional officials adjusted the 137 total downward to 80 because they believed that 30 employees would elect to retire and 27 clerical employees would resign or elect not to move to the new location. Regional officials then examined what happened in the 1979 relocation and found that about 25 percent of those eligible for relocation allowances actually moved. They then added two additional employees to make the estimate more conservative. In computing relocation expenses, the region used

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[1] This differs from an estimate of 20 out of 180 personnel which was cited in the Federal Register.

$18,000 for moving costs as opposed to the $14,000 figure developed by HUD headquarters and used in the Federal Register because officials believed the higher figure was more representative of current costs in the area.

The final category of one-time costs considered was severance cost, an allowance given to employees when involuntarily separated from Government service. This includes employees who are separated because positions have been abolished or who are unable to transfer to another commuting area. It excludes those who are entitled to an immediate retirement annuity at the time of separation. As stated earlier, HUD determined that 137 individuals would be eligible for relocation expenses if the consolidation occurred. This total was used as a basis for projecting severance costs but was reduced to 107 to reflect the 30 who would elect to retire. Consideration was again given to the 1979 HUD relocation, when about 10 percent of eligible employees terminated their employment and received severance pay. Regional officials applied this percentage to the remaining 107 and determined that about 11 employees would receive severance payments. They then used an estimate of $11,030 for each employee expected to receive severance payments and projected that the total cost would be $121,330. The $11,030 figure was the same as that used by HUD headquarters in the Federal Register which consisted of lump sum leave payments estimates of $1,970 per employee and 17 weeks of continued salary payment estimates of $9,060 per employee.

REGION'S PROJECTIONS OVERSTATE SAVINGS ASSOCIATED WITH THE PROPOSED CONSOLIDATION

The proposed consolidation of the Dallas and Fort Worth offices is but a part of HUD's efforts within the Fort Worth region and nationwide to restructure its field organization and reduce its field staff. Numerous changes are contemplated within the Fort Worth region which will achieve cost savings irrespective of the proposed consolidation. The cost and savings projection prepared by the region to justify the consolidations, however, in some instances does not distinguish between personnel savings that could be achieved independent of a consolidation and those that are solely dependent on such action. Also, certain other material savings and cost estimates appear questionable due to improper assumptions or methodology.

Specifically, our analysis of the region's projection indicated the following areas which we believe result in material overstatement of potential savings:

--Personnel reduction savings of $340,000 were attributed to organizational changes which will occur in other offices throughout the region or which can be made without consolidating the offices.

--Office space savings of about $320,000 were claimed for space which was excess to the agency's needs prior to the planned consolidation. Also, no consideration was given to the Federal Government's continued expense of at least $349,000 which, in all likelihood, will occur when HUD prematurely vacates the leased space in Dallas.

--Costs to relocate HUD employees may have been underestimated by about $400,000.

Additionally, the region's projected personnel savings attributable to the consolidation would be materially reduced if they were based on the number of personnel on board rather than on fiscal year 1982 authorized staffing ceilings.

Projected personnel savings which are not attributable to the consolidation

The region calculated that $2,006,000 annually could be saved by eliminating 59 full-time positions. However, included in these totals are savings which are not directly related to consolidating the Dallas and Fort Worth offices. Four of the 59 positions could be eliminated without the consolidation, and 6 are connected with regionalizing activities of other field offices. Consequently, recurring personnel savings have been overstated by approximately $340,000. The table below describes the personnel actions in question and the reasons why they could be accomplished irrespective of the proposed consolidation.

Personnel Reductions Which Are Not Attributable to the Proposed Consolidation

Personnel action	Reasons why personnel action is not attributable to the Dallas-Fort Worth consolidation	Amount projected savings is overstated
Eliminate the Housing Director position in every area office.	This action can be achieved without consolidation since it is being independently initiated in area offices not involved in mergers.	$ 34,000
Discontinue providing two positions to the Dallas-Fort Worth Federal Executive Board.	This action can be achieved without consolidation because participation on the Board was a voluntary decision unrelated to the operation of the Dallas Area Office, where the positions exist.	68,000
Eliminate a supervisory engineer position and restructure the Assisted Housing Branch to conform with other area offices in the region.	This action can be achieved without consolidation as evidenced by organizational structures in the other area offices.	34,000
Regionalize personnel functions of four other area offices outside of the Dallas-Fort Worth area. The change would save six positions.	This action can be achieved without consolidation since it relates to all area offices in the region and the six positions are outside the Dallas-Fort Worth area.	204,000
Overstatement of personnel savings		$340,000

