Department of Housing and Urban Development
# Office of the Chief Financial Officer
Organizational Assessment

LinkVisum
consulting group

March 2015

National Academy of
Public Administration ®

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A Report by a Panel of the

NATIONAL ACADEMY OF PUBLIC ADMINISTRATION

For the U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

March 19, 2015

Department of Housing and Urban Development Office of the Chief Financial Officer Organizational Assessment

PANEL

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FOREWORD

Established in 1965, the mission of the U.S. Department of Housing and Urban Development (HUD) is "to create strong, sustainable, inclusive communities and quality affordable homes for all." Recognizing how critical a modern-day financial infrastructure is for mission success, HUD is undertaking an ambitious transformation of its financial management function. This transformation is designed to update its aging financial system and address financial weaknesses identified by the department's Inspector General. One of its most critical aspects is the migration of its accounting and financial functions to a shared service operated by the Department of the Treasury's Administrative Resource Center.

HUD is the first cabinet-level agency to transition its accounting and financial functions to a shared service provider, which means that its transformation is an important step forward for the federal government in implementing a 2013 Office of Management and Budget mandate that executive agencies utilize shared services for their future financial management systems modernization. The President's FY 16 Budget Request also highlights the value of expanding shared services to improve government efficiency. Shared services allow federal agencies to focus on their core missions and achieve economies of scale, and they likely will become an increasingly important way to conduct federal business in the years ahead.

In light of the significant changes that HUD is making to its financial management function, the department contracted with the LinkVisum Consulting Group, Inc. and the National Academy of Public Administration to assist the Office of the Chief Financial Officer in achieving its goal of transforming how it does business and to respond to previously documented financial deficiencies. Working closely with the CFO's office throughout this review, the Panel and study team assessed the current state, researched leading practices in industry and government, and interviewed several federal agencies that have recently transitioned to a shared service provider. The review concludes with ways that the HUD CFO can address identified gaps and increase the office's ability to respond quickly and effectively to future financial management needs.

As the Chief Executive Officers of our respective organizations, we are pleased to have had the opportunity to conduct this review. We appreciate the active engagement of HUD's leadership, employees, and stakeholders; and thank the members of the Academy Panel, who provided invaluable expertise and thoughtful analysis to this undertaking, and the professional study team that provided critical support throughout this project.

Fatimah Moody
CEO
LinkVisum Consulting Group, Inc.
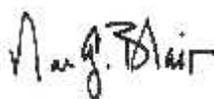
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EXECUTIVE SUMMARY

In the fall of 2014, the U.S. Department of Housing and Urban Development (HUD) engaged LinkVisum Consulting Group (LinkVisum) and the National Academy of Public Administration (the Academy) to conduct an organizational assessment of financial management at HUD. A study team comprised of LinkVisum and Academy staff worked with the guidance of an Academy Advisory Panel (the Panel) to conduct the analysis and develop recommendations to help HUD transform how it does financial management.

HUD is facing a number of financial management challenges. HUD's Office of Inspector General (OIG), in its report on the Department's 2013 financial statements, issued a qualified opinion that noted nonconformance with generally accepted accounting principles (GAAP). The OIG document reported four material internal control weaknesses, eleven significant deficiencies, and multiple instances of noncompliance with financial management laws and regulations. Many of the reported weaknesses and instances of noncompliance are long-standing problems.

HUD sought to remediate some of its deficiencies in financial management by replacing its aging financial system with the new HUD Integrated Financial Management Improvement Project (HIFMIP). However, in 2012, after spending $35 million, HUD canceled the HIFMIP project due to problems encountered in its implementation.

With HIFMIP canceled, HUD made the decision to transition its accounting and financial reporting functions to a Shared Service Provider (SSP) to help resolve its financial management challenges. Use of SSPs is consistent with Office of Management and Budget (OMB) guidance that encourages agencies to use shared services to reduce the cost of financial management and is also consistent with private sector leading practices. Contributing to HUD's slow progress in addressing its financial management deficiencies, the Chief Financial Officer (CFO) position went unfilled for over three years until September 2014, when the current CFO assumed the helm.

In the Department's vision statement, Secretary Castro has emphasized the importance of operational improvement to "build a stronger HUD," including a focus on accountability and transforming the way HUD does business. To help HUD in its transformation, the Academy Panel and study team provide the following recommendations to improve HUD's financial management.

Improve Finance Governance and Oversight

HUD's current financial structure is decentralized and relies on delegation of key financial management functions to HUD's Program offices. In a 2014 memorandum, *Management and Performance Challenges for FY 2015 and Beyond,* HUD's OIG attributes several of HUD's internal control and compliance deficiencies to a weak Department-wide financial management governance structure. HUD's OIG also attributes several deficiencies to insufficient monitoring of financial management activities performed across the Department. To improve oversight and governance, the Academy Panel and study team recommend:

- *Establish an internal CFO Council to strengthen HUD's financial management governance.* The Council should be chaired by the Department's CFO and comprised of senior financial officials from across the Department. The CFO Council would provide a mechanism for the Department's CFO to engage Program offices in the decision-making processes, identify Departmental financial management issues, develop solutions, and oversee implementation. While the Department's CFO, consistent with the CFO Act, retains ultimate authority for financial policy and processes, those policies and processes having Department-wide impact should be developed with input from the CFO Council to ensure proper consideration of Program financial requirements. The Panel also recommends that the Inspector General or designee be invited to join as an ex-officio member of the CFO Council to provide additional expertise and ensure audit perspectives are considered in the Council's decisions.

- *Establish a Financial Control and Analysis Unit within the Office of the Chief Financial Officer (OCFO) to monitor financial data and controls across the Department.* Financial analysis should include tests for data accuracy (e.g., account reconciliations, reasonableness tests, and fluctuation analysis), timeliness (e.g., accounts receivable and suspense file agings), and potential fraud (e.g., outlier and suspicious transactions that warrant further investigation). Where practical, monitoring activities should be automated to reduce manual efforts and to increase speed and comprehensiveness of review activities.

Address Concerns with SSP Transition

HUD is the one of the first Cabinet-level agencies, and the largest agency to date, to move financial processing to an SSP. HUD is scheduled to move core accounting functions to its SSP effective October 1, 2015 and has multiple work-streams underway to complete this major undertaking. In performing its assessment, the study team identified challenges in a number of areas, and the Panel offers the following recommendations to help ensure a

successful transition to the SSP. HUD is aware of these concerns and has steps underway to address the challenges. The Academy Panel and study team recommend that HUD:

- *Thoroughly document business requirements and processes for financial functions moving to the SSP.* Comprehensive documentation is necessary to ensure planned financial processes will support HUD's Programs and accounting requirements. As part of this assessment, the study team interviewed other agencies that have recently moved finance functions to SSPs. These agencies emphasized the importance of having comprehensive documentation of financial processes and particularly recommended that HUD focus on areas where these agencies had experienced challenges, i.e., hand-offs between the agency and the SSP and transactions that the SSP does not routinely process (in HUD's case, its complex grant and voucher programs). Responsibilities for performing process steps should also be documented and incorporated into the Service Level Agreement (SLA) being developed between HUD and the SSP.

- *Focus on data management.* As HUD implements New Core, a multi-phase effort to modernize HUD's core financial and key administrative systems by transitioning these functions to a shared services environment, it needs to plan and manage the development and execution of architectures, policies, practices, and procedures pertaining to data. HUD should put particular emphasis on independent verification and validation (IV&V) of the data after conversion and ensure the timing of data conversion is not disruptive. Several of the Academy Panel members who have led financial system transition efforts similar to HUD's current New Core project emphasized data management as key to project success. The need to focus on data management was evidenced in New Core Release 1 – Travel and Relocation, where both Program and OCFO staff reported issues with data migration. The New Core Team is applying lessons learned as it prepares for subsequent releases. In Section 4.4 of the report, the Academy Panel and study team provide recommendations to help ensure successful data management in New Core.

- *Validate scope, feasibility, and priority of subsequent SSP transition phases.* After completing transition of core accounting activities to the SSP in Phase 1, Release 3, scheduled for October 1, 2015, HUD plans to move forward with subsequent phases which include grant and loan accounting, managerial cost accounting, budget formulation, fixed assets, and accounting for the Federal Housing Administration (FHA) and Ginnie Mae. HUD also must ensure the SSP can provide the required functionality so that the Department does not risk future noncompliance. The scope of the finance functions to be transferred to the SSP was derived from the scope of the cancelled HIFMIP project, which was developed several years ago. There is

limited business case documentation to ensure the New Core project scope and implementation priorities remain valid now that HUD has shifted its strategy from a stand-alone financial system implementation to a transfer of accounting and financial reporting functions to a SSP. The OCFO has recently formed a team to begin planning subsequent phases. As OCFO develops its plans, the Panel recommends that HUD update its business case to reflect HUD's shift in financial systems modernization strategy from a stand-alone system implementation to use of an SSP. To firm up scope and implementation priorities, the Panel recommends an analysis of HUD's business needs, anticipated benefits, and expected costs.

Strengthen the Finance Workforce

In addition to the CFO position being unfilled for over three years, HUD has experienced other workforce issues. At one point, three of the OCFO's four Assistant CFO positions were unfilled, and the office experienced 40% turnover in its staff between 2009 and 2014. Looking forward, OCFO will experience significant impacts on its workforce as it transitions financial functions to the SSP. These impacts include a reduced need for clerical staff as work is transitioned to the SSP and an increased need for more skilled staff that can perform financial analysis and advanced business analytics. Other agencies that have recently transitioned to SSPs report that a key challenge during the transition is keeping the right staff. Instability in the environment often leads to increased staff turnover, and frequently the staff that leave are those an agency most wants to keep as these employees are more skilled and more mobile. The Panel provides the following recommendations to HUD as it works to adjust and strengthen its finance workforce.

- *Identify future workforce needs, including skills and competencies, to operate in the new SSP environment.* This begins with documenting planned processes, including division of roles and responsibilities between HUD and the SSP, as recommended above. This process documentation will enable HUD to determine the number and competencies of staff required to perform accounting functions.

- *Develop workforce and change management plans to support the transition of finance functions to the SSP and other CFO initiatives also underway (e.g., analytics).* The change management plan should include details as to how employees will transition from the current to the future state environment; the schedule for transition; workforce competencies required in the new environment; training requirements; and a communication plan that outlines a strategy to keep staff informed on an ongoing basis and that helps mitigate their concerns and possible resistance to change. The change management plan will need to address how financial staff within OCFO as well as Program offices will be managed.

Additional details on these recommendations, and all of the Panel's findings and recommendations can be found in Chapters 4 & 5 of this report. A recommended transition plan to implement the recommendations is provided in Chapter 6.

CHAPTER ONE: BACKGROUND

HUD is in the midst of transforming its financial management function to address long standing deficiencies in internal control and GAAP compliance and improve support for HUD's programs and operations. Key among HUD's initiatives is the adoption of a new shared services model where core financial functions will be performed by the Department of Treasury's Administrative Resource Center (ARC) after the transition. OCFO also has recently completed a leadership transition. A new CFO was confirmed by the Senate in September 2014, after the position had been vacant for more than three years, and a Deputy CFO and three of the four Assistant CFOs also came on-board in FY 14. The new OCFO leadership is committed to the goal of developing a "high-performing financial organization" at HUD.

1.1 Objectives/Scope

In October 2014, HUD contracted with the LinkVisum Consulting Group, Inc. (LinkVisum), with support from the National Academy of Public Administration (the Academy), to develop a strategic framework for HUD to transform how financial management is done in the Department. A successful transformation involves processes, workforce, organizational structure, technology, and more importantly, a cultural shift for the OCFO and program areas at HUD. The key objectives of this project are:

- Conduct an organizational assessment of Department-wide financial management to improve effectiveness and efficiency;

- Determine how financial management responsibilities should be organized across the Department following transition to a shared-service model, with consideration of:
    – The CFO's role after transition
    – Financial governance
    – Workforce distribution and skillsets

- Assist HUD to respond to deficiencies in financial governance over financial management.

At a high level, this study was divided in to four phases: 1) assessing the as-is state of the organization; 2) researching leading practices at other agencies and industry; 3) developing findings and recommendations based on analysis of the as-is state and leading practices; and 4) developing a transition plan to implement the recommendations.

1.2 Drivers of Change

Based on its own research and discussions with HUD officials, the study team identified five "Drivers of Change" significantly affecting the Department's current and future financial management functions as depicted in Figure 1.1: Drivers of Change.

Figure 1.1: Drivers of Change

The drivers of change are described below.

CFO Act
The CFO Act was signed into law in November 1990 to promote effective financial management and improve accountability within the Federal Government. The CFO Act highlights the need for strong financial leadership in the Federal Government and created the CFO position in the largest federal departments and agencies. Under the CFO Act, an agency CFO reports directly to the head of the agency and should play a key role in the agency's top leadership team.

The CFO's responsibilities include overseeing all financial management activities of the agency, developing and maintaining an integrated accounting and financial management system, and overseeing agency financial management personnel, activities, and operations.

Federal Mandate To Use Shared Services

The Office of Management and Budget (OMB) issued a memorandum *Improving Financial Systems through Shared Services* in March 2013 that directs all executive agencies, with limited exceptions, to utilize a shared service approach for their financial management system modernization projects. In this memorandum, OMB highlighted a number of key benefits of using shared services, such as reducing implementation cost and risk, improving data quality and providing greater transparency, and enabling agencies to focus on their core missions.

Unsuccessful prior financial management system implementation

The lack of a modern integrated financial management system at HUD has been a long-standing deficiency contributing to its internal control weaknesses and its instances of GAAP nonconformance. To address these concerns, HUD launched the Integrated Financial Management System Implementation Project (HIFMIP) to integrate and modernize the Department's core financial systems. After a lengthy procurement process, HUD hired a contractor to support HIFMIP implementation in 2010. This project was terminated in 2012 after spending $35 million; its failure drew a great deal of attention. In an October 2014 Report to the Secretary, the OIG indicated that many of the problems that occurred during the HIFMIP implementation are present with the New Core Implementation.

Secretary Castro's Priorities

In the Department's vision statement, Secretary Julián Castro outlined four priorities for operational improvement to "build a stronger HUD": 1) Measuring outcomes; 2) Transparency; 3) Accountability; and 4) Enhancing interagency collaboration. By focusing on these priorities, HUD will be able to improve its performance and accountability, build a culture that values results and collaboration, and more effectively accomplish its core mission.

Inspector General's Findings

The OIG issued a qualified opinion on the HUD's FY 13 and FY12 financial statements and identified four material weaknesses, eleven significant deficiencies, and five instances of noncompliance. The OIG attributes some of the internal control deficiencies to a weak Department-wide financial management governance structure. HUD's current financial management approach is highly decentralized, and some key finance functions are performed by Program offices. Financial management requirements standards are subordinated to Program office operational objectives and issues. Other financial management governance weaknesses identified by the OIG are: the absence of a position/division to monitor and ensure compliance with GAAP across the Department, staff turnover and reduction, outdated financial management policies and handbooks, and the lack of a Senior Management Council to monitor and address internal control

deficiencies. Additionally, the OIG reports on some weaknesses with HUD's financial management systems. The OIG is concerned about HUD's ability to implement the New Core project, poor performance, and high maintenance costs resulting from the use of legacy systems, and the lack of proper information system control.

