

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Administrative Support Offices

Office of the Chief Financial Officer

SALARIES AND EXPENSES

(Dollars in Thousands)

| | 2021* | 2022 | | | 2023 | | |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|------------|--------------------|-----------------|
| | Actuals | Carry Over | Annualized CR | Total | Carry Over | President's Budget | Total |
| Personnel Services: | | | | | | | |
| Personnel Services | 35,546 | 300 | 41,122 | 41,422 | - | 48,300 | 48,300 |
| Common Distributable | 6,172 | - | 5,620 | 5,620 | - | 6,000 | 6,000 |
| Total, Personnel Services | \$41,718 | \$300 | \$46,742 | \$47,042 | - | \$54,300 | \$54,300 |
| Non-Personnel Services: | | | | | | | |
| Travel | 3 | - | 75 | 75 | - | 150 | 150 |
| Transportation of Things | - | - | - | - | - | - | - |
| Rent and Utilities | - | - | - | - | - | - | - |
| Printing | 10 | - | 25 | 25 | - | 25 | 25 |
| Other Services/Contracts | 40,607 | 9,754 | 24,201 | 33,955 | - | 37,100 | 37,100 |
| Training | 158 | - | 195 | 195 | - | 300 | 300 |
| Supplies | 3 | - | 20 | 20 | - | 46 | 46 |
| Furniture and Equipment | - | - | - | - | - | - | - |
| Claims and Indemnities | - | - | - | - | - | - | - |
| Total, Non-Personnel Services | \$40,781 | \$9,754 | \$24,516 | \$34,270 | - | \$37,621 | \$37,621 |
| Working Capital Fund | 3,926 | - | 3,204 | 3,204 | - | 5,079 | 5,079 |
| Carryover | 10,054 | - | - | - | - | - | - |
| Grand Total | \$96,479 | \$10,054 | \$74,462 | \$84,516 | - | \$97,000 | \$97,000 |
| FTEs | 211 | 2 | 220 | 222 | - | 249 | 249 |

*Includes 2020 Carryover

PROGRAM PURPOSE

The Office of the Chief Financial Officer (OCFO) provides HUD-wide leadership to support HUD's mission through sound financial management in programs and operations. OCFO leads HUD in practicing financial integrity, financial responsibility, accountability, and stewardship of public resources. While advising the Secretary and HUD leadership on all aspects of financial management and budget, OCFO works to ensure that HUD meets established financial management goals and complies with pertinent legislation and directives. In addition, OCFO analyzes budgetary implications of policy and legislative proposals and oversees budget activities throughout HUD. OCFO's Strategic Planning and Performance Division (SPPD) supports HUD's priority projects and agency-wide efforts to achieve operational excellence. SPPD also develops, analyzes, and reports on key performance indicators for HUD and agency priority goals.

HUD's mission is critical to achieving the President's vision to ensure we build back better from the public health and economic challenges and address longstanding systemic challenges, including racial injustice, rising inequality, and the climate crisis. HUD's work is essential to improving the

quality of life of the American people, and this investment in OCFO's salaries and expenses will assist in ensuring that work is able to be done.

BUDGET OVERVIEW

The 2023 President's Budget requests \$97 million for OCFO, which is \$22.5 million more than the 2022 annualized CR level. The Budget reflects total funding (carryover and new authority) of \$97 million, \$12.5 million above 2022 total funding. This Budget will support OCFO's mission and key initiatives involving Financial Management, Enterprise and Fraud Risk Management, Customer Experience, the Payment Integrity Information Act (PIIA), and a proposed reorganization of its current structure.