Regional officials agreed that these personnel actions could be taken even if the proposed consolidation does not take place. They believed, however, that some of them may not occur without the consolidation. For example, they felt that in all likelihood support for the Federal Executive Board would continue if a field office was maintained in Dallas. Also, they felt that the regionalization of the personnel functions was more justified after the merging of the Dallas and Fort Worth offices.

Projected space savings are overstated

The region estimated that $363,972 will be saved annually by vacating its Dallas office and moving the staff to Fort Worth. The projected savings is primarily the result of giving up 55,130 square feet of office space in Dallas and leasing only an additional 22,445 square feet in Fort Worth. The remaining space for the Dallas staff will be available from space currently under lease in Fort Worth.

In making its estimate, the region did not consider that about 32,000 square feet of the approximate 67,600 square feet of office space now being leased in Fort Worth (at about $10 per square foot) is excess to its needs. By claiming the use of existing excess space as part of the savings attributable to the consolidation of offices, the region has overstated projected recurring savings by about $320,000. This overstatement occurs since the excess space could be turned back to GSA for other tenant use irrespective of a consolidation and the cited savings achieved without moving the Dallas Area Office. If this overstatement of $320,000 is deducted from HUD's projected recurring lease savings of $363,972, about $44,000 remains as savings directly attributable to the consolidation.

While acknowledging that excess space is currently being leased, HUD regional officials stated that in view of the proposed consolidation, no action to reduce the leased space was planned. They emphasized the favorable terms of the leased space at Fort Worth and the fact that a contingent liability similar to that discussed below concerning the turnback of Dallas office space would be present if they released the excess office space in Fort Worth instead of consolidating the field offices.

In its cost calculations, the region also did not consider that the Dallas office space, which is under lease until December 1986, could remain vacant. The Government must pay $58,170 per month in lease expenses for this vacant space. GSA, which is responsible for lease space management, has identified only one possible tenant for HUD's space in Dallas. However, considering the timing of the proposed HUD move and other considerations, GSA officials estimate that it would be at least 6 months before the space could be occupied. Thus, at a minimum the Government would continue to incur expenses of about $349,000 ($58,170 for 6 months) for unused space if HUD moves to Fort Worth. If the potential tenant does not elect to move into the space, the building could remain vacant for more than 6 months. The potential tenant is currently under a year-to-year lease beginning in June of each year. If the potential tenant did agree to move into the space currently occupied by HUD, considerable renovation work would be needed to accommodate special equipment. Neither GSA nor the potential tenant was prepared to estimate what this renovation work would cost.

Projected relocation costs may be understated

The region determined that 137 employees who work in the Dallas Area Office will be eligible for reimbursement of costs related to moving their residences, but it believes that only 22 will actually move. The rationale for this estimate has been previously explained. The region calculated that relocation costs would be about $396,000.

To verify the region's estimate, we randomly selected and interviewed 69 of the 137 employees. We then projected our findings to the entire group of 137 using appropriate statistical sampling techniques. Our findings are summarized below:

--About 32 employees definitely plan to move their residences.

--About 34 probably will move their residences.

--The remaining employees were uncertain about their plans or indicated that they will not move.

Approximately 18 of the 32 employees, or 56 percent, who indicated they would definitely move currently own their residences and would be expected to incur costs associated with the sale and/or purchase of real property. Approximately 76 percent, or 26, of the employees who indicated that they will probably move also own their residences. Based on these findings, using the region's cost allowance of $18,000 per residence, we have computed that if all 44 homeowners should move their residences, then the estimated relocation cost would be about $792,000 (or about $400,000 more than the region's estimate) as follows:

Expressed intent (number)	Estimated cost
Definitely move (18)	$324,000
Probably move (26)	468,000
Total	$792,000

Moving costs for those employees who do not own their residences are expected to be much less per household; about 22 are in this category. We have no cost estimate for moving non-homeowners, but we expect that the relocation costs for these employees will not significantly add to the $792,000 estimate.