1.3 Methodology

Project Approach

The study team developed a four-phased approach to assessing the efficiency and effectiveness of the OCFO and developing recommended changes to improve HUD financial management. The four phases include the following: Assess Current State, Research Leading Practices, Develop Findings and Recommendations, and Plan Transition. Significant activities of each phase and subsequent outputs are defined in Figure 1.2 below.

Figure 1.2: Project Approach

Assess Current State	Research Leading Practices	Develop Findings & Recommendations	Plan Transition
Significant Activities			
• Create analytical framework • Review audit and IG reports • Interview OCFO, Program staff responsible for financial functions, and key external stakeholders • Interview ARC personnel leading the transition	• Identify and meet with federal agencies recognized for effective & efficient financial management • Talk to agencies who have transitioned to shared-services • Leverage secondary research to identify trends & leading practices in the private sector	• Identify findings based on analysis of HUD's current state and leading practices • Develop recommendations to remediate findings • Vet with key HUD stakeholders • Secure panel validation • Refine	• Prioritize recommendations for implementation and develop a phased implementation schedule • Prepare drat report • Vet with key HUD stakeholders • Secure panel validation • Refine
Outputs			
• Overview of the current state of financial management at HUD	• Lessons learned • Strategies for financial management • Leading practices	• Preliminary observations briefing	• Draft Report • Final Report

The study team was guided by an Academy panel of experts comprised of former CFOs and experts in financial management drawn from the public and private sectors and academia (Reference Appendix A for Panel biographies).

The study team met with the Academy Panel at three key points during the project to review project results and status and receive Panel advice and recommendations:

- December 10th to understand the CFO's perspective and objectives for the project, and review the approach and the study team's preliminary observations on HUD's current financial management environment

- January 20th to review the study team's findings and recommendations

- February 20th to review the study team's draft report

The Panel's advice and recommendations have been incorporated into this report.

Analytical Framework

The team utilized LinkVisum's Analytical Framework for the Finance Function to assess HUD's financial management organization. The framework, presented in Figure 1.3: Analytical Framework, is comprised of three components: Objectives of Financial Management, Levers for Achieving the Objectives, and Change Management to guide transformation of financial management. Each of these components is explained below.

The key objectives of a leading finance function are Operational Efficiency, Control & Compliance, and Business Insight, as highlighted below.

- **Operational Efficiency** – Efficient financial operations to execute and record financial transactions and generate financial reports

- **Control & Compliance** – Compliance with financial management laws and regulations, internal control standards, and GAAP

Figure 1.3 Analytical Framework

- **Business Insight** – Useful financial information and analysis to support the agency's programs and operations

These financial management objectives are achieved through four levers: Process, People, Organization, and Technology.

Attributes of a leading finance function for each of these levers include:

- **Process** - Streamlined work processes to enable effective and efficient administration and execution of finance activities

- **People** - Engaged employees with an appropriate mix of skills, technical knowledge, and analytic capability to meet the needs of the organization

- **Organization** - Efficient finance structure that supports processes and control with the appropriate mix and number of staff

- **Technology** - Integrated applications to provide enterprise-wide and timely data

The last component of the framework is change management, a structured, integrated approach to transitioning individuals and organizations from a current to a future state. Change management, which is cross cutting, helps to ensure that the organization—particularly the people—is prepared for the change.

Schedule

The schedule below shows the key project elements of the approach, start and end dates, and milestones for the Academy Panel meetings and project deliverables.

Figure 1.4: Project Schedule

HUD was established as a Cabinet-level Department in 1965, and its core mission is to "create strong, sustainable, inclusive communities and quality affordable homes for all."[1] The Department carries out its mission with 8,874 employees working at its headquarters in Washington, D.C. and in offices nationwide. Its large Program offices, which were the focus of this study, are Housing; Community, Planning & Development; and Public and Indian Housing (PIH). HUD's organizational structure and its budget for these three large program offices are provided in Figure 2.1.

Figure 2.1: HUD Organization Structure
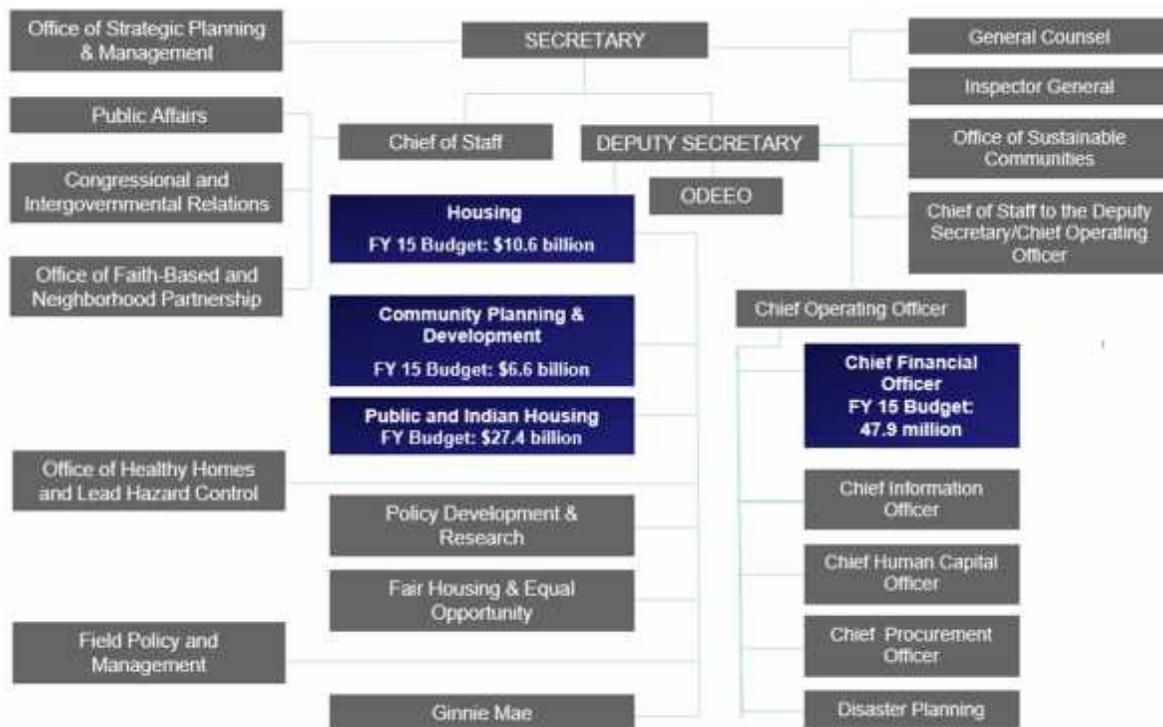
Source: www.hud.gov

Just as the Programs are distributed across HUD, so too is financial management. Many Programs have their own financial management staff to do budget formulation and execution, and some staff directly interact with external stakeholders, such as Public and

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[1] http://portal.hud.gov/hudportal/HUD?src=/about/mission

Indian Housing Authorities. These Program staff understand the complexities and nuances of their respective programs.

With an annual budget of $47 million (FY15) and 192 full-time equivalents (FTE)[2], OCFO works together with "Program officials to provide timely, accurate, and reliable financial, resource, and performance information, and secure the most efficient and effective use of resources to achieve HUD's missions and the Secretary's strategic priorities."[3] The CFO reports to the Deputy Secretary/Chief Operating Officer and oversees all financial management activities within the Department. The four core functions of the OCFO are Budget, Accounting, Financial Systems, and Financial Management. An Assistant CFO, ACFO, leads each of these divisions. The key activities of the organization include:

- ACFO Budget
  - Is responsible for Departmental budget formulation and budget execution
  - Facilitates informed decisions on deployment of agency resources
  - Advises and assists HUD offices in their budgetary responsibilities
  - Monitors staff usage in the Department
  - Assists Congressional appropriations sub-committees in their consideration of Departmental funding requests

- ACFO Accounting
  - Prepares HUD's budget execution reports, financial statements, and financial analyses
  - Manages cash reconciliations for each program, quarterly fiduciary and intra-governmental confirmations, and annual Department-wide obligation review
  - Maintains standard general ledger systems for all grant, subsidy, administrative and selected loan programs of HUD
  - Performs program and administrative accounting functions for the Department

- ACFO Systems
  - Operates, maintains, and develops OCFO financial systems
  - Provides quality assurance for financial systems
  - Assesses and certifies system security control and user access
  - Maintains financial data mart

- ACFO Financial Management
  - Serves as the Department-wide audit liaison for all OIG audits

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[2] State of CFO
[3] State of CFO. P2

- Provides funds control guidance and oversight
- Conducts front-end risk assessments and maintains the Management Control Handbook
- Develops HUD's annual financial report
- Reviews and updates HUD Financial policies and procedures

- Management Staff
  - Advises, manages, and coordinates the internal management of resources available to the OCFO, such as OCFO budget and human capital matters including training, promotion, recruitment, separations, awards, and performance management
  - Manages procurement, supplies, and purchase and travel cards for OCFO
  - Certifies travel funds
  - Coordinates other issues such as space management, records management, and Departmental clearance

- Appropriations Law
  - Advises on appropriations law issues, including issues that arise from funding provisions and Appropriations Acts
  - Provides legal advice in the budget formulation and execution processes
  - Reviews funds control plans

- New Core Project Team
  - Is dedicated to supporting the implementation of the shared service mode
  - Coordinates interactions with the SSP, gathering requirements, change management, and planning for subsequent releases and phases (A more detailed discussion of New Core can be found in Chapter 3)
  - Is not a formal organizational unit as depicted by the dotted box in Figure 2.2.

The existing program liaison function is under the ACFO for Budget. The Fort Worth Accounting Center is a part of Accounting. Figure 2.2 provides an overview of the organizational structure of OCFO and shows the number of FTEs allocated to each organizational unit.

Figure 2.2: OCFO Organizational Structure
(As of November 2014)


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                        │        CFO          │
                        │    Brad Huther      │
                        └─────────────────────┘
┌──────────────────┐    ┌─────────────────────┐    ┌──────────────────────┐
│ New Core Project │    │    DEPUTY CFO       │    │  Approp. Law Staff   │
│ Jon Gant (Exec   │────│ Joe Hungate (2 FTEs)│    │ Mike Moran (3 FTEs)  │
│   Director)      │    └─────────────────────┘    └──────────────────────┘
│   (16 FTEs)      │                                ┌──────────────────────┐
└──────────────────┘                                │  Management Staff    │
                                                    │ Michelle Proctor-Hall│
                                                    │      (9 FTEs)        │
                                                    └──────────────────────┘
┌──────────────────┐  ┌──────────────┐  ┌──────────────────┐  ┌──────────────┐
│     Budget       │  │  Accounting  │  │ Financial Systems│  │  Financial   │
│ Sarah Lyberg     │  │  Nita Nigam  │  │    Jon Gant      │  │  Management  │
│  (Acting)        │  │  Anna Butler │  │  Chris Davies    │  │ Jerry Vaiana │
│ Ken Leventhal    │  │  (72 FTEs)   │  │   (28 FTEs)      │  │  (22 FTEs)   │
│  (39 FTEs)       │  └──────────────┘  └──────────────────┘  └──────────────┘
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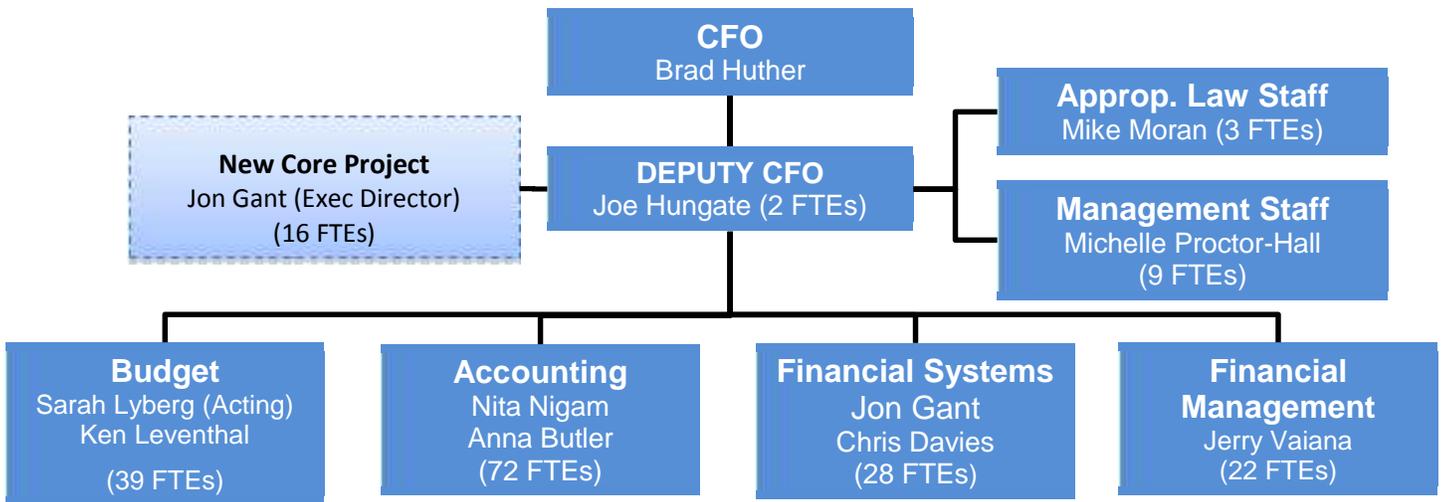
Source: State of the CFO: Office of the Chief Financial Officer.

CHAPTER THREE: TRANSITION TO A SHARED SERVICE PROVIDER

HUD management and the OIG report that the Department's financial management systems are in need of enterprise consolidation and modernization. In accordance with the OMB Memorandum M-13-08, *Improving Financial Systems through Shared Services*, HUD plans to transition many of its finance functions to an SSP, the Department of the Treasury's ARC, to meet its consolidation and modernization goals. With the transition, HUD expects to improve data accuracy and decision-making capabilities, address many of its financial system and control weaknesses, reduce risk of a stand-alone system implementation, and retire obsolete legacy systems by moving financial functions to the SSP.

3.1 SSP Objectives

As described in OMB Memorandum M-13-08, traditional approaches to financial systems implementations have left agencies exposed to significant risks in cost, quality, and performance. HUD's unsuccessful HIFMIP implementation is evidence of this risk. A transition to shared services intends to improve the cost, quality, and performance of federal financial systems by focusing government resources on fewer, more standardized solutions that are used across government and implemented and operated by more experienced staff.

