



**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

**[Docket No. FR-5627-N-02]**

**Notice of Reclassification of One Investigative Field Office to Regional Office:  
Denver, Colorado**

**AGENCY:** Office of Inspector General, United States Department of Housing and Urban Development (HUD/OIG).

**ACTION:** Notice of reorganization: the reclassification of the Denver, Colorado field office of investigation as a regional office of investigation.

**SUMMARY:** This notice advises the public that the HUD/OIG Office of Investigation plans to reclassify its Denver, Colorado field office as a regional office. The planned reorganization is intended to:

1. Improve the alignment of limited investigative resources, to promote more efficient responses to HUD or Congressional requests involving critical program issues;
2. Redeploy resources to prevent and detect fraud in new program delivery of CPD, FHA and other HUD programs; and
3. Improve management control and effectiveness, and reduce travel costs of management by reducing region size.
4. Return to the traditional Regional alignment of HUD OIG Regional offices and HUD Regional offices

The HUD/OIG Office of Audit, to the extent that it maintains a field office in this location, has determined that based upon the different nature of its responsibilities it does not need to reorganize. This notice also includes a cost-benefit analysis supporting the reclassification of the office.

**FOR FURTHER INFORMATION CONTACT:** John McCarty, Assistant Inspector General for Investigations, Department of Housing and Urban Development, 451 Seventh Street, SW, Room 8274, Washington DC, 20410-4500, telephone 202-708-0390 (This is not a toll free number.) A telecommunication device for hearing and speech-impaired persons (TTY) is available at 800-877-8339 (Federal Relay Services). (This is a toll free number).

**SUPPLEMENTARY INFORMATION:** Section 7(p) of the Department of Housing and Urban Development Act (42 U.S.C. § 3535(p)) provides that:

A plan for reorganization, of any regional, area, insuring, or other field office of the Department of Housing and Urban Development may take effect only upon the expiration of 90 days after the publication in the Federal Register of a cost-benefit analysis of the effect of the plan on the office involved.

The required cost-benefit analysis must include: (1) an estimate of cost savings anticipated; (2) an estimate of the additional cost which will result from the reorganization; (3) a discussion of the impact on the local economy; and (4) an estimate of the effect of the reorganization on the availability, accessibility, and quality of services provided for recipients of those services.

Legislative history pertaining to section 7(p) indicates that not all reorganizations are subject to the requirements of section 7(p). Congress stated that “[t]his amendment is not intended to [apply] to or restrict the internal operations or organization of the Department (such as the establishment of new or combination of existing organization units within a field office, the duty stationing of employees in various locations to provide on-site service, or the establishment or closing, based on workload, of small, informal offices such as valuation stations).” (See House Conference Report No. 95-1792, October 14, 1978 at 58.) Although

HUD/OIG believes that the legislative history of section 7(p) strongly suggests that the legislation is inapplicable to a reclassification of four field offices that will in no way reduce the level of services provided to areas served by such offices, HUD/OIG nonetheless voluntarily publishes the following cost-benefit analysis of its plan.

## **COST-BENEFIT ANALYSIS:**

### **A. Background**

HUD/OIG staffing is presently being reduced from a high average of around 730 full time equivalents (FTEs) to a target level of approximately 620 FTEs, currently now at 650. Simultaneous with this constriction of staff resources, HUD/OIG is contending with the onslaught of mortgage fraud issues and foreclosure issues associated with the collapse of the mortgage industry and the sub-prime market, the crippled economy and the impact that the economy has had on the foreclosure of HUD FHA insured loans, The ongoing staff reductions and other unforeseen additional responsibilities have conspired to cause the HUD/OIG Office of Investigation to struggle to continue to properly and timely address baseline fraud, waste and abuse in HUD programs. HUD's regional structure includes a Regional office in Denver, Colorado, and one of its four Housing Ownership Centers (HOCs) is located in Denver. HUD OIG works closely with the HOCs in indentifying trends and compiling data related to fraudulent practices against HUD programs. HUD OIG has traditionally had a Regional office in Denver, Colorado but closed it in the early 2000's due to various problems with the office. Collocating with HUD will allow HUD OIG investigations to more efficiently and effectively address HUD/OIG's core mission and at the same time become better prepared to respond to inevitable but unpredictable events. Additionally, the United States Attorney for Colorado as well as other western US Attorneys have expressed interest in expanding work relative to HUD Native

American programs and having a Regional office in Denver, Colorado will facilitate that effort. Accordingly, HUD/OIG plans to reclassify its Denver, Colorado office to Regional office status, 90 days following the publication of this notice.

## **B. Description of Proposed Changes**

90 days following the publication of this notice, the HUD/OIG Office of Investigation will reclassify its Denver, Colorado field office as a regional office, headquarters for HUD OIG Region 8. Region 8 will have geographic responsibility for the states of Colorado, Wyoming, Montana, Utah, North Dakota, South Dakota, Idaho, Oregon and Washington. As part of this reorganization Region 10, currently headquartered in Seattle, Washington, will become a field office of Region 8, and its former field offices in Washington and Oregon will become Region 8 field offices. The HUD/OIG Office of Audit will not participate in this reorganization and will remain as part of HUD OIG Region 7 with its Regional office located in Kansas City, Missouri. Additionally, the Office of Investigation's headquarters organization will not be affected by this realignment.

Like all HUD/OIG Office of Investigation regional offices, Region 8 will be managed by a GS-15 1811 Special Agent-in-Charge (SAC). The office currently has a GS-14 ASAC and 5 GS-13 agents, all of whom will remain. The current GS15 SAC position in