One reason the region's estimate may be low is that the region excluded from its projection all employees eligible to retire. In our interviews of 12 employees who were eligible to retire, 10 plan to continue working after consolidation and 8 of these employees would definitely or probably move their residences.

Regional officials cautioned that, in view of past experience, a greater number of employees usually indicate an intention to move their residences than the number who actually move. Their experience with the 1979 relocation of the regional office to Fort Worth was that many employees who advised management they were going to relocate actually did not move. Officials believed that many employees responded to our inquiries in a way either to (1) keep open their options to relocate while not seriously considering such a move or (2) influence the results of our inquiries so as to keep a field office in Dallas. As a result, they believed that many of the responses we received to our inquiries were not completely reliable. They acknowledged, however, that economic conditions had changed since 1979 and that as a result, different financial and employment factors would be considered by the employee in making a decision to relocate a residence.

Different method of computing personnel savings can result in reduced savings

The proposed consolidation appears to offer opportunities to cut personnel costs and reduce overhead. Projected savings though, would be substantially different if the region's method of calculating savings was based on personnel who are actually on board as opposed to using authorized positions. This methodology would seem appropriate because HUD has been cutting back on staff nationwide for the past several years. Regional offices have not been permitted to fill many of the authorized positions which have been vacated. For example, the combined staff of the three Dallas-Fort Worth offices totaled 487 in December 1980 but had declined to 432 in March 1982. Further, in February 1983, when the region computed personnel savings, we were told the on-board staff numbered only 403 compared to 384 being proposed after consolidation, a difference of only 19. Had the region used the 19 figure instead of the 59 figure, about $1,360,000 of the $2,006,000 claimed in personnel savings attributed to the consolidation would have been eliminated.

IMPACT OF THE CONSOLIDATION ON DALLAS HOUSING ACTIVITIES

The most significant impact on the Dallas housing industry stemming from the proposed consolidation is the absence of a single-family service activity in Dallas. Instead, the Dallas housing industry will have to conduct its business with HUD at Fort Worth, about 35 miles from the existing Dallas Area Office. A service activity is the main point of contact with lending institutions and others in the community concerned with single-family housing activities; it reviews and approves applications for HUD insured loans, services mortgages, and administers foreclosure procedures.

While HUD regional officials point to a number of operational advantages as a result of the consolidated service office, concerns have been raised by representatives of the Dallas housing industry. To evaluate the real impact of the proposed move, we attempted to identify the significant advantages and disadvantages through discussions with HUD regional officials and several Dallas housing industry representatives, particularly mortgage bankers who have the preponderance of direct contact with a service office operation. In addition, we reviewed written statements provided by Dallas housing industry representatives at the public hearing held at the Dallas City Hall on March 4, 1983.

Advantages of a consolidated service office

Regional office officials have projected that they can eliminate seven staff positions by consolidating the two service office operations. These reductions would be made in supervisory and related clerical support positions. Few, if any, of the core of technical personnel such as architects, loan specialists, and review appraisers would be eliminated. Regional housing officials said the positions targeted for elimination represent a duplication of overhead between the two offices.

Regional housing officials cited several improvements or benefits which would be gained from a consolidated service office. First, there would be greater staffing depth and flexibility at the technical positions. For example, under the current organization only one loan specialist is authorized at Fort Worth. When there is a large fluctuation in workload, a specialist from Dallas is sometimes required to augment the position, which in turn can cause problems in Dallas. Second, regional housing officials believe that consolidation would bring operational consistency to the service office operations. For example, housing industry representatives should have fewer complaints concerning HUD officials' offering differing decisions and interpretations on similar housing matters.

