



CITY OF HOUSTON

Housing and Community Development
Department

Interoffice

Correspondence

To: Mayor Bill White

From: Milton Wilson, Jr., Director
John Walsh, Deputy Chief of Staff

Date: April 1, 2005

Subject: **DIAGNOSTIC REVIEW: HOUSING AND
COMMUNITY DEVELOPMENT
DEPARTMENT**

Mayor,

The Housing and Community Development Department (HCDD) has been characterized by weak operational performance and cited by HUD for numerous violations of their requirements, which led to suspension of several HUD funded programs. Your direction has been clear; we are to "make our City Hall the most efficient and responsive in the nation." While we recognize the challenge of this goal for our department, we are fully committed to achieving best of class status. This includes regaining the confidence of HUD officials and restoration of all HUD funded programs.

Introduction

Pursuant to your request, the management consulting firm, Jefferson Wells International was engaged to perform a diagnostic assessment of the Department's performance and practices, including by comparison to those of best in class operations, to identify causal effects of current issues, and determine and recommend practical improvement and remediation actions to enable the Department's new management to establish a top performing organization.

The Jefferson Wells report of March 10, 2005 confirmed the Department's weak performance and provided a detailed plan for reform. Your new HCDD management team embraces Jefferson Wells' conclusions and endorses their recommendations. Management's goal is to operate effective housing and community development programs according to open, mission-driven, high performance standards. Toward this end, new management has already begun addressing many of the concerns raised in the report, as well as the 25 HUD findings. Management will continue to actively and responsibly adopt the recommendations listed in the report by taking the following steps:

1. Analyze findings leading to recommendation.
2. Prioritize recommendation (high, moderate, low).
3. Determine practicality/suitability of recommendation.
4. Designate lead staff member and team to implement recommendation.
5. Outline specific tasks associated with recommendation.
6. Set timeline for completing tasks and implementing recommendation.
7. Create performance measures to gauge effectiveness of recommendation.

The Jefferson Wells report is divided into five sections: Departmental Culture and Tone at the Top; Organizational Structure; Policies and Procedures; Program and Project Management; and Documentation. A brief management response to each section is presented:

Departmental Culture and Tone at the Top Leadership

New management takes very seriously its role to provide effective and positive leadership to department staff. Improving department morale is a top priority. As the report indicates, morale suffered at the hands of prior autocratic leadership and closed door policies. New management will be transparent, inclusive and fair.

The department director has instituted weekly management meetings and periodic full staff meetings in order to keep lines of communication open. The director encourages staff to take pride in their work and to have a sense of ownership of the department.

Human Resource Management

Also, as the report reflects, the department has experienced many problems associated with hiring and promoting based on favoritism and cronyism as opposed to skill level and performance. New management policy will be to hire and promote strictly based on skill level and performance. This policy will not only provide consistency and improve morale, it will also guarantee a more effectively run organization.

Project Selection

The process for selecting projects to receive funding has also been a serious problem. To lend integrity to the project selection process, the department will establish a project review team to evaluate applications. There will not be an instance when only the director or a small number of people at the top make a decision to fund a project. Project funding will be determined by sound analysis performed by skilled department personnel. The review team and associated checks and balances will ensure that management will not be able to force funding decisions on staff. We will structure our loan agreement in a more businesslike manner.

Organizational Structure

Reorganization

The report outlines several sub-optimal characteristics of the department's current organizational structure. New management is undertaking a comprehensive reorganization/realignment of staff and staff functions to affect a more efficient delivery of programs and services. This reorganization establishes a working model to ensure full compliance with HUD regulations with an increased emphasis on wise and prudent use of entrusted public funds.

Management Strength

New management is carefully assessing the needs for each program including all critical functions and skill sets required to perform each function. Management strives to build and organize the department in a way that makes sense and matches department processes. Particular attention is being given to building a middle management layer to address workload and reporting problems. Vast improvements to and changes in the organizational structure will be rolled out over the next month.

Training

According to the report, several employees have never received adequate training. HCDD management recognizes the need for a formal training plan for staff, including cross training and successor planning. It is unreasonable to expect staff to operate in this highly regulated environment without proper training. Training is a cornerstone of new management philosophy and management is dedicated to adopting an aggressive employee training plan.

Policies and Procedures

Mission, Goals and Strategies

HCDD management recognizes the department's lack of formally documented and disseminated policies and procedures. As reflected in the report, there has been no clearly articulated department mission with associated goals and strategies, including related guidelines. Roles and responsibilities are not well defined and ambiguity surrounds many critical departmental functions.

Policies and Procedures

To address these concerns, new management is assembling, reviewing, refining and improving existing department procedures and developing new procedures where lacking. Roles and responsibilities are being defined according to new processes and procedures are being written to reflect associated tasks. HUD findings also require the department to develop procedures to ensure program compliance. Procedures are being developed and submitted to HUD for approval on an ongoing basis.

Oversight and Accountability

HCDD management will be diligent in institutionalizing policies and procedures and ensuring that employees are initially and periodically trained on them. As highlighted in the report, particular attention will be given to developing policies and procedures to address project selection, funding allocations, loan agreements and servicing, and oversight practices.

Program and Project Management

Responsibility and Accountability

The report reveals serious flaws in overall program and project management. New management understands the importance of gaining control over all aspects of the various programs it operates. The “universal blurring of responsibilities and accountability” as noted in the report has led to serious compliance deficiencies and related penalties. The department must take responsibility for program functions even if these functions are outsourced.

Continuity in Project Management

It is essential that HCDD coordinates and streamlines its funding application process to ensure consistency and more effective project management. As previously mentioned, the department will establish a project review team as recommended in the report. Proper project management will begin with the application review process and continue throughout the life of the project, with performance measures in place at every phase. A project manager will be assigned to each project to provide a continuous point of contact. This will improve communication between the department and funding recipients and will also enhance the department’s project monitoring function. Additionally, updated project management software will be used to track project activities.

Expertise, Checks and Balances

HCDD management will focus on ensuring proper management of the individual programs as referenced in the report: single family home repair; homebuyer assistance; HOPWA; and multifamily construction and rehabilitation. Each of these programs will require a specific funding source expert on board to ensure compliance with all applicable regulations. In addition, the department plans to institute an internal audit process to further bolster efforts to improve program and project management compliance.

Documentation

Records Management and Controls

The report highlights significant deficiencies with the department’s file control and integrity. New management is clear on the importance of maintaining documents in a practical, efficient and consistent manner. Documentation is often difficult to locate and contents of files are incomplete. HUD has cited the department for failing to perform certain functions when documentation supporting such functions could not be located. HCDD management is beginning the process of developing comprehensive checklists and procedures for file maintenance. A master file for each individual project will be maintained in central files and electronic files with scanned documents will be created.

Conclusion

Mayor, following your directive to become “the most responsive and efficient City Hall in America,” we are committed to re-establishing HCDD as a top performing organization, regaining your confidence, credibility with HUD, and delivering Houstonians the service they deserve. We will work diligently and take a businesslike approach to achieving lasting improvements as promptly as possible. The scale of current problems is large and resolution will involve numerous projects, extensive management and staff attention, and financial resources. Reasonably, this reform will take 6-12 months and follow three phases:

- 1) Assessment, Analysis and Documentation
- 2) Remedial Action on Open Problems
- 3) Organizational Development, Policies and Procedures.

We will keep you, Council and HUD apprised of our progress and look forward to your continued counsel and support.

MW:JW:sa/rl

Attachment:

“Housing and Community Development Department: Performance Diagnostic Review” March 10, 2005, Jefferson Wells International

cc: w/attachment

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