Personnel Services (PS)

The Budget assumes total funding of \$48.3 million for OCFO PS, \$6.9 million above 2022 total funding. This funding will support 249 full-time equivalents (FTEs), an increase of 27 FTEs above the 2022 total FTE level, which includes new recruitments, backfills, and projected attrition. The funding request supports a 4.6 percent Federal pay raise in 2023. Increases in FTEs support the following:

- Chief Risk Officer (CRO) – The CRO is currently assisted by two risk analysts. With the creation of the Office of the Chief Risk Officer, the CRO requests four additional FTEs to support Department-wide enterprise and fraud risk management. The CRO will provide expertise to HUD by identifying and advising on mitigation efforts regarding the most significant risks facing HUD.
- Assistant Chief Financial Officer (ACFO) for Systems – The ACFO for Systems requests nine additional FTEs to provide support for the new business lines for shared services, information security requirements, increased workloads, and creation of the Financial Data Reporting and Analysis Division.
- ACFO for Budget – The ACFO for Budget requests six additional FTEs to support the creation of the Customer Experience Division.
- ACFO for Financial Management – The ACFO for Financial Management requests six additional FTEs to support increased audits, reviews, data analytics, A-123 risk and control testing, and payment integrity work.
- Appropriations Law Staff (ALS) – ALS requests two additional FTEs to support providing Department-wide appropriations law guidance, anti-deficiency act reviews, financial implementation of new programs, advisory support, and appropriations law training.

Common Distributable

The Budget assumes total funding of \$6 million in Personnel Services for Professional Liability Insurance, Workers' Compensation and Unemployment Compensation, which is \$380 thousand more than 2022 total funding.

Non-Personnel Services (NPS)

The Budget assumes total funding of \$37.6 million for NPS, \$3.4 million more than 2022 total funding. Funding will support travel, printing, contracts/other services, training, and supply requirements. With the assumption of returning to normal operations, OCFO will return to pre-COVID-19 levels in travel and supplies. The increase in training will support more training requirements for additional staff. Other services/contracts include:

- \$10 million for financial management support to assist with the agency financial reporting, A-123 compliance, audit remediation, data analytics, and improved financial operations;
- \$3.6 million for Enterprise and Fraud Risk Management;
- \$4.5 million for Customer Experience;
- \$7.2 million to ensure compliance with PIIA;
- \$3 million to support OCFO's systems strategy, analysis, remediation, and shared services; and
- \$8.8 million to maintain services for line of business agreements, accounting services, CXO Council and Cross Agency Priority Goals agreements, systems security control and compliance, and computer matching for employment/income verification.

Working Capital Fund (WCF)

The Budget assumes total funding of \$5.1 million for OCFO's contribution to the WCF, \$1.9 million above 2022 total funding. The WCF funding level reflects payments for baseline WCF services (including inflationary adjustments and changes in service utilization) and the additions of the End-User Devices business line, the Printing Services business line, HR platform licensing, and the full cost recovery of Financial Services Acquisition and Development Division (FSADD) Financial Management expenses.

Information Technology (IT)

Within the IT Fund, the Budget requests \$5 million for Financial Management Modernization. This investment addresses the Line of Credit Control System (LOCCS) and Oracle Federal Financials (OFF) interface modernization needs.

Program Pain Point

The Line of Credit Control System (LOCCS) is the Department's primary disbursement and funds control system for grants and Housing subsidy programs. LOCCS is not integrated with Oracle Federal Financials, which is the Department's core accounting system. Instead, the antiquated legacy HUD Central Accounting Program System (HUDCAPS) is used to exchange the allotment and the grants and Housing subsidies financial activity between LOCCS and the core accounting system.

The lack of integration between LOCCS and the core accounting system results in an extended timeline for processing financial transactions that delays disbursements to grantees and Housing's subsidies tenants, and related financial reporting. The Department is unable to decommission HUDCAPS and its IBM mainframe, which are expensive to maintain and the subject of GAO and OIG audit findings. A separate project to complete the PIH Enterprise Voucher Management System (eVMS) to improve PIH and Public Housing Authority (PHA) operations must also be completed to be able to decommission HUDCAPS.