Disadvantages of a consolidated service office

The main disadvantage of the proposed consolidated service office to the Dallas housing industry will be the increased travel distance and time required when visits to the service office are required. Our discussions with concerned officials representing six mortgage bankers in the Dallas area, the Dallas Mortgage Bankers Association, and the HUD Dallas Area Office indicated that most visits to the HUD office during loan processing are by courier services used to deliver and pick up loan application documents. Occasional visits are made by loan processors or officials from the mortgage bankers to discuss problem loan applications or other processing matters, but such visits are not that frequent. To illustrate, two of the companies interviewed said they visit HUD only several times each week, two indicated their trips to HUD are limited to a few each month, one said visits were involved in only 1 of every 10 loans, and one said there were seldom any face-to-face meetings with HUD. The present workloads for 4 of these companies ranged from about 60 to 180 HUD loans each month. Dallas Area Office service officials estimated that they do most of the business with about 50 mortgage bankers in the Dallas area and they generally have less than 15 daily visits by mortgage banker representatives on mortgage credit matters.

Although HUD regional housing officials recognize that the consolidation would cause some inconveniences for local industry representatives who would have to drive to Fort Worth, they believe that such inconveniences would eventually be minimized by the direct endorsement processing program. Under this program, mortgage bankers can elect to process applications for mortgage insurance themselves without prior HUD review, thereby lessening the need for direct contact with HUD staff.

In addition to the issue of increased travel time, several of the mortgage banker representatives we contacted expressed some concern about the timing of the proposed consolidation, coming when home loan volume is increasing at a substantial rate. Some also feared that loan processing time would lengthen at the consolidated service office due to the increased size of the operation. Two of the mortgage banker representatives, however, believed there would be little impact on their loan processing activities, especially since HUD plans to implement the direct endorsement program.

IMPACT OF CHANGING PROGRAM INITIATIVES

The current reorganization proposal is being initiated to attain overall reductions in field staff, to strengthen the role of regional administrators, and to simplify the current organizational structure. It comes at a time, however, when HUD programs and direction are changing, and when the future organizational structure and required size of its field operations are uncertain. During our discussions with regional and headquarters officials, we were told that additional organizational changes may be needed given HUD's changing programs. In this regard, regional officials advised us that further consolidation in such areas as multifamily operations and community planning and development may also be feasible. This is consistent with HUD's efforts to (1) reduce its activity in housing production programs such as rehabilitation and construction, and in emphasizing housing assistance through a program which is administered by local public housing agencies, and (2) to replace most rehabilitation programs with State and locally administered block grants for rental housing rehabilitation. We believe the potential for such changes in HUD's program delivery raises basic questions as to the need for, and timing of, relocating HUD field employees in face of uncertainty. In this regard, we found no evidence that HUD considered the impact of changing initiatives or developed a plan to encompass future changes in its proposal to reorganize nationwide.

CONCLUSIONS

The $1,570,000 first-year savings projected by the Fort Worth regional staff following a consolidation of the Dallas and Fort Worth offices and a $2,370,000 savings each year thereafter appeared to be overstated. Our evaluation of material elements of this projection showed that personnel savings that could be achieved independent of a consolidation were included and that certain cost and savings estimates related to leased space and potential relocations of employees appeared questionable due to improper assumptions or methodology. Additionally, if personnel actually on board were used in computing estimates of personnel savings attributable to the consolidation rather than fiscal year 1982 authorized staffing ceilings, then a material reduction in savings would occur.

While in all likelihood a net savings may still result through implementation of the proposed consolidation, our findings clearly support the need to recompute the overall costs and savings directly attributable to such action. Also, since our evaluation indicated that there are both positive and negative impacts on Dallas housing activities if the housing servicing segment of the Dallas Area Office is moved to Fort Worth, we believe that they should be weighed in concert with revised potential savings figures in determining whether the proposed consolidation is appropriate. This is particularly important since nationwide, Dallas is the only city where HUD plans to close an area office.

Finally, we found no evidence that HUD's proposed reorganization is part of any long-term plan aimed at addressing the impact of changing program initiatives. HUD's programs and direction are changing, and many of those changes will affect the organization and staffing levels of its varied field operations.

RECOMMENDATIONS TO THE SECRETARY OF HUD

We recommend that the Secretary of HUD reevaluate the proposal to consolidate the Fort Worth and Dallas offices in light of the information in this report. As part of this reevaluation, we recommend that the Secretary develop a more complete and detailed cost and savings projection and include a plan which further articulates the need for further organizational changes considering HUD's on-going and proposed program initiatives.