Use of shared services, with standardized financial systems, will:
- Better enable the government to strategically source software providers, hosting, and (potentially) transaction processing
- Reduce system implementation risks and timelines
- Improve data quality and provide greater transparency into federal finances, including through the production of auditable financial statements at the government-wide level

3.2 New Core Target Environment

HUD has established the New Core project to oversee its transition of financial functions to ARC and decommission legacy systems over time. The New Core program is using a phased implementation approach designed to reduce program risk and promote successful implementation.

The transition to ARC is divided into four phases as depicted in Figure 3.1: New Core Phased Approach.

Figure 3.1: New Core Phased Approach
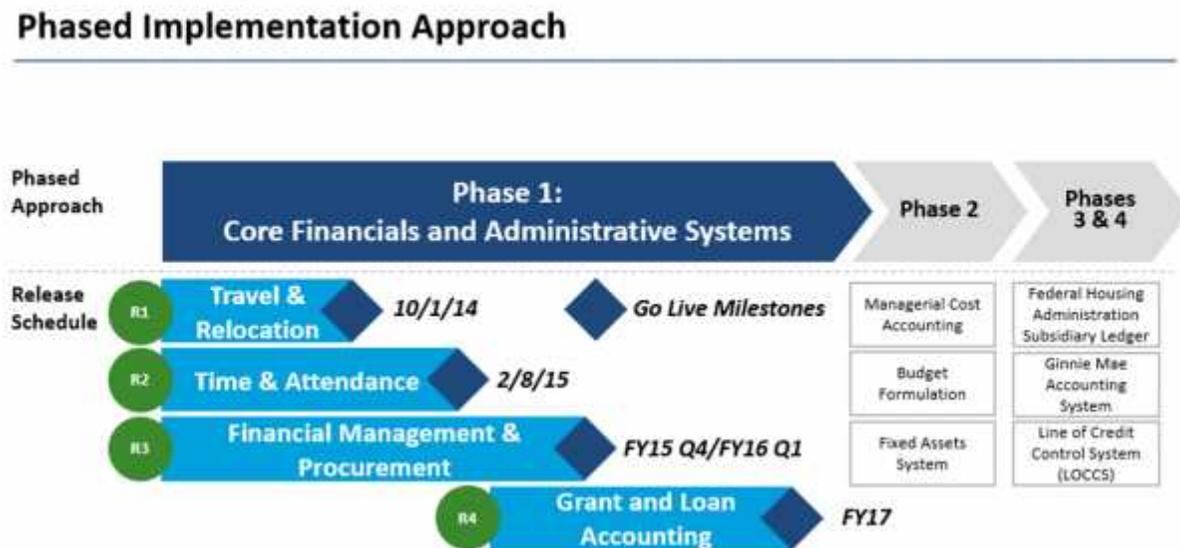
Source: New Core Program Awareness Briefing, September 11, 2014.

As shown in Figure 3.1, Phase 1 is further subdivided into releases. The first two releases of Phase 1 are completed, and the New Core team and the SSP are actively preparing for the third release. Following is a description of the various phases and releases.

- Release 1 - Replaced the legacy FedTraveler and mLINQS systems with ARC's CONCUR and moveLINQ for travel and relocation services as of 10/1/14. HUD's travel, relocation, reservation, booking, and authorization services are now processed through ARC's intuitive user interface.
- Release 2 - Migrated Time and Attendance system to ARC on 02/08/2015.
- Release 3 - The SSP will replace HUDCAPS as HUD's financial system of record. An interface with HUDCAPS will remain to facilitate functionality with Program legacy systems.
- Subsequent Phases and Releases - The New Core team is currently developing plans for Phase I Release 4 which will include Grant and Loan Accounting.

Release 4 is a significant undertaking given the variety and size of HUD's grant and loan programs. Schedules and priorities are not currently defined for Phases 2 through 4.
The subsequent phases are currently slated to include the following:
- Managerial Cost Accounting
- Budget Formulation
- Fixed Assets System

- FHA Subsidiary Ledger
- Ginnie Mae Accounting System
- Line of Credit Control System (LOCCS)

CHAPTER FOUR: LEADING PRACTICES

This chapter presents leading practices in financial management drawn from both industry and government. These leading practices were used to help assess HUD's current financial management environment and develop the recommendations provided in Chapter 5 of this report.

Leading practices were drawn from review of research reports, CFO surveys, and other reports on financial management published by leading organizations including: PricewaterhouseCoopers (PwC)[4], KPMG[5], IBM[6], Accenture and the Association of Government Accountants (AGA)[7]. These leading practices are applicable to both industry and government.

Additional leading practices in federal financial management were drawn from interviews with government agencies including U.S. Treasury (Treasury), National Aeronautics and Space Administration (NASA), Securities and Exchange Commission (SEC), Federal Student Aid (FSA), the Office of Finance & Innovation (OFIT), and ARC. Treasury, NASA, and SEC have recently transitioned finance functions to a Shared Services Provider and provided valuable insights for HUD as it makes its transition to an SSP.

A third source of leading practices was the Academy Panel itself. The Panel includes experts in financial management from industry, academia, and government. Three of the five Panel members have held leadership positions in federal finance and led finance transformations similar to HUD's current initiative.

The industry leading practices and additional federal insights presented below are aligned with the four levers in the study team's assessment framework, i.e., process, people, organization, and technology.

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[4] How to Plan a Successful Finance Transformation, 2009. PricewaterhouseCoopers.
[5] Being the Best: Inside the intelligent Finance Function: Insights from Our Latest Global CFO Research, 2013. KPMG International.
[6] Pushing the Frontiers, CFO-insights from the Global C-Suite Study, 2014; The New Value Integrator, Insights from the Global Chief Financial Officer Study, 2010, IBM.
[7] Being the Best: Inside the intelligent Finance Function: Insights from Our Latest Global CFO Research, 2013. KPMG International.

4.1 Process

Leading practices in industry reveal the importance of streamlining and optimizing financial processes to improve the effectiveness and efficiency of the financial function. A key focus of process optimization is on enterprise-wide standardization, including standardization of policies, procedures, processes, data definitions, and charts of accounts. Leading finance organizations have standardized more than peer organizations by clearly assigning authority and accountability for data governance and process ownership enterprise-wide.

In its 2013 Benchmarking study, PwC reports that the difference between the typical financial management organization and the best is significant; their costs are over 60% higher.

Leading finance organizations are also increasing the use of shared services, both internally and externally (i.e., outsourcing), to reduce the cost of financial management and enable the CFO to increase focus on improving support for the business.[8]

OMB's guidance in Memorandum M-13-08, *Improving Financial Systems through Shared Services*, is consistent with and promotes these same leading practices. Federal agencies that have gone through transitions to federal SSPs similar to the one HUD is undertaking now provided a number of recommended practices based on their experiences and lessons learned.

The agencies recommended having thorough documentation of financial processes and clear delineation of roles and responsibilities for process steps. In developing this documentation, they emphasized the importance of focusing on hand-offs with the SSP and on non-routine transactions for the SSP, which in HUD's case are its grant and loan programs. The agencies also recommended increasing resources focused on financial oversight and analysis, which increases in importance with transition to an SSP and is also facilitated through a reduction in workload that results from the transition.[9]

4.2 People

The role of the CFO is evolving, and finance departments are playing an increasingly important role in shaping the strategic direction of their organizations. One of the

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[8] Pushing the Frontiers, CFO-insights from the Global C-Suite Study, 2014. IBM.
[9] The Pursuit of Government, Opportunities to Advance Federal Shared Services, 2015, AGA and Accenture.

challenges identified by many finance organizations is being able to recruit and retain the right people with the right skillsets to support this evolving role.[10]

Research reveals that finance organizations are placing greater emphasis on developing their workforce; the ones that have been more successful in developing their workforces are outperforming other organizations. Leading finance organizations are hiring people from more analytical disciplines, such as data engineering, statistics, information technology, and operational research. Additionally, strong communication and team-work skills are becoming more critical in recruiting for the finance function. PricewaterhouseCoopers' 2013 survey also found that some organizations established financial training academies to help staff develop/expand the requisite capabilities.[11]

Workforce planning is also essential to high-performing organizations. In addition to the basic annual workforce plan, leading financial organizations have implemented longer-term planning processes to assess their workforce needs for the next three to five years.[12]

Federal agencies that have been through similar SSP financial system transitions as HUD consistently stated that workforce transition is one of the most difficult elements of the transition, and that it has taken staff years to fully adjust. These agencies provide the following recommendations based on their experiences: 1) Develop a robust, comprehensive staffing roadmap at the start of the transition; 2) Maintain regular communications with employees during the migration; and 3) Bring on-board personnel that have been through similar transitions.

Federal agencies, like their private sector counterparts, are placing greater emphasis on workforce development. Agencies emphasized that analytics requires a blend of skills (e.g., IT, statistics, business insight, and communications) that are available through a team, typically not through a single individual.

IBM in its 2014 Global CFO Study found that CFOs across the board are increasing emphasis on developing talent, and the finance organizations that have been more successful in developing their work force are outperforming other SSA organizations.

4.3 Organization

Financial functions should be organized to provide the most effective and efficient service delivery to the business. Studies show that there is a trend towards centralization of

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[10]How to Plan a Success Finance Transformation, 2009. PricewaterhouseCoopers.
[11] PricewaterhouseCoopers.
[12]The New Value Integrator, Insights from the Global Chief Financial Officer Study, 2010, IBM.

financial functions. Many large global companies have adopted a more centralized financial management model to more efficiently and effectively manage information and resources. On the other hand, research also indicates that the fast-growing companies tend to have more decentralized financial operations.

The right alignment of centralized/decentralized financial functions depends on an organization's objectives and strategies, business and operational needs, and organizational culture.[13] There is no one-size-fits-all answer.

Leveraging analytics tools and techniques to predict operational risks, discover new opportunities, and make smarter decisions has become a leading practice. However, analytics are not purely financial efforts, but a business process that involves key stakeholders across the organization.[14] The use of analytics should be in sync with business and operational needs. The collaboration between business units and financial units is critical to effective analytics.

Many large federal Departments have decentralized financial operations. To maintain governance and promote efficiency, many of these agencies have formed internal CFO Councils that are comprised of the agency's senior finance leaders and chaired by the Department CFO (e.g., NASA and Treasury). The CFO Council provides a mechanism for the Department's CFO to engage component CFOs in the decision-making process, identify Departmental financial management issues, develop solutions, and oversee implementation.

CFOs participating in KPMG's 2013 CFO survey stated that providing greater support to the business provides the greatest opportunity for the finance function to add value.

4.4 Technology

To achieve efficiency and provide enterprise access to information, leading financial functions have to fully integrate systems, i.e., a single enterprise resource planning (ERP) system across the organization; incorporate electronic workflow into processes; enable service through web enablement with customers, employees, and vendors; and embed application controls into processes. These leading industry practices are consistent with

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[13] Being the Best: Inside the Intelligent Finance Function: Insights from Our Latest Global CFO Research, 2013. KPMG International.
[14] KPMG International.

the objectives of OMB's Memorandum M-13-08, which guides agencies to federal SSPs to meet technology needs.

Table 4.1 provides a summary of leading practices in finance, applicable to government and industry, and includes insights gleaned from the study team's interviews with other federal agencies. The information is relevant to HUD as it transitions functions to an SSP and addresses governance and other financial management challenges.

Table 4.1: Leading Practices from Industry and Government

	Leading Practices
Process	Industry Leading Practices • Assign enterprise-wide responsibility for process ownership (e.g., procure to pay, order to cash) • Standardize policy, procedures, processes, and chart of accounts • Establish common finance data definitions and data governance • Execute continuous process improvement • Increase use of internal and external (i.e., outsourcing) shared services
	Additional Federal Insights • Clearly identify process responsibilities between the agency and the SSP and include in SLA • Focus on common problem areas, i.e., hand-offs with the SSP and non-routine transactions (e.g., grants and loans) • Increase financial oversight and analysis • Incorporate performance metrics into SLA with the SSP
People	Industry Leading Practices • Clearly define financial roles and responsibilities • Align skill sets with job responsibilities • Develop short- and long-range workforce plans considering evolving role of finance • Promote knowledge sharing and continuous learning environment • Tie performance measures directly to enterprise strategies
	Additional Federal Insights • Develop robust staffing roadmap at start of transition to shared services • Identify the staff needed after transition and work hard to retain • Bring on board personnel who have been through a shared services transition • Communicate, communicate, communicate to employees, program staff, SSP, and external stakeholders

	Leading Practices
Organization	Industry Leading Practices • Align finance structure with enterprise structure • Eliminate redundant structures • Adopt internal and external (i.e., outsourcing) shared services where cost effective
	Additional Federal Insights • Establish CFO Council • Build analytics capabilities in partnership with programs
Technology	Industry Leading Practices • Use a fully integrated system – single ERP enterprise-wide • Integrate electronic workflow into processes • Enable self- service through secure web-enabled processes linking the company with customers, employees, vendors, etc. • Embed application controls into processes
	Additional Federal Insights • Focus on data conversion during transition; start data clean-up early • Conduct IV&V of data (a GAO best practice)

CHAPTER FIVE: RECOMMENDATIONS AND RELATED FINDINGS

In this chapter, the Academy Panel and study team present their assessment findings and recommendations to improve the efficiency and effectiveness of HUD's financial management. The findings are organized around our analytical framework. The order does not imply any prioritization. In Chapter Six, the recommendations are prioritized.

Typically, Process comes first because it dictates what has to be done and by whom. The People section follows because it relates to those who will do the work and the required competencies. The Organization section explains how staff will be configured to complete the processes. Technology is typically used to enable the process.

5.1 Process

A finance organization needs streamlined work processes to enable timely and accurate execution and recording of financial transactions and production of financial reports. This section presents recommendations calling for HUD to 1) document financial policy and processes; 2) clearly define roles and responsibilities for its processes; and 3) strengthen financial data oversight and monitoring.

1: Document Financial Policy and Processes

With its large number of grant, voucher, and mortgage insurance programs, HUD employs numerous financial processes to perform accounting for the Department's diverse operations. Moreover, HUD's financial operations are decentralized with Program Office personnel performing key finance functions, such as budget and funds control. Given its diverse portfolio and decentralized financial operations, HUD must have comprehensive documentation of its financial policies and processes to guide staff performing finance and accounting functions across the Department. HUD's OIG has reported that HUD's handbooks, which incorporate documentation of its financial policies and processes, are outdated or incomplete, which has contributed to the Department's significant control deficiencies.

HUD's need for comprehensive process documentation will take on even greater importance as financial processes change with the Department's transition to an SSP. Agencies that have undergone similar transitions to SSPs emphasized the importance of having comprehensive process documentation in place that shows how financial transactions will be executed and recorded. While documentation is needed for all processes moving to a SSP, these agencies particularly emphasized the importance of comprehensive documentation for financial processes that are not routinely handled by the SSPs, such as will be the case for HUD's grant and voucher programs.

We also found during our organizational assessment that HUD's OCFO and Program staff were concerned that process requirements were not fully defined for financial functions moving to the SSP, which may interrupt HUD's financial operations or result in control deficiencies. Here too the principal concern was with HUD's complex grant and voucher programs.

To address these findings, the Academy Panel and study team recommend:

1.1 Document financial processes transferring to the SSP. HUD should complete documentation of requirements and processes for financial functions moving to the SSP. Comprehensive documentation is necessary to ensure requirements are identified and financial processes will support HUD's program and accounting requirements. Process documentation will also help HUD understand its finance workforce requirements after transition of accounting functions to the SSP as discussed further in People 2: Implement a Workforce Development Plan.

1.2 Update policies and procedures. OCFO should document, or as applicable, update its financial policies and procedures. While the initial focus should be on processes impacted by the transition to ARC, all of its financial processes ultimately need to be documented and/or updated.

Aware of these concerns, the OCFO has renewed its focus on documenting financial requirements and processes for functions that are moving to ARC and also has included program specialists on the design teams that are knowledgeable about HUD's grant and voucher programs and associated accounting requirements.

2: Clearly Define Roles and Responsibilities for Financial Processes

Roles and responsibilities for HUD's financial management and accounting processes need to be clearly defined to identify responsibilities for performing process steps between the OCFO, Program finance staff, and the SSP. During New Core Release 1, the lack of clear process documentation and role clarity created challenges with gaps occurring in processing. HUD's experience in this regard is similar to other agencies that we interviewed that have transitioned to an SSP.

These agencies reported that they initially encountered problems in handoffs between the agency and SSP until roles and responsibilities were clarified. Again, the greater challenges were encountered with accounting functions that were not routinely handled by the SSPs, such as HUD's grant and voucher programs.

Consequently, the Academy Panel and study team recommend:

2.1 Agree To and Document Roles and Responsibilities. OCFO should clarify and document roles and responsibilities for steps in financial processes to minimize gaps and misunderstandings. The documentation should cover responsibilities between HUD and the SSP in the Service Level Agreement and should also cover responsibilities within HUD, i.e., between OCFO and Program finance staff. Documentation of roles and responsibilities will help eliminate gaps in processing.

2.2: Formalize Roles and Responsibilities in the MOU. OFCO should amend its Memorandum of Understanding (MOU) with ARC to clearly document roles and responsibilities. Ultimately, the responsibilities should be incorporated into the Service Level Agreement being developed between HUD and the SSP.

2.3: Provide Training on New Processes and Roles and Responsibilities. OCFO should provide training for Program and OCFO staff to ensure that the staff understands the new processes and roles and responsibilities of the OCFO, the Programs, and the SSP. Training requirements are discussed at greater length in section 5.2: People.

3: Strengthen Financial Data Monitoring and Oversight

HUD's OIG, in its report on HUD's 2013 Financial Statements, attributes a number of the Department's control deficiencies to inadequate monitoring and oversight of financial activities performed across the Department, including deficiencies in accounting for receivables and obligations and in the financial statement preparation process.

HUD's transition to ARC will change its financial processes and how and where work is performed, increasing the importance of financial data monitoring and oversight. New processes and systems can result in workflow gaps and errors as HUD adjusts to the new environment and also can also increase the opportunity for control lapses.

To strengthen financial data monitoring and oversight, the Academy Panel and study team recommend:

3.1 Update Internal Control Documentation. OCFO should update its Internal Control Over Financial Reporting (ICOFR) documentation for financial processes impacted by transition to the SSP. Consistent with OMB Circular A-123, Appendix A requirements, the documentation should include updates to documentation of the ICOFR assessment plan, entity-wide controls, risks, financial processes and controls, general information technology controls, and the assessment plan and methodology.

3.2 Implement Customer Agency Controls. ARC issues an annual report on its internal controls impacting customer services entitled *ARC's Description of Its Financial Management Services and the Sustainability of the Design and Operating Effectiveness of Its Controls.* This report includes ARC's independent auditor's report on its controls, i.e., its *Statement on Standards for Attestation Engagements No. 16, Reporting on Controls at a Service Organization.* ARC's report identifies its internal controls relevant to the customers it serves and also identifies *Complementary Customer Agency Controls* that its customer should have in place to work in concert with ARC's controls. HUD should integrate ARC's controls report into its ICOFR assessment and assure that it has implemented the recommended *Complementary Customer Agency Controls* identified by ARC into its control environment and processes.

3.3 Establish a Financial Analysis and Controls Capability within OCFO. OCFO should also establish a financial analysis capability to monitor financial data and controls within the OCFO, in HUD's Programs, and at the SSP. The analysis should include tests for data accuracy (e.g., account reconciliations, reasonableness tests, and fluctuation analysis), timeliness (e.g., review of account and suspense file agings), and potential fraud (e.g., outlier and suspicious transactions). Where practical, monitoring activities should be automated to reduce manual efforts and to increase timeliness and comprehensiveness of review activities. Having these checks in place should help the OCFO reduce surprises during audits.

5.2 People

People are at the core of any successful organization. Finance is no different. To build an effective financial management function, companies need experienced, creative, and highly skilled financial management professionals. This section focuses on two areas: 1) implement a workforce development plan for financial management employees in OCFO and programs, and 2) develop a workforce transition plan.

1: Implement a workforce development plan for financial management employees in OCFO and Programs

OCFO is facing significant employee attrition and retirement challenges. According to the OIG FY 15 report, OCFO has experienced 40% attrition since 2009, and over 50% of OCFO staff are eligible for retirement. The impact of the New Core transition on the workforce is significant. People are concerned about their job security and uncertain about their future with the organization after the transition.

The competencies and roles post-New Core transition have not been clearly defined and/or communicated to staff. Modernizing the financial management function results in the need for more staff with analytical skills and fewer staff for transactional activities. However, OCFO currently has limited capacity for advanced analytics. The study team met with several agencies that have moved financial transactions to shared services, and their experiences show that it is challenging to repurpose employees who focused on transactional work to function as analysts.

Leading practices indicate that effective analytics are not a purely financial effort, but require finance staff to have the requisite knowledge of the business requirements of their organization. OCFO staff are perceived as not being adequately familiar with the Programs' operations.

These findings led the Academy Panel and study team to recommend that OCFO implement a workforce development plan for financial management employees in OCFO and Programs to prepare for the attrition/retirement challenge and address competency gaps.

1.1 Finalize identification of future critical competencies and determine competency gaps. Fundamental to workforce development is identifying gaps in knowledge, skills, and abilities through an assessment of both organizational and individual needs and addressing those gaps through targeted training and development opportunities. OCFO should identify future critical competencies, determine gaps between them and current competencies, and develop training and recruitment strategies to address these gaps. The critical competencies should be communicated to employees and incorporated into employees' individual development plans.

1.2 Create a training curriculum for the HUD World Class Financial Management Training. Once both individual and organizational gaps are identified, OCFO should develop a training curriculum for the "HUD World Class Financial Management Training." HUD should leverage existing training programs provided by external organizations, such as American Management Association (AMA), AGA, FEI, accounting firms, and universities, to reduce costs and incorporate industry best practices. This training curriculum should be tailored to fit HUD's culture, processes, and programs.

1.3 Create formal rotational assignments between OCFO and Program financial personnel. OCFO should provide rotation opportunities to OCFO employees and financial personnel in Programs. Leading practices research suggests that rotational assignments would help employees develop a better understanding of programmatic needs, apply consistent financial management practices, and strengthen relationships between OCFO and Programs.

1.4 Design a recruitment strategy to address competency gaps. A well-designed recruitment strategy can effectively remediate competency gaps. OCFO should develop a recruitment strategy that considers both internal and external hiring. The Academy Panel and study team have identified three recruiting sources for consideration: 1) financial management staff in HUD Programs who may want to do a rotational assignment or detail in OCFO; 2) MBA, Public Administration, and Public Policy graduates with strong analytical skills; and 3) staff from public accounting firms.

1.5 Develop a CFO Intern Program to recruit and develop new financial management and analytics staff. OCFO should develop a robust CFO intern program to attract high-quality, entry-level financial management employees. Quality internship programs would provide the OCFO a low-cost way to build a pipeline of talented, young professionals.

2: Develop a workforce transition plan

Managing workforce transition is a top priority for agency leaders during the shared service implementation. Agencies that recently transitioned to an SSP reported that they still grappled with workforce transition issues years after the shift to shared services. In a shared service environment, agencies need fewer personnel for transaction tasks and more employees to perform analytics-based functions. Experiences from both public and private sectors indicate that many employees who did transactional work found it challenging to assume more analytical roles; agencies may need to consider external hiring to bring in employees with required skillsets.

Agencies interviewed used a combination of methods to deal with displaced staff during the shared service transition including the following: 1) buy-outs, 2) reductions in force, and 3) assistance finding alternative positions. OCFO is preparing to offer early retirement and buy-outs to staff who are eligible to retire.

OCFO has begun planning for workforce transition. It engaged Grant Thornton to conduct a workforce analysis to estimate staffing changes after the New Core implementation and is engaged in pre-decisional meetings with the union. OCFO is keeping other key stakeholders apprised of the situation. The Department has promised every OCFO employee who wants a job will have one, although perhaps not in the same location.

In addition, interviewees raised concern about the attrition among high potential/high performers in the workforce. The interviewees reported that some high performers left because they were uncertain about their job security after New Core.

In light of these observations, the Academy Panel and study team offer the following recommendations to support the OCFO's development of a workforce transition plan.

2.1 Create a detailed workforce transition plan. The Panel recommends that HUD develop a detailed plan that describes how the employees will transition from the current configuration to the future configuration under New Core. The plan should be developed with input from relevant stakeholders including employees and should be shared with staff when feasible. OCFO can leverage the workforce analysis Grant Thornton conducted and the New Core project schedule to finalize plans and timing for staff changes. The workforce transition plan would assist HUD in identifying training and recruitment needs and provide clarity to staff about their specific role in the future.

2.2 Continue to engage internal and external stakeholders to generate buy-in. The Academy Panel and study team recommend that OCFO continue to engage stakeholders (e.g., unions, Employee Relations, the Secretary, and Congress) in the process of developing the workforce plan. The ACFOs should help develop plans and reassignments. A collaborative environment would provide a broad perspective from all areas, create a level of transparency, and help identify and mitigate concerns early.

2.3 Develop a strategy to identify options for displaced employees. The Academy Panel and study team recommend that OCFO consider what supports displaced employees might need and develop a strategy to address them. This may help reduce anxiety among staff and demonstrate the Department's commitment to people.

5.3 Organization

An efficient organizational structure provides the foundation for an integrated, high-performing financial management function. This section includes four focus areas to help HUD strengthen its financial management: 1) establish a CFO Council; 2) become a strategic business partner; 3) build an analytics capability to support agency decision-making; and 4) formalize organizational changes to incorporate data analytics, financial management training, program liaisons, and consolidation of complementary functions.

1: Establish a CFO Council to Promote Governance and Consistency

HUD's current financial management model is decentralized. While core accounting and reporting functions are primarily performed within OCFO, key finance responsibilities, such as budget and funds control, reside in Program offices. In its FY 15 Report on Performance and Management, the OIG attributes several of HUD's GAAP compliance issues and internal control deficiencies to a weak Department-wide financial management governance structure.

During the assessment, many interviewees within OCFO and the Programs raised concerns about the disconnect between OCFO staff and the Program offices. Responsibilities for finance activities were not clear. OCFO staff view the Program offices as not sufficiently responsive to the Department's financial management and internal control responsibilities. The Program offices view the OCFO as not providing the financial management guidance and tools (i.e., processes and systems) required to effectively account for HUD's Programs. They seek greater OCFO input on a wide range of financial management issues, e.g., front-end risk assessments, improper payments, finance process improvement, and financial management training.

Interviewees from both OCFO and Program offices generally agree that some financial functions—such as budget and funds control—should be kept at the Program level. Their knowledge of Program operations and frequent interaction on funding issues with recipients enable them to perform these functions more effectively. Accordingly, the study team noted that the key concern was not "decentralization," but the lack of communication and coordination of financial management activities across the Department.

As part of the assessment, the study team looked at how other departments coordinate financial operations across large organizations. The study team found that many agencies establish an internal CFO Council to improve internal control, efficiency, and effectiveness. For example, Treasury formed a CFO council in 1994 to bring together the financial officials (CFOs and Deputy CFOs) from all of its organizational components to promote continuous improvement of financial management at Treasury.

The Academy Panel and study team provide the following recommendations to strengthen HUD's financial management governance structure:

1.1 Form a CFO Council. HUD should establish an internal CFO Council to strengthen HUD's financial management governance, clarify responsibilities for financial management, and promote consistency.[15] The CFO Council will provide a mechanism for the Department CFO to engage Program offices in the decision-making process, identify Departmental financial management issues, develop solutions, and oversee implementation.

While the Department CFO, consistent with the CFO Act, retains ultimate authority for financial policy and processes, those policies and processes having Department-wide

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[15] CFO Act, Section 902

impact should be developed with input from the CFO Council to ensure proper consideration of Program and operating requirements.

The Departmental CFO should chair the CFO Council. The Council should be comprised of the most senior financial officials from across the Department and within the Programs. The Council should hold monthly meetings and have visible support from the top leadership of the Department. The Academy Panel and study team also recommend that the IG, or his/her designee, be invited to join as an ex-officio member of the CFO Council to provide additional expertise to the Council and ensure audit perspectives are considered in Council decisions.

1.2 Develop a charter for effective operation of the CFO Council. The charter should clearly define the Council's mission/objectives, composition, role, responsibilities, and activities. The key issues the Council should address are:
- Budgets
- Programmatic financial management needs and concerns
- Financial management policy and procedures
- Financial management roles and responsibilities
- Financial management personnel and training needs
- Financial management systems planning and development
- New and emerging regulations and accounting principles
- Improper payments
- Internal control over financial reporting
- Control weaknesses remediation
- OIG/ GAO/independent public accountant interface

Appendix E provides a sample CFO Council Charter from Treasury that HUD can draw from in developing its charter.

2: Become Strategic Business Partner to Programs

Studies by multiple organizations confirm that the financial management organization of the future must provide value beyond its business as usual financial reporting and control roles. The financial management organization of the future needs to be a strategic business partner that provides business insights and supports decision-making for programs and leadership.

Currently, Program staff do not perceive OCFO as a "business partner." Interviewees from Program offices viewed the OCFO as not having sufficient understanding of their Programs to provide effective budget, financial management, and analytical support. During our

interviews, program personnel raised the concern that they do not receive consistent guidance on routine documents (e.g. draft funds control plans) from the OCFO. At least one program area noted that OCFO does not anticipate OIG requirements in time to avoid surprises during the audit.

The study team's research found that the interactions between OCFO and Programs are ad-hoc and reactive. Some interviewees reported that Programs only hear from OCFO staff for compliance requests/requirements. Programs would like OCFO staff to provide proactive communication and greater financial management guidance and tools.

Over the last several years, OCFO leadership positions (CFO, DCFO, and ACFO) were vacant. The CFO position was vacant from August 2011 to September 2014. The long-standing vacancies and high turnover in the OCFO leadership may have limited the office's ability to provide appropriate oversight and support to Programs.

To become a strategic business partner to the Programs, the panel and study team recommend that OCFO:

2.1 Work collaboratively with Programs and other stakeholders. The OCFO should work collaboratively with Programs and stakeholders to improve its creditability with programs and become a value-added business partner to them. The OCFO should provide guidance on key financial management issues such as improper payments and finance process improvement to assist programs in improving the efficiency and effectiveness of their finance functions. Additionally, OCFO should communicate to Programs about the services available to them. Effective communication can help Program staff increase awareness of OCFO services and of how OCFO can help Program staff improve their work.

2.2 Formalize and expand liaison function to support each program. The panel and study team recommend that OCFO formalize and expand its liaison function to facilitate its interactions with Programs and to better understand Program requirements and constraints. The liaison function would provide Programs with a "go-to" person in the OCFO. Liaisons should understand OCFO functions and requirements and be knowledgeable of both the assigned Program(s) and personnel performing financial management functions in the Program. To ensure that the liaisons serve Programs effectively, the OCFO should document liaison objectives and requirements with input from Program staff. Additionally, OCFO should establish a formal process for the Programs to provide feedback on the effectiveness of the liaisons.

2.3 Establish regular meetings with OCFO and Program staff to discuss relevant financial matters. To address the concern about the lack of communication, the panel and

the study team recommend establishing regular meetings between the OCFO Program liaisons and representatives from his/her assigned Program(s). The Panel and study team recognize that the ACFO for the Budget division has already begun the process of strengthening communication with Program staff. Regular meetings would facilitate the dissemination of updated financial requirements and policy changes and allow OCFO to strengthen its understanding of the requirements and challenges of the programs. These meetings also would provide the opportunities for program personnel to voice their concerns.

2.4 Ensure OCFO personnel receive training on policy, system guidance, procedures, and reporting. OCFO personnel should receive ongoing training on financial policies, guidance, and procedures to deliver consistent guidance to Programs; promote financial management standardization across the Department; and build credibility with Programs.

2.5 Continue to build and strengthen communications and relationship with OIG. A strong working relationship between the OCFO and the OIG will decrease the likelihood of surprises during audits; add OIG expertise into the development of financial management policies, processes, and systems; and improve the performance of OCFO as well as HUD as a Department. The panel and study team offer four specific suggestions for improving the relationship between OCFO and OIG: 1) OCFO should conduct regular meetings with the OIG to discuss issues and the status of corrective action items; 2) The OIG should be included in the circulation of key financial management documents for review and given the opportunity to provide comment on them (e.g., policy, FERAs, system design documents); 3) The IG, or his/her designee, should be invited to join the CFO Council as an ex-officio member; 4) OCFO should communicate OIG expectations, concerns, and issues to Programs in a timely manner.

2.6 Establish protocol in which OCFO and Programs share external data requests and responses with each other. OCFO and Programs should share external data requests with each other prior to responding to the requests. It is important for HUD to develop a unified approach for communicating with external stakeholders. Additionally, this would enable the Department to proactively identify and explain any differences in data and ensure data consistency and accuracy.

2.7 Establish performance standards for responding to programs. To improve performance, a systematic approach is necessary for establishing an acceptable performance level, tracking performance, and correcting any deviations from that standard. OCFO should establish performance standards for responding to programs (e.g., returning phone calls and emails within 24 hours). In addition, OCFO needs to periodically test to determine how quickly staff are responding to inquiries. Implementing performance

standards for managing responsiveness will improve OCFO's value to its stakeholders and clearly communicate management's expectations to OCFO personnel.

2.8 Develop and implement a formal process to receive feedback from stakeholders.
The Panel recommends that OCFO institute a formal process (e.g., communication means, timeframes, and procedures) to provide communication updates to and receive feedback from internal and external stakeholders (e.g., Programs, ARC). Feedback collected from stakeholders will inform OCFO leadership on how to further improve its performance. An effective relationship and regular communication with key stakeholders are critical to the success of OCFO and the Department overall.

3: Build Analytics Capability to Support Agency Decision-making

Tightening budgets and a shrinking workforce require agencies to make smarter decisions to better accomplish mission objectives and effectively carry out operations. Advances in technology have made it easier for organizations to tap into their vast stores of data and apply analytics to describe, predict, and improve performance. Leading organizations are using analytics to help prioritize investments, manage risk, and improve performance.

The OCFO should have a key role in an effective analytics program, providing financial data and expertise to inform decision-making. However, HUD's OCFO thus far has not had a significant role in supporting analytics within the Department as its resources have been focused on the more fundamental objectives of financial transactions processing, governance, and control. With the migration of more clerical finance functions to ARC, HUD's CFO has established the objective of increasing OCFO capabilities to provide better analytics and decision support for HUD's programs and operations.

The study team's interviews with other agencies that transitioned to an SSP suggest that the shift from less transactional work to more analytical work does not happen immediately. While transactional workload may decrease after transition to the SSP, more transactional work than anticipated is likely to remain. Additionally, the agencies interviewed indicate that many transactional employees were not able to make the shift to more analytical work. The agencies also emphasized the importance of having an in-depth understanding of Programs and Program data to provide useful analytics within the agency.

HUD has developed its HUDStat initiative to review Department performance and discuss ways to improve results. Recently, the CFO has begun to participate in HUDStat to incorporate financial data into HUDStat metrics to enable richer analysis. The Academy

Panel and study team provide the following recommendations to guide the OCFO in building its analytics capability.

3.1 Establish an agency-wide work group to identify the analytics the Programs and HUD leadership would find most beneficial. Understanding the questions that Programs and leadership want answered will help ensure OCFO conducts value-added analytics. By engaging potential users or requestors of the data in planning, OCFO would increase the likelihood of their awareness, understanding, and use of OCFO's analytics.

3.2 Use the outcomes of the work group to identify the required competencies for an analytics unit. Once OCFO has validated the analytics needs and interests of the Programs and leadership, it should determine the required workforce competences and incorporate them into its workforce development plan. With the required competencies defined, the OCFO will be better able to identify the appropriate internal candidates and/or determine its need for external candidates to staff the analytics unit.

3.3 Establish early successes before fully staffing a data analytics unit. The experience of other agencies indicates that creating an analytics capability can be a long-term effort, not only because of the required planning, but also because transactional work does not decline to the extent anticipated immediately after transition to an SSP. The Academy Panel and study team thus recommend that in the short term, OCFO continue its recent efforts to provide financial data and expertise for HUDStat.

In building its analytics capability, the OCFO should start small and establish early successes before fully staffing an analytics unit. For example, OCFO can select a Program or a problem (e.g., improper payments) for analysis and if successful, begin to demonstrate the usefulness of analytics.

A pilot implementation will allow the OCFO to validate its approach, demonstrate the benefits of analytics, mitigate resistance, and learn more about required skillsets before bringing this effort to scale. Once it has generated some successes and has a clear understanding of the Department's analytics requirements, OCFO can establish a new unit that would report to the Deputy CFO.

4: Formalize Organizational Changes to Incorporate Data Analytics, Financial Management Training, Program Liaisons, and Consolidation of Complementary Functions

The Academy Panel and study team found opportunities to modify the organizational structure of OCFO to better support the programs and realize efficiencies. OCFO's Financial

Management (FM) and Accounting Divisions have some overlapping and complementary responsibilities. A significant level of interaction and coordination is needed between these two groups. For example, both groups have responsibilities for developing the Department's financial policies and procedures. Accounting develops financial policies, and FM formalizes and disseminates them. Similarly, both groups are involved in the process of developing the agency's annual financial report. The Accounting group provides financial statements, and the FM group manages the data collection process and puts together the report. The Academy Panel and study team found that some other agencies had combined their accounting and financial management functions. For instance, Federal Student Aid within the Department of Education has a Financial Management Group that consists of a Financial Reporting Division and an Accounting Division.

In addition, according to the Grant Thornton Workforce Analysis study, Accounting will be impacted significantly as HUD moves transactional work to ARC. The total estimated staff reduction in Accounting is 44 positions.[16] Given the related functions and the smaller Accounting staff post-New Core, OCFO will benefit from combining FM and Accounting into one division reporting to one ACFO.

To strengthen the relationship between the OCFO and Program areas, develop data analytics capability, and improve effectiveness and efficiency, the Academy Panel and study team recommend that OCFO updates its organizational structure to incorporate data analytics, financial control and analysis, financial management training, a more formal Program liaison function, and consolidation of complementary functions.

4.1 Adopt incremental organizational changes during New Core implementation.
Assign staff to work with the CFO and Deputy CFO to coordinate with HUDStat. This staff person(s) also could lead the work group tasked to determine the Department's data analytics requirements. The World Class Financial Management Training Program currently being outlined would reside within management staff as it does now. The liaison to Program's function would remain in Budget, while efforts are made to modify and strengthen the program in line with Organization section 2: Become Strategic Business Partner to the Programs. This interim structure, which is similar to the existing structure, is presented in Figure 5.1: Proposed Organization Structure during New Core Implementation.

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[16] Grant Thornton, "HUD OCFO Post New Core Workforce Analysis," p.5.

Figure 5.1: Proposed Organization Structure during New Core Implementation

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                              │     CFO      │
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   New Core Project  ─────────│  DEPUTY CFO  │──────────│ Appropriations Law  │
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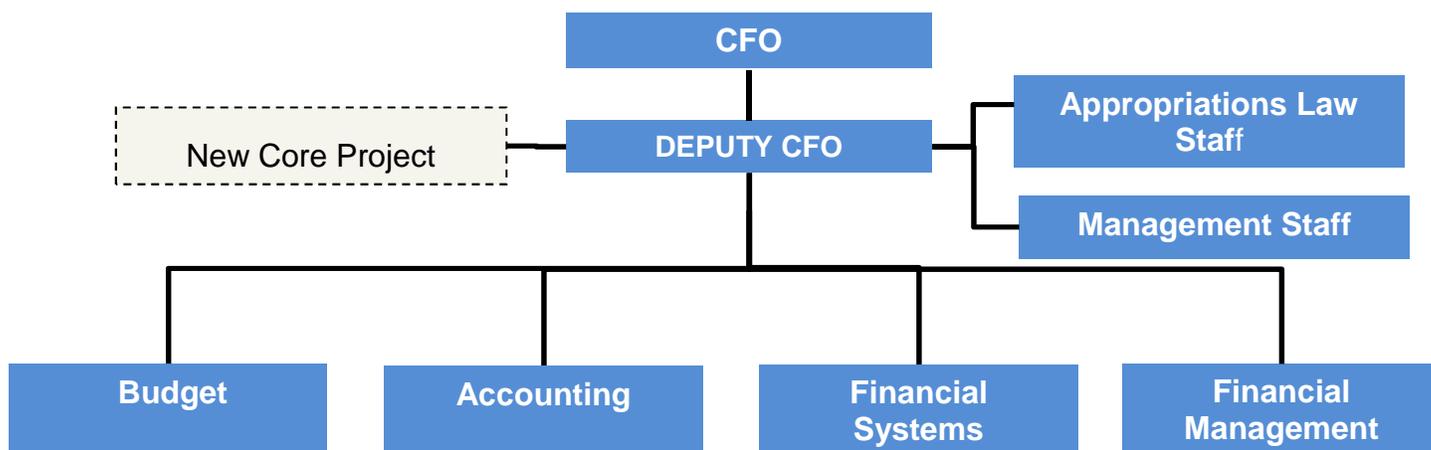
4.2 Formally modify the structure of OCFO post-New Core Implementation. Given the lengthy process to make organizational structure changes in federal agencies, the need to identify other staffing changes that may result from new workforce competency requirements, and the importance of determining the Programs' and leadership's analytical requirements, the Academy Panel and study team recommend the following structural changes once New Core has been implemented:

- **Consolidate FM and Accounting.** Given the complementary responsibilities and anticipated reduction in the number of accounting staff, OCFO will benefit from consolidating the Accounting and FM staffs after the New Core transition to leverage synergies and minimize organizational silos. The new Financial Control and Analysis unit will be part of this division.

- **Incorporate New Unit for Analytics if sufficient demand exists.** This unit might evolve from the staff working with the CFO and Deputy CFO on HUDStat. While OCFO plans to retool existing staff, the experience of other agencies indicates that the OCFO may need to make some external hires as well. Given Budget's existing role and relationship with the Programs, the Academy Panel and study team suggest that the new analytics unit initially be located under the ACFO for Budget. As the data analytics unit expands and demand for its services increases, OCFO should consider elevating it to a stand-alone unit, Strategic Program Services, whose leader reports directly to the Deputy CFO.

- **Expand the liaison role within Budget.** As discussed in Organization 2, the OCFO should formalize and expand its program liaison function to facilitate the interactions between OCFO and Programs. The liaison should be knowledgeable in both financial management issues and Program policies, practices, and challenges.

As the Program liaison is currently located in the Budget group, the Academy Panel and study team recommend that this function remain in Budget at the beginning to leverage existing resources. After 3-5 years, this function can be moved to the Strategic Program Services Unit.

- **Move the New Core Team to ACFO for Financial Systems after the shared service transition.** The Academy Panel and study team recommend that the OCFO move the New Core team to the Financial Systems group, once New Core is fully implemented. This new Financial Systems group will include two units—the New Core unit and the Legacy System unit. We believe that this structure would allow the OCFO to maintain focus on New Core and facilitate interfaces between New Core and Legacy Systems at the same time.

The proposed changes are outlined in the organizational chart in Figure 5.2. The green boxes reflect changes from the current structure.

Figure 5.2: Proposed Organization Structure (after New Core Implementation)
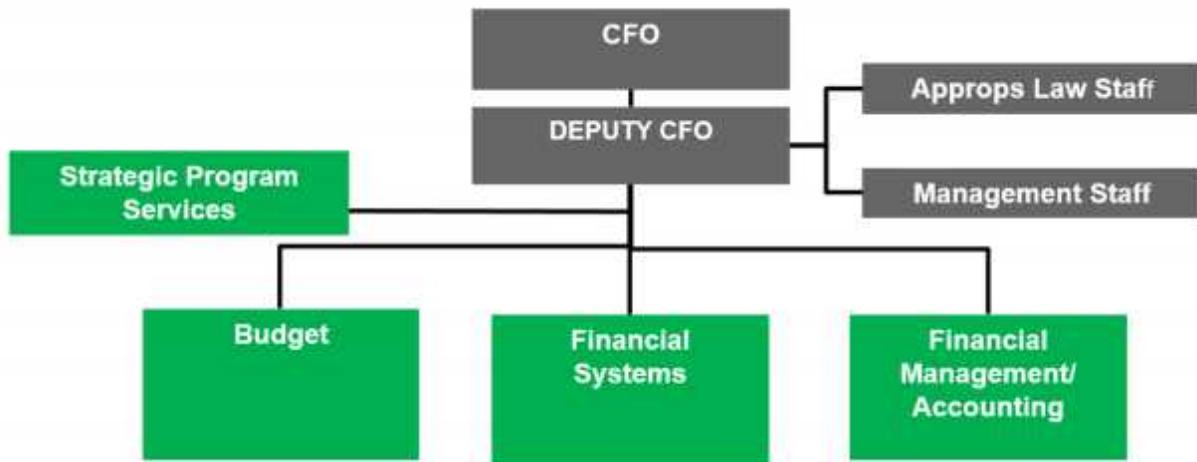
5.4 Technology

Whether accomplished through an SSP or an in-house financial system, efficient and effective financial management is underpinned by integrated applications that provide timely, enterprise-wide financial data. This section includes three focus areas: 1) Validate the Scope, Feasibility, and Priority of Remaining SSP Transition Phases; 2) Ensure New Technology Efforts Are Coordinated and Integrated; and 3) Focus on Data Management, a critical component of New Core project implementation.

1: Validate the Scope, Feasibility, and Priority of Remaining SSP Transition Phases

After completing transition of core accounting activities to the SSP in Phase 1, Release 3, scheduled for October 1, 2015, HUD plans to move forward with subsequent New Core project releases. As described in Chapter 3 of this report, the subsequent releases include Phase I, Release 4 (grant and loan accounting) and Phases 2, 3, and 4 (which include managerial cost accounting, budget formulation, fixed assets, LOCCS, and accounting for the FHA and Ginnie Mae).

Per discussion with the New Core project team, Phase1, Release 4 as well as Phases 2, 3 and 4 are still conceptual. The scope and vision are high level, and timeframes are not solidified for implementation. The study team also noted that ARC has limited experience processing grants and loans. The SSP currently does not provide any of its customers with the grant and loan functionality at the scale HUD requires, and there may be significant cost implications to develop the required functionality. A recent development is the desire to have the Next Generation Management System (NGMS) which PIH is developing incorporated into New Core Release 4.

The study team also found the scope of the finance functions to be transferred to the SSP was derived from the scope of the cancelled HIFMIP project, which was developed several years ago. There is limited business case documentation to ensure the New Core project scope and implementation priorities remain valid now that HUD has shifted its strategy from a stand-alone financial system implementation to transfer of finance functions to an SSP.

The New Core project has recently formed a team to begin planning for subsequent phases of the project, beginning with grants and loans accounting. As OCFO refines its plans the Academy Panel and study team provide the following recommendations.

1.1 Validate business case and priorities for subsequent New Core phases. As OCFO develops its plans for subsequent phases of the New Core project, the Academy Panel and study team recommend that the New Core project team update its business case to reflect HUD's shift in financial systems modernization strategy from a stand-alone system implementation to the use of an SSP. HUD's current business needs, anticipated benefits, and expected costs in establishing scope and implementation priorities are to be incorporated. The transition schedule should also be developed considering available funding and the talent required to support the transition. The Academy Panel and study team recognize that while anticipated benefits and costs can be identified, some benefits may not be quantifiable (e.g., eliminating a GAAP noncompliance causing a qualified audit opinion).

1.2 Confirm that ARC can provide the functionality HUD requires. ARC does not currently provide many of the functions HUD has planned in subsequent New Core phases. Not having the requisite functionality will put HUD at risk of future noncompliance.

1.3 Explore strategy for HUD to share with ARC the costs of expanding its functionality to meet HUD's grant and loan program accounting and other financial management requirements. There are cost implications associated with ARC developing the functionality HUD needs. HUD should explore a strategy to share the costs of the SSP expanding its functionality and service offerings. ARC's expanding its functionality to meet HUD's grant and loan programs and other requirements (e.g., managerial cost accounting, budget formulation, and fixed assets) will be of benefit to other current and future ARC customers as well. Both the additional functionality in the financial system as well as the experience of ARC's staff will be beneficial to financial management across the government.

2: Ensure New Technology Efforts Are Coordinated and Integrated

In addition to the New Core project, HUD has other technology modernization efforts underway that are important to HUD's future success. These efforts and New Core will need to be compatible. Two of the larger initiatives are the NGMS and the HUD Enterprise and Architecture Transformation (HEAT).

NGMS seeks to streamline complex business processes for managing HUD's large Housing Choice Voucher and Public Housing Programs. NGMS will support functions including inventory management, voucher management, budget formulation and forecasting, and portfolio and risk management. The leaders of NGMS have asked for this initiative to be incorporated into the New Core project. The HEAT initiative is transforming HUD's enterprise architecture to provide the Department with a reusable, understandable, efficient, and effective architecture. Coordination and compatibility across these systems and platforms is critical to a high functioning organization and effective use of information technology resources. The Academy Panel and study team provide the following recommendations to improve coordination across projects.

2.1 Identify new systems and IT being deployed or developed that may impact financial management. The OCFO should institute a formal process to review new systems and IT being deployed or developed across HUD in order to identify other projects that may impact financial management, New Core, or legacy financial systems. Identification of these other projects is needed to ensure efforts are integrated where possible and resources are used efficiently.

2.2 Work with CIO to establish departmental policy that addresses compatibility issues. The CFO/Deputy CFO should work with the CIO to establish a requirement that new systems with financial data be compatible with New Core, identify data transformations required to support the information exchange needs between applications, and outline software requirements to support data integration with the enterprise's customers and suppliers.

Implementing a policy that requires coordination with the OCFO for all financial and mixed-use systems that use financial data will reduce the likelihood of costly fixes to address compatibility issues after a system has gone live and also enables the CFO to fulfill his/her statutory duty to monitor and oversee data in financial systems Department-wide.

3: Focus on Data Management

Managing data is critical in the information technology lifecycle. As HUD implements New Core, it needs to plan and manage the development and execution of architectures, policies, practices, and procedures pertaining to data. Several of the Academy panel members have led system transitions similar to HUD's New Core project and emphasized data management as a critical component to New Core success. From the Panel's experience, data must be reviewed holistically.

Both program and ACFO staff identified issues with data migration during the implementation of Release 1 – Travel and Relocation. Additionally, Program staff voiced concern about data management policies, practices, and procedures post implementation. Program staff requested clarity on operational guidance for managing data.

In response to lessons learned during Release 1, the New Core team is working with the SSP to address potential data conversion issues prior to Release 3. Currently, the OCFO has the following data management activities underway:

- Working with others in the Department on an effort to clean and de-obligate contract data (target completion data is February 2015)

- Developing crosswalks with the SSP to identify potential data discrepancies related to the budget structure that would impact conversion and accounting and organization codes

To facilitate effective data management, the Academy Panel and study team recommend the following:

3.1 Ensure adequacy of data management plan. With a system transformation of this scope, it is important the OCFO identify, anticipate, and plan for potential data management issues. OCFO should ensure its data management plan includes or reflects the following:

- A clear definition of which application components in the landscape will serve as the system of record or reference for enterprise master data
- An enterprise-wide standard that all application components, including software packages, need to adopt
- Clear understanding of how business functions, processes, and services use data entities
- Knowledge of how and where enterprise data entities are created, stored, transported, and reported
- The level and complexity of data transformations required to support the information exchange needs between applications, including legacy applications
- The requirement for software in supporting data integration with the enterprise's customers and suppliers (e.g., use of Extract Transform Load (ETL) tools during the data migration, data profiling tools to evaluate data quality, etc.)

3.2 Review data migration requirements. OCFO should review its data migration requirements. When any system or application is replaced, there is a critical need to migrate data (master, transactional, and reference) to the new system. Data architecture should identify data migration requirements and also provide indicators as to the level of transformation, weeding, and cleansing that will be required to present data in a format that meets the requirements and constraints of the target system.

As noted, OCFO has begun this work. Where possible, establish a HUD-wide common data dictionary to support the transformation. In planning for data migration, OCFO must consider the timing of data conversion to avoid data problems. For example, data conversion in the middle of a quarter or at the end of the fiscal year could be problematic and create data issues.

Additionally, OCFO should develop a process for IV&V of the data after conversion. This will facilitate early identification of any problems.

3.3 Establish data governance. Effective data governance ensures that the department has the necessary decision- and policy-making processes in place to enable the transformation. OCFO should confirm that the following are established and refined to ensure successful implementation:

- Structure and standards body to manage data aspects of the transformation

- Management systems and data-related programs to manage the governance aspects of data entities throughout the lifecycle

- People with the necessary data-related skills and the roles required for the transformation. As part of OCFO's workforce development plan, OCFO should determine if it has the required competencies and skills and if and how it will acquire those critical skills (e.g., train existing personnel or hire).

5.5 Change Management

In order to successfully implement the recommendations provided, HUD should develop and implement a comprehensive change management strategy. To increase the likelihood of success of HUD's large scale transformation, HUD will need:
- Communication of clear goals and a compelling reason for the change

- Adequate engagement of critical stakeholders affected by the change initiative

- Sufficient training or skills-building

- Systems and processes to reinforce the change

The Academy Panel and study team recommend that the HUD OCFO change management strategy be organized into three phases: (1) prepare for change, (2) manage change, and (3) reinforce change.[1] Figure 5.1 provides a visual overview of this framework.

Figure 5.1: Three Phases of an Effective Change Management Strategy

OCFO has completed a number of the steps required to prepare the organization for change. For example, this organizational assessment provides an overview of the current environment. A New Core Project team has been established to manage the relationship with and transition to the SSP. The CFO and Secretary are behind the change and have started implementing some of the key attributes of a change management strategy, and

responsibility for change management rests with some employees on the New Core team who receive contractor support.

However, OCFO does not seem to have an integrated change management strategy. In this chapter, the panel outlines its recommendations for a cohesive strategy to manage all of the changes planned and occurring in OCFO and related to financial management at HUD.

1: Prepare the Organization for Change

OCFO has conducted some of the activities required to prepare an organization for change. However, important tasks still need to be completed. OCFO has not conducted a formal stakeholder analysis to consider and document the interests and concerns of key stakeholders, and there is not a communication strategy and plan in place to ensure stakeholders, such as the Programs and OCFO staff, receive timely and consistent messages about the change.

The stakeholder analysis often yields information that will identify potential areas of resistance so that mitigating strategies can be put in place. The execution of a thoughtful communication plan that leverages appropriate communication vehicles, delivers consistent, timely information, and provides a mechanism for two-way communication mitigates anxiety and misinformation and helps prepare the people in the organization for the change.

Through the interviews with HUD staff, the study team found that program staff in particular had questions about New Core, had formed opinions about what they would gain and lose as a result, and were anxious to express their concerns and ask questions. Additionally, the study team did not get the sense that people understood the full vision for financial transformation. Other stakeholders, such as OFIT and OMB, are regularly briefed about New Core implementation.

As part of preparing for change, many organizations establish steering committees to guide the transformation. These steering committees typically consist of high-level representatives from a cross-section of the organization. Financial transformation at HUD does not appear to have a similar guiding body.

To more fully prepare the organization for financial transformation, the Academy Panel and study team recommend:

1.1 Establish a body to guide the financial management transformation at HUD. The transformation is larger than New Core and includes becoming a strategic business

partner, improving how OCFO interacts with the programs and the OIG, and increasing the credibility of OCFO. We believe that the HUD OCFO Council can fill this role.

1.2 Conduct a stakeholder analysis. HUD OCFO has a number of both internal and external stakeholders that will be impacted by the financial transformation. Understanding stakeholders is essential for HUD to be successful in its transformation; in addition to stakeholders being recipients of the organizational change, they can help lead and champion a change. If stakeholder needs are not carefully identified, assessed, and managed, there is a potential risk of stakeholders disrupting progress.

1.3 Develop communication strategy that includes all transformation activities. Using the stakeholder analysis as the base, HUD should develop regular and consistent communication practices. There is a need for strategic, operational, and tactical information sharing across the organization. HUD OCFO will need to stay abreast of stakeholders' questions and concerns and be prepared to react accordingly. This approach will enable HUD OCFO to tailor communication needs. The Academy Panel and study team suggest that HUD OCFO develop and implement a detailed schedule of communication activities by audience, sequence, and timing, as follows:
- Develop a communication plan that defines timing, frequency, vehicle, audience, and content of messages.
- Provide communications to demonstrate what the changes are and the rationale behind them. This should include status updates, frequently asked questions, and presentations, etc.
- Hold regular town hall meetings for OCFO and Program staff. The leadership team should share current information about the transition to the SSP and other initiatives taking place that directly impact OCFO employees and the Programs, and provide an opportunity for attendees to ask questions. In the initial town hall meetings, OCFO should articulate the overall vision and discuss what will change, why change will occur, and the expected benefits.

1.4 Demonstrate leadership commitment to the financial transformation. Buy-in and support from leadership and management are critical to implement change within HUD. The attitude and support of an organization's leaders play a key role in how staff responds to change. Leadership and managers set the "tone from the top" and model the desired behavior for the rest of the employees. This includes not only the CFO and Deputy CFO, but also ACFOs. OCFO must ensure that the leadership in the Program areas understand and buy-in to the planned transformation so that they can help sell it in their organizations.

1.5 Identify Change Champions, Advocates, and Agents to facilitate and drive the organizational changes. Change Champions sponsor the change and typically are at

senior management levels. Change Advocates most often hold management positions. Change Agents are usually scattered throughout the organization and provide support throughout the organization at many levels. Change Recipients are the individuals impacted by the change. The following table provides some of the key activities for the different roles that HUD should take into consideration as it is building an integrated change management strategy.

Figure 5.2 Change Management—Key Roles and Activities

Role	Role Description	Activities
Change Champion	✓ Leads the change and supports resources	• Creates and communicates vision, urgency and need for change • Communicates progress and enables others to act • Recognizes and communicates success • Institutionalizes and stabilizes change
Change Advocate	✓ Embraces and models change ✓ Supports change requirements ✓ Provides resources and support	• Builds awareness and communicates the vision and needs • Communicates progress • Maintains visible support of change agents • Recognizes and communicates success
Change Agent	✓ Plans and implements the change ✓ Serves as a liaison between recipients and advocates	• Assesses change readiness, identifies obstacles • Helps implement plans • Drives change at the local level • Communicates progress • Facilitates key events • Monitors progress • Encourages two-way communication • Gathers feedback • Identifies requirements to sustain the change
Change Recipient	✓ Receives the change	• Becomes aware of change • Experiences the change • Incorporates the change into daily work

2: Manage Change

OCFO should work with key stakeholders to build workforce capability that supports and is knowledgeable about the new HUD financial processes and capabilities. Program messages should be established, formal programs for communications and training should be developed, and performance data on organization performance should be determined. Sharing information about near-term successes and incorporating lessons from previous implementations are emphasized to obtain employee buy-in as well as active, coordinated participation by stakeholders. To manage the financial transformation at HUD, the Academy Panel and study team recommend:

2.1 Develop training programs. To successfully implement and sustain the benefits of change, HUD financial employees invariably must develop new capabilities. To accomplish this, HUD OCFO should develop a training program that encompasses a blended solutions approach to provide timely, consistent, and relevant training to the workforce. HUD has

started building the high-level curriculum and competencies for the HUD's World Class Financial Management Program. As HUD continues to build the program, the following should be taken into consideration:

- Share the vision of financial management capabilities with HUD OCFO staff.
- Clearly articulate and document roles and responsibilities of all stakeholders involved in training.
- Ensure HUD OCFO management take ownership for developing their staff.
- Allow opportunities for in-tact group training, whenever possible. In-tact groups are individuals grouped together by function, department, or organizational unit.
- Develop a training delivery plan that is realistic and achievable, given HUD OCFO work requirements.
- Identify performance measures to evaluate the effectiveness of training.

2.2 Establish performance metrics to track progress. HUD OCFO should develop specific performance metrics to track the progress of the change effort. Specifically, performance measures should be established for assessing the effectiveness of communication and training. Processes should be established to incorporate the feedback into updated communications and training plans.

3: Reinforce Change

In this phase, change activities are evaluated, renewed, and reinforced with a focus on sustaining buy-in and commitment and driving continuous improvement. This phase gives the opportunity to formally collect feedback and determine whether the change management activities have had the intended results. Unanticipated results do not always indicate failed change management activities. Often situations or the environment have changed, which require minor adjustments to the change management plans.
This step is the feedback loop which gives new information that guides further change management activities. To ensure changes are embedded and sustained in the organization, the HUD OCFO would need to develop organizational feedback and measurement processes, individual performance measures, and ongoing knowledge transfer.

The reinforce change phase also includes rewards and recognition. Celebrating success with stakeholders involved in the change gives the opportunity to reinforce behaviors and attitudes which are contributing to the successful change. This phase also offers encouraging feedback and lends itself to creating a positive atmosphere and feeling of community among the workforce. Celebrating success should happen throughout the course of the change management activities.

3.1 Monitor effectiveness. It is important to monitor the effectiveness of all activities and initiatives the HUD OCFO has or will put in place such as the HUD World Class Financial Management Program, customer feedback survey (described in People 1), recruitment, etc. In addition to monitoring the effectiveness of direct programs and initiatives in support of the HUD OCFO financial transformation, HUD OCFO should also monitor the effectiveness of the change management strategy.

3.2 Implement corrective actions. When leveraging feedback received from various formal and informal changes, modify plans accordingly.

3.3 Identify and communicate successes. Throughout all phases of the HUD financial transformation, successes should be identified and communicated to staff and other stakeholders as appropriate. Activities can include highlighting a department, sharing positive emails from stakeholders, or just sending a note of appreciation to staff for their efforts.

CHAPTER SIX: IMPLEMENTATION PLAN

In this chapter, the Academy Panel and study team provide a framework to implement the recommendations and integrate them with the existing New Core schedule. To help identify sequencing and timing, we prioritized the recommendations.

While all recommendations merit consideration, some either need to occur earlier because of their relationship to other recommendations or because of their importance to the success of financial management transformation at HUD. To help prioritize the recommendations for implementation, the Academy Panel and study team looked at the following factors:

- Impact on the success of New Core
- Importance to financial management operational efficiency
- Contribution to improved governance and control
- Contribution to improving business insight
- Estimated relative financial investment

These factors were weighted for each recommendation using the scale below. Based on analysis of the weighted factors, an overall implementation priority was developed for each of the following recommendations:

- – significant impact
- – moderate impact
- – limited impact
- – no to very small impact

Table 6.1 presents the Academy Panel and study team's analysis of the relative importance and required investment in twelve primary recommendations, with a focus on the overall priorities for implementation.

Table 6.1: Relative Impact of Recommendations

	Recommendation	Success of New Core	Operational Efficiency	Improved Governance	Providing Business Insight	Investment Required

PROCESS	**1. Document financial policy and processes**
	  1.1 Document financial processes transferring to the SSP
	  1.2 Update policy and procedures
	
	Priority Level: HIGH
		●	●	◐	○	Medium

	2. Clearly define roles and responsibilities for financial processes
	  2.1 Agree to and document roles and responsibilities
	  2.2 Formulate roles and responsibilities in the MOU
	  2.3 Provide training on new processes and roles and responsibilities
	
	Priority Level: HIGH
		●	●	◐	○	Medium

	3. Strengthen financial data monitoring and oversight
	  3.1 Update internal control documentation
	  3.2 Implement customer agency controls
	  3.3 Establish a financial controls and analysis capability with OCFO
	
	Priority Level: MODERATELY HIGH
		●	○	●	○	Medium

PEOPLE	**1. Implement a workforce development plan for financial management employees in OCFO and Programs**
	  1.1 Finalize identification of future critical competencies and determine competency gaps
	  1.2 Create a training curriculum for the HUD World Class Financial management Training
	  1.3 Create formal rotational assignments between OCFO and Program financial personnel
	  1.4 Design a recruitment strategy to address competency gaps
	  1.5 Develop a CFO Intern Program to recruit and develop new financial management and analytics staff
	
	Priority Level: MEDIUM
		◐	◐	◐	◐	Medium

	2. Develop a workforce transition plan
	  2.1 Create a detailed workforce transition plan
	  2.2 Continue to engage internal and external stakeholders to generate buy-in
	  2.3 Develop a strategy to identify options for displaced employees
	
	Priority Level: MODERATELY HIGH
		●	◐	◐	◐	Medium

	Recommendation	Success of New Core	Operational Efficiency	Improved Governance	Providing Business Insight	Investment Required
ORGANIZATION	**1. Establish a CFO Council to promote governance and consistency** 1.1 Form a CFO Council 1.2 Develop a charter for effective operation of the CFO Council					
	Priority Level: **MODERATELY HIGH**	◑	◑	●	◔	Low
	2. Become strategic business partner to Programs 2.1 Work collaboratively with Programs and other stakeholders 2.2 Formalize and expand liaison functions to support each Program 2.3 Establish regular meetings with OCFO and Program staff to discuss relevant financial matters 2.4 Ensure OCFO personnel receive training on policy, system guidance, procedures, and reporting 2.5 Continue to build and strengthen communications and relationship with OIG 2.6 Establish protocol in which OCFO and Programs share external data request and responses with each other 2.7 Establish performance standards for responding to programs 2.8 Develop and implement a formal process to receive feedback from stakeholders					
	Priority Level: **MEDIUM**	○	◔	◑	◑	Low
	3. Build analytics capability to support Agency decision making 3.1 Establish an agency-wide workgroup to identify the analytics the Programs and HUD leadership would find most beneficial 3.2 Use the outcomes of the work group to identify the required competencies for an analytics unit 3.3 Establish early successes before fully staffing a data analytics unit					
	Priority Level: **MEDIUM**	◔	◔	◑	●	High
	4. Formalize organizational changes to incorporate data analytics, financial management training, program liaisons, and consolidation of complimentary functions 4.1 Adopt incremental organizational changes during new core implementation 4.2 Formally modify the structure of OCFO post-new core implementation					
	Priority Level: **MEDIUM**	◔	◔	◑	◔	Low
TECHNOLOGY	**1. Validate the scope, feasibility, and priority of remaining SSP transition phases** 1.1 Validate business case and prioritize for subsequent new core phases 1.2 Confirm that ARC can provide the functionality HUD requires 1.3 Explore strategy for HUD to share with ARC the cost of expanding its functionality to meet HUD's grant and loan program accounting and other financial mgmt. requirements					
	Priority Level: **HIGH**	●	●	◑	○	Low

	Recommendation	Success of New Core	Operational Efficiency	Improved Governance	Providing Business Insight	Investment Required
	2. Ensure new technology efforts are coordinated and integrated 2.1 Identify new systems and IT being deployed or developed that may impact financial management 2.2 Work with CIO to establish departmental policy that addresses compatibility issues					
	Priority Level: **LOW**	◔	◑	◔	◔	Low
	3. Focus on data management 3.1 Ensure adequacy of data mgmt. plan 3.2 Review data migration requirements 3.3 Establish data governance					
	Priority Level: **MODERATELY HIGH**	●	◑	◑	◔	Medium

	Recommendation	Success of New Core	Operational Efficiency	Improved Governance	Providing Business Insight	Investment Required
CHANGE MGNT	**1. Prepare the organization for change** 1.1 Establish a body to guide the financial management transformation at HUD 1.2 Conduct a stakeholder analysis 1.3 Develop communication strategy that includes all transformation activities 1.4 Demonstrate leadership commitment to the financial transformation 1.5 Identify change champions, advocates, and agents to facilitate and drive the organizational changes					
	Priority Level: **HIGH**	●	●	●	◑	Medium
	2. Manage Change 2.1 Develop training programs 2.2 Establish performance metrics to track progress					
	Priority Level: **HIGH**	●	●	●	◑	Medium
	3. Reinforce Change 3.1 Monitor effectiveness 3.2 Implement corrective actions 3.3 Identify and communicate success					
	Priority Level: **MODERATELY HIGH**	●	◑	◑	◑	Low

Based on the Academy Panel and study team's analysis, the following are the recommendations that should take priority in order to help ensure a successful transition to New Core:

- Document financial business processes
- Clearly define roles and responsibilities for OCFO, Programs, and SSP
- Validate the scope, feasibility, and priority of remaining phases

OCFO is well on its way to documenting financial processes; however, those processes that will not change also need to be updated and incorporated into handbooks or online tools to address OIG concerns and to ensure staff have the tools they need to work effectively in the new environment, particularly Releases 1, 2, and 3.

The process documentation will help ensure all roles and responsibilities are identified. That understanding is solidified in an SLA that will help foster a smoother relationship between HUD and the SSP and between OCFO and the Programs. Problems resulting from misunderstandings about roles can adversely impact organizational and system changes.

The next tier of recommendations includes:

- Develop a change management plan to support OCFO initiatives
- Improve data integrity and monitoring
- Create CFO Council
- Develop workforce transition plan

These recommendations contribute to helping OCFO handle the people aspect of the transition and addressing the OIG's concerns about governance. Specifically, the change management plan will help ensure the people across HUD are prepared for the change and that OCFO has an appreciation of their interests and concerns so that it can tailor messaging and activities to build buy-in and mitigate resistance. Formalizing its plans for workforce transition will help OCFO better communicate to staff about how and when the changes will impact them.

APPENDICES

Appendix A: Academy Panel and Study Team

Appendix B: Interviews

Appendix C: Interview Questions

Appendix D: Documents Reviewed

Appendix E: Sample CFO Council Charter

Appendix F: Acronyms and Abbreviations

APPENDIX A: PANEL AND PROJECT TEAM BIOS

Panel

Raphael Bostic. Director, Bedrosian Center on Governance, Price School of Public Policy, University of Southern California. Former positions at University of Southern California: Judith and John Bedrosian Chair in Governance and the Public Enterprise, Price School of Public Policy; Director, Master of Real Estate Development program; Founding Director, Casden Real Estate Economics Forecast, USC Lusk Center for Real Estate. Former positions at U.S. Department of Housing and Urban Development: Assistant Secretary for Policy Development and Research; Special Assistant, Policy Development and Research. Former Senior Economist, Monetary and Financial Studies Section, Federal Reserve Board of Governors.

William Hamm. Director, Berkeley Research Group, LLC. Former Managing Director, LECG (formerly Law & Economics Consulting Group); Executive Vice President and Chief Operating Officer, Federal Home Loan Bank of San Francisco; Vice President, World Savings and Loan Association; Legislative Analyst, State of California; Deputy Associate Director, U.S. Office of Management and Budget.

Sallyanne Harper. Treasurer, National Academy of Public Administration; Vice President, Executive Office of Federal Management Practice, AOC Solutions. Former Chief Mission Support Officer and Chief Financial Officer, U.S. Government Accountability Office. Former positions with U.S. Environmental Protection Agency: Chief Financial Officer/Acting Assistant Administrator for Administration and Resources Management; Deputy Assistant Administrator for Management and Administration and Deputy Chief Financial Officer; Finance Director; Associate Director, Superfund Procurement Operations. Former Contract Specialist and Contracting Officer in major weapons systems acquisition with Naval Air Systems Command and Naval Regional Contracting Office.

Morgan Kinghorn. Board Member, National Academy of Public Administration; Chief Operating Officer, Grant Thornton Global Public Sector. Former President, National Academy of Public Administration; Partner, IBM Business Consulting Services; Chief Financial Officer and Assistant Commissioner and Controller, U.S. Internal Revenue Service; Assistant Director for Financial Management and Deputy Chief Financial Officer (Acting), U.S. Office of Management and Budget. Former Positions with the U.S. Environmental Protection Agency: Deputy Assistant Administrator for Administration and Resources Management; Assistant Administrator (Acting).

Hal Steinberg. Technical Director, Federal, State and Local Government Performance Reporting Programs, Association of Government Accountants. Former Deputy Controller/Acting Controller, Office of Federal Financial Management; Member, Federal Accounting Standards Advisory Board; Partner-in-Charge, Federal Government Practice, KPMG; Associate Director for Management, U.S. Office of Management and Budget.

Study Team

Joseph Mitchell. Director of Project Development, National Academy of Public Administration. Leads and manages the Academy's studies program and serves as a senior advisor to the Academy's President and CEO; Project Director for prior Academy projects: Government Printing Office, U.S. Senate Sergeant at Arms, Management Systems International-Tatweer (Iraqi civil service), National Park Service, and the USDA Natural Resources Conservation Service; Project Director, Senior Analyst, and Research Associate, National Academy of Public Administration; Former Adjunct Professor at Virginia Polytechnic Institute and State University.

Fatimah Moody. Founder, LinkVisum Consulting Group, Inc., Ms. Moody has over eighteen year of experience including an expertise in organizational development, intervention design, strategic planning and change leadership. Ms. Moody has served as program manager for a number of federal large-scale multi-faceted human capital project teams and delivered numerous strategic planning, senior executive meetings, team building, and leadership development programs. As a trusted advisor, leadership coach, and organizational development consultant, Ms. Moody has successfully supported many organizations in both public and private sectors.

Celeste Garcia. Celeste Garcia brings over 20 years of experience as a management consultant helping organizations achieve the strategic, process, organizational, and cultural changes needed to realize their missions. Her experience includes organizational assessments, organization design, strategic planning, and process analysis and redesign. She has worked with federal agencies, such as the Department of Labor (DOL), Government Accountability Office (GAO), Department of Housing and Urban Development (HUD), Defense Logistics Agency (DLA), and the Department of Agriculture (USDA). Her prior work at HUD, during her tenure at PricewaterhouseCoopers, included reengineering and stakeholder engagement projects. Most recently, she served as one of the lead facilitators in HUD's Emerging Professionals Program.

Stephen Watson. Mr. Watson, CPA, CGFM, CMA is a Senior Advisor with NAPA, a former partner at PricewaterhouseCoopers, and also led IBM's Public Sector Financial Management Practice. Over his 35-year career, he has helped agencies develop financial policy, implement improved processes and systems, assess risk and strengthen controls, restructure organizations and staffing, and improve cost management. His work has included development of innovative tools and implementation of leading practices that have helped agencies improve the quality and efficiency of their financial processes and operations. Earlier in his career Mr. Watson led financial statement audits of several departments and agencies. He promotes thought leadership through public speaking and authoring books and whitepapers (available on the web) including:
- Cost Take-out: The New Top Priority for U.S. Government CFOs
- Managing Public Dollars: New Rules, New Roles, New Opportunities for Federal Financial Managers
- The CFO Act and Federal Financial Management: The End of the Beginning
- AGA research reports: Trends in Technology for Government Financial Managers and Financial Management Shared Services

Mr. Watson is a long-time member of the Association of Government Accountants (AGA) serving on its Conference Planning and Corporate Partner Advisory Group Committees and its Financial Management Standards Board. He is a recipient of AGA's Andy Barr Award for sustained contribution to improved public sector financial management.

Shawn Syed. Mr. Syed PMP, HCS brings 13 years of enterprise effectiveness experience, delivering solutions that enable broad, rather than incremental improvements in the overall effectiveness of the enterprise. Mr. Syed focuses on enhancing an organization's agility and accountability through the provision of strategies, processes, policies, practices, and tools that increase speed, responsiveness, adaptability, cost control, and visibility/transparency. Mr. Syed is a credentialed Human Capital Strategist and Project Management Professional.

Chloe Yang. Ms. Yang is a Research Analyst at the Academy. Since joining the Academy in 2009, she has worked on projects with a range of federal agencies, including the Office of Management and Budget, Pension Benefits Guarantee Corporation, Amtrak Office of Inspector General Organizational, U.S. Coast Guard, and Government Accountability Office. These projects span the fields of budget, financial management, strategic planning, intergovernmental collaboration, and performance management. For each of the projects, Ms. Yang provided research and analytical support and was a co-author of each final report.

APPENDIX B: INTERVIEWS

Organization	Individuals	
CFO & DCFO	Brad Huther	Joseph Hungate
Accounting	Nita Nigam	Denis B. Stokes
	Anna Butler	Teena J. Neptune
	Lee Ann Upshur	Peter M. Engelbert
	Keith M. Donzell	
Financial Management	Jerome Vaiana	
Budget	Sarah Lyberg	Andre Shelton
Financial Systems	Christopher Davies	Larry Koskinen
	Jon Gant	Melajo Kubacki
Management Staff	Michelle Proctor-Hall	
Appropriations Law	Mike Moran	
CPD	Cliff Taffert	David Enzell
	Lisa Abell	Frances Bush
PIH	Jemine Bryon	Pamela Stockton
	Ricky Valentine	
Housing	George Rabil	Brenda Davis
	Monica Clark	John Lucy
	Susan Betts	Genger Charles
	Laura Marin	
Former HUD CFO	Doug Criscitello	
ARC	Jackie Pettit	Mike Goodwin
	Matthew Hansel	
	Debra Daniell	
OFIT	Elizabeth Angerman	Holly Williams
Other Federal Agencies	NASA	Pamela Hanes
	SEC	Ken Johnson
		Kay Levy
	Treasury	Marty Greiner
		Vivian Cooper
	Federal Student Aid	John Hurt
	Secret Service CFO/Former NASA CFO	Gwendolyn Sykes

APPENDIX C: INTERVIEWEE QUESTIONS

OCFO

Processes Questions:

1. According to our background research, the major responsibilities of your office include:

   - Funds Control and Guidance Oversight

   - Antideficency Act Investigations

   - Annual Risk Assessment Updates

   - Actions to resolve material weaknesses

   - Policies and procedures to improve HUD's audit resolution programs

   - Audit tracking databases

   - Strategies to introduce sound financial management into program areas

   - Oversight and support of HUD's single audit act compliance and use

   - Coordination of HUD's FAIR Act

   - Inventory of commercial activities

   - Review and update HUD financial policy and procedures

2. Do you work with program offices to carry out these responsibilities? What functions are performed by the OCFO vs. the program offices? How do you interact with program offices? With whom and how often?

3. Are there governance issues in carrying out this responsibility? Do you have any recommendations as to how to strengthen governance?

4. Do you provide financial reports and information to the program offices?

   What information do you provide to program offices? What financial analysis do you provide to program offices? Do the program offices request information that your organization is unable to provide?

5. How is your organization addressing the deficiencies identified by the IG? Does your office/OCFO work with Program offices to address these issues?

People Questions:

6. How many people work in your organization? What functions do they perform? Do you have position descriptions you can share with us?

7. Please describe your workforce planning process. How will transition to the new shared-service model impact your workforce? What are the required skills and capabilities of the staff in your office/OCFO after transfer of selected finance functions to a shared service provider?

8. How do you obtain/develop the right skills for you staff? What training do the staff in your office receive?

9. Are there things that HUD does well in order to develop a high performing finance organization?

Technology Questions:

10. What systems and databases does your office use?

11. How does/will the new shared-service model impact the systems? Is there a schedule for completion of these changes?

12. What are the key challenges of the New Core implementation?

Organizational Structure Questions:

13. How might reporting relationships within OCFO and with the program areas change when the shared services model is implemented?

14. Should certain finance functions that are currently decentralized be centralized under the OCFO? If so, which functions? Which finance functions should remain in the program areas?

15. Is there an organizational chart for your office that you can share with us?

General Questions:

16. Are there any other observations or recommendations you would like to share with us to help improve HUD's financial management?

Programs

Process Questions:

1. What accounting and finance functions are performed within CPD (e.g., budgeting, funds control, disbursing)?

2. Does CPD work with OCFO to carry out accounting and finance for CPD programs? What functions are performed by the OCFO vs. CPD? How do you interact with OCFO? With whom and how often?

3. How does CPD establish accounting policies and procedures for accounting and finance functions performed within CPD? How does CPD ensure compliance with generally accepted accounting principles and internal control over financial operations and financial reporting?

4. How is CPD addressing the financial management challenges identified by the IG in its October 21, 2014 Memorandum, Management and Performance Challenges for FY 2015 and beyond? Is your office working with the OCFO to address these issues? Challenges identified by the IG include:

   • Accounting procedures are often determined by program office preference without the guidance and oversight of OCFO and regard for accounting standards.

- HUD's financial management handbooks are either significantly outdated or incomplete.

- We continue to have concerns with HUD's ability to summarize and report all transactions and events related to HUD's CPD Programs accurately and a timely manner in accordance with GAAP until system changes are implemented. HUD's Integrated Disbursement and Information System (IDIS) was designed to process disbursements using a FIFO method, which is not GAAP compliant.

- HUD lacks a Senior Management Council and Assessment Team responsible for assessing and monitoring deficiencies in internal control.

- Overall the deficiencies in HUD's financial management governance structure have resulted in imbalances in which financial management requirements are subordinated to program office operational objectives. OCFO could provide better financial information to manage day to day operations of the Department, as well as assist in policy and budget formulation, if HUD's financial management were appropriately structured and the CFO were given authorities and resources needed.

People Questions:

5. How many personnel (FTEs) perform accounting and finance functions within CPD? How do you determine staffing requirements to support CPD's accounting and finance needs?

6. Do you have position descriptions for these staff that you can provide to us?

7. How do you recruit, train and develop accounting and financial staff to meet CPD's requirements?

8. How would you assess the capabilities and experience of the CPD finance staff? Are CPD finance staff able to provide analytical information to support business decision making?

9. Does the OCFO provide training for CPD financial staff? Is there training that you would like for OCFO to provide?

10. How will transition of selected finance functions to a shared service provider change CPD's accounting and finance processes? How will it impact the number of accounting and finance staff required within CPD and skill requirements of the staff?

Organizational Structure Questions:

11. Is there an organization chart for CPD financial staff that you can provide to us?

12. Are there accounting and finance functions that are currently decentralized across HUD and could be more efficiently and/or effectively performed by the OCFO? If so, which functions? Which finance functions should remain in the program areas?

13. Are there financial analysis and reports that ideally the OCFO could provide to CPD that you do not currently receive?

14. How would you describe the relationship between OCFO and CPD? Any recommendations as to how this relationship could be strengthened?

15. How might reporting relationships within CPD and with OCFO change when the shared services model is implemented?

<u>Technology Questions:</u>

16. What accounting and financial systems and databases does CPD use?

17. Are there redundancies in accounting and finance systems in use between CPD and OCFO?

18. Are there data discrepancies that occur between CPD and OCFO? What causes the discrepancies? Any recommendations to eliminate differences?

19. What systems and databases do you anticipate still needing after the transition to the shared service provider? What systems will be replaced?

<u>General Questions:</u>

20. Are there any other observations or recommendations you would like to share with us to help improve HUD's financial management?

External Organizations

1. How is finance organized across NASA? What finance functions are under the direction of the OCFO? What finance functions are under the direction of the program offices (or Centers) and not under direct OCFO control?

2. How does the OCFO establish governance for any finance functions that are not under its direct control?

3. How does the OCFO ensure appropriate internal control over financial reporting, including GAAP compliance, for all finance functions performed across the agency?

4. Has NASA established a CFO Council or Senior Management Council to ensure governance over finance functions performed across the agency? How does this Council operate? Is there a charter for this Council, and if so, may we have a copy?

5. Have you consolidated (or plan to consolidate) finance functions under the OCFO? If so, what criteria do you follow as to which functions should be centralized and which should remain in the program areas?

6. Have you shifted (or plan to shift) finance functions to shared services (either internal or external shared services)? What has been your experience with movement to shared services? What's working better? What are the challenges? Are there any lessons learned that you could share?

7. Have you been able to transition more of your finance workforce into analytics and decision support? What steps did you take to make this transition? What were the challenges? Are there any lessons learned that you can share?How do you perform workforce planning for finance across the organization? Have FTE counts supporting

finance functions increased or decreased over the past five years? What are projected changes going forward? What are the causes and impacts of any headcount changes?

8. What has been your FTE turnover in finance during the past five years? Have you taken actions that you have found successful in managing and reducing turnover?

9. Are there actions you are taking to improve the efficiency and effectiveness of finance? Can you describe those actions?

10. Do you have a strategic plan or vision document that guides finance transformation in your agency? If so, may we have a copy?

11. Do you have any other observations or recommendations for HUD as it develops its strategy for improving finance across the Department?

APPENDIX D: DOCUMENTS REVIEWED

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Department of Treasury
Chief Financial Officers Council

Introduction:
The Department of the Treasury Chief Financial Officers (CFO) Council was established in July 1994 following the enactment of the Government Management Reform Act (GMRA) of 1994, which amended the Chief Financial Officers Act of 1990. GMRA required annual audited agency wide financial statements. The Treasury CFO Council replaced its predecessor, the Financial Management Council, and mirrors the structure of the government wide CFO Council established by the CFO Act of 1990. The initial purpose of the Treasury CFO Council was to address the requirements of the CFO Act, as amended by GMRA. Over time the purposes and goals of the Council have expanded to cover a wide range of financial management topics of interest to the Treasury CFO community.

Purpose:
➢ Provide leadership to promote the effective management of government resources.
➢ Assist in the continuous improvement of Departmental financial management.
➢ Provide a form for the discussion of major financial management issues, new or revised accounting policies, and problem resolution.
➢ Ensure the Department's financial management, financial systems, asset management, risk management, and internal control goals and expectations are clearly communicated.
➢ Address the practical implementation of policies referred by the government-wide CFO Council and the Office of Management and Budget.
➢ Provide complete and useful financial information on Treasury Operations which fully support financial and performance reporting.
➢ Promote the professional development of financial managers

Authorities:
Treasury CFO Council activities relate to requirements included in following:
- The CFO Act, as amended by the GMRA
- The Federal Managers Financial Integrity Act
- The Federal Financial Management Improvement Act
- The Improper Payments Information Act
- Various OMB Circulars (e.g., A-123, Management's Responsibility for Internal Controls and A-136, Form and Content of Agency Financial Statements)
- Various Treasury Directives (e.g., TD 27-01, Organization and Functions of the Assistant Secretary for Management and Chief Financial Officer.)

Members:
- Bureau CFOs and Deputy CFOs
- CFOs and DCFOs of other entities having financial management and reporting responsibilities (e.g., the Office of Financial Stabilization, Community Development

Financial Institutions Fund, Treasury Franchise Fund, and the Executive Office of Asset Forfeiture).

- The Inspector General; the Treasury Inspector General for Tax Administration; and the Special Inspector General, Troubled Asset Relief Program are ex-officio members (although their respective CFOs and DCFOs are voting members).

Chair: Assistant Secretary for Management and Chief Financial Officer (ASM/CFO), Department of the Treasury

Vice Chair: Deputy Chief Financial Officer, Department of the Treasury

Decision Making: The ultimate authority for determining financial management policies and practices (e.g., financial accounting policy, managerial cost accounting policy, risk management and internal controls policy, financial management systems strategy, etc.) for the Department and all its components rests with the ASM/CFO. However, policies and practices having a Department wide impact are normally developed using input of the CFO Council to ensure proper consideration of the needs and circumstances of the bureaus and other components. Accordingly, after obtaining and discussing input on proposed new or revised financial management policies and practices, a majority vote of the Council members may establish new policies, subject to review by the ASM/CFO at his discretion. The Council will establish special committees or workgroups on an as needed basis.

Frequency of Meetings: Monthly, except for months in which the Working Capital Fund Governance Board convenes.

Agenda: The Council will address the activities of the Department of the Treasury on such matters as financial management, consolidation and modernization of financial systems, improved quality of financial information, financial data, and information standards, risk management and internal controls, legislation affecting financial operations and organization, and any other financial/administrative matter falling under the purview of Council members. The council will also serve as a forum to help monitor progress, resolve problems, provide coordination, and develop consensus on administrative/financial management initiatives.

Approved: _____

Peter B. McCarthy
Assistant Secretary for Management and Chief Financial Officer

Date: _____

APPENDIX F: ACRONYMS AND ABBREVIATIONS

Acronym/Abbreviation	Definition
Academy	National Academy of Public Administration
ACFO	Assistant Chief Financial Officer
AGA	Association of Government Accountants
AMA	American Management Association
ARC	Administrative Resource Center
CFO	Chief Financial Officer
CPD	Community, Planning & Development
DCFO	Deputy Chief Financial Officer
ERP	Enterprise Resource Planning
FM	Financial Management
FSA	Federal Student Aid
FTE	Full-time Equivalents
GAAP	Generally Accepted Accounting Principles
HIFMIP	HUD Integrated Financial Management Improvement Project
HUD	U.S. Department of Housing and Urban Development
HEAT	HUD Enterprise and Architecture Transformation
ICOFR	Internal Control over Financial Reporting
LinkVisum	LinkVisum Consulting Group
LOCCS	Line of Credit Control System
NASA	National Aeronautics and Space Administration
NGMS	Next Generation Management System
OCFO	Office of the Chief Financial Officer
OFIT	Office of Finance & Innovation
OIG	Office of the Inspector General
OMB	Office of Management and Budget
PIH	Public and Indian Housing
PWC	PricewaterhouseCoopers
SEC	Securities and Exchange Commission
SLA	Service Level Agreement
SSAE	Statement on Standards for Attestation
SSP	Shared Service Provider
Treasury	U.S. Treasury

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HUD Secretary's Awards: http://www.huduser.org/portal/about/OppEmpowerAward_2015_1.html

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HUD building: blog.landmarknetwork.com