Mission Benefits

This initiative improves the reliability and quality of financial data, streamlines and strengthens financial management and allows timely grants and Housing subsidies disbursements. By enabling the use of shared services system-to-system integration, it improves productivity and security and consolidates IT infrastructure. It will reduce operations and maintenance costs while removing unsupported and antiquated technology. This project enables HUD to move closer to decommissioning both HUDCAPS and the IBM mainframe which helps to fast-track our path to complete digital transformation.

Target Functionality

The targeted functionality and changes will include:

- Enhance the existing financial interface system, New Core Interface Solution (NCIS), to exchange the allotment, grants and Housing subsidies financial activity between LOCCS and the core accounting system.
- Deactivation of HUDCAPS financial interface capabilities.

Projected Cost Savings

HUD estimates a *possible* reduction in the \$2 million per year for contractor support operations and maintenance costs for HUDCAPS due to the deactivation of the HUDCAPS financial interface capabilities. PIH will still use the remaining HUDCAPS capabilities for all subsidies financial operations and disbursements to PHAs. When the enterprise Voucher Management System (eVMS) is completed, with all HUDCAPS capabilities incorporated, HUD will propose to integrate eVMS with the core accounting system. This is the last step necessary to decommission HUDCAPS and the IBM mainframe.

Please refer to the IT Fund justification for additional information regarding HUD's proposed IT resources for 2023.

KEY OPERATIONAL INITIATIVES

The Budget supports Departmental Goals by ensuring the availability and accountability of operational and programmatic funding. OCFO strives to implement strong financial management policies, accounting practices, internal controls, funds control assurance, and audit support to safeguard resources for intended purposes. OCFO's key operational initiatives most directly support the Departmental Goal: Strengthen HUD's internal capacity and efficiency through increased personnel, contract support, Department-wide training programs and streamlined processes.

Financial Management: The Budget provides \$10 million to sustain the path of sound and reliable operations in support of HUD's mission. The funding allows continued investment in HUD's people, processes, and technology to strengthen reliability of executing HUD's mission while protecting taxpayer funds. The funding provides financial consulting services support for agency financial reporting, A-123 risk and internal control assessment, audit remediation and resolution, data analytics, single audit compliance, and improved financial operations. These efforts have had impactful outcomes, such as remediating financial infrastructure weakness, resolving eight material weaknesses, eliminating multiple disclaimers, and obtaining an unqualified audit opinion for the second time in ten years. Moreover, these achievements have enabled HUD to express a positive Statement of Assurance as well as becoming compliant with the Digital Accountability and Transparency Act (DATA Act), Circular A-123, and Grants Oversight and New Efficiency Act.

Since implementation, OCFO has remediated eight material weaknesses and eliminated all four disclaimers in the 2017 financial statements. OCFO will continue this investment to further HUD's effort in protecting taxpayer funds.

Enterprise and Fraud Risk Management: The Budget provides \$3.6 million for enterprise and fraud risk management contract support. OCFO's Enterprise and Fraud Risk Management supports enterprise risk analysis and mitigation efforts pursuant to OMB Circular No. A-123 "Management's Responsibility for Enterprise Risk Management and Internal Control." Establishing enterprise and fraud risk management is essential to HUD's control system and will entail working collaboratively with HUD component programs and external stakeholders. Contract support will enable the program to integrate existing silo programs into a comprehensive program that complies with federal internal control requirements. This program will support risk mitigation, front end risk assessments, and management control reviews.

Customer Experience: The Budget provides \$4.5 million for Customer Experience. The purpose of the Customer Experience initiative is to meet mandates in delivering excellent, equitable, and secure Federal services and customer experience. OCFO will establish a centralized CX capacity and will partner with program offices to better understand customers and design solutions to address customer pain points, gaps in accessibility and equity. OCFO in partnership with program offices will leverage a common customer feedback tool to support data-driven decisions and improve service delivery. This centralized CX approach and enterprise tool will meet OMB Circular A-11 Part 6 Section 280 reporting requirements and mandates in the *Executive Order on Transforming Federal Customer Experience and Service Delivery to Rebuild Trust in Government* and increase HUD compliance with: the 21st Century Integrated Digital Experience Act (IDEA), 2018; Plain Writing Act, 2010; Rehabilitation Act, Section 508, 1973; and Paperwork Reduction Act (PRA).

Payment Integrity Information Act (PIIA): The Budget provides \$7.2 million for contract support to achieve compliance with OMB Circular A-123 Appendix C for effective estimation, process improvements, and remediation of improper payments necessary to protect taxpayer funds.

Systems Strategy, Analysis, Remediation, and Shared Services Support: The Budget provides \$3 million for contract services support with project management, audits, change management, data and policy analysis, customer service engagement, communication, and data output. Services will assist with maintaining compliance with ever changing requirements for legislative, financial, performance, and transparency mandates.

Reorganization: The following reorganization was submitted in the 2022 President's Budget and is repropounded in the 2023 Budget. OCFO requests authority to make changes within its organizational structure to reflect current functions and transitioning contract support to Federal staff. The proposed reorganization consists of the ACFO for Accounting, ACFO for Budget, ACFO for Systems, and the Chief Risk Officer.

- ACFO for Accounting – The CFO Accounting Center will undergo a reorganization to better align functions, workload, and improve operational efficiencies and service delivery due to the transition to shared services. The reorganization includes the dissolution of the Reports and Control Division and integrating those duties with the Payments and Collections Division. It will also encompass the renaming of various divisions and branches to better reflect current functions. Changes in division and branch titles include:
 - CFO Accounting Center → CFO Accounting Operations Center
 - Payments and Collections Division → Payments, Collections and Analytical Services Division
 - Commercial Branch → Payments, Intragovernmental and GL Branch
 - Program Branch → Vendor Maintenance, Debt Collection & Cash Services Branch
 - Funds Control Division → Grants, Loans, and Subsidies Servicing Division
 - Funds Control Branch 1 → Loans and Subsidies Servicing Branch
 - Funds Control Branch 2 → Grants Servicing Branch
- ACFO for Budget – The ACFO for Budget has relied solely on contractor staff to support the customer experience functions for the Department. The Budget creates a Customer Experience division reporting to the Director for Performance Management and Customer Experience. It adds six additional Federal staff to fill critical customer experience roles such as customer experience researchers, user experience designers, and data analysts. These Federal staff will develop an in-house capability that expands HUD's ability to listen to HUD customers and partner organizations and use that insight to improve HUD programs, measured by improved program performance and customer experience.

In addition, newly proposed in 2023, the Grants Management and Oversight Division is moved to the ACFO for Budget to better align functions. Currently, the Grants Management and Oversight Division is operating under the ACFO for Systems.

- ACFO for Systems – The ACFO for Systems has solely used contract support to meet DATA Act Reporting Requirements over the past few years. OCFO proposes to begin transitioning contract support to Federal staff. The creation of the Financial Data Reporting and Analysis Division will permit this transition from contractor resources to Federal staff, provide support for reporting, audit, and data quality, as well as, to meet additional regulatory financial reporting such as the Grants Oversight and New Efficiency Act and the Grant Reporting Efficiency and Agreements Transparency Act. The division will be staffed with a division director and four employees to support this requirement and additional work. A smaller contracting team will still be needed to support activities within this Division.
- Office of the Chief Risk Officer (OCRO) – The Budget requests establishment of the OCRO. This office will include the Chief Risk Officer (CRO) and six risk analysts. The CRO will report to the Deputy CFO. The CRO provides executive-level management, leadership, direction, and oversight to the Enterprise and Fraud Risk Management program. OCRO will provide expertise to HUD by identifying and advising on mitigation efforts regarding the most significant risks facing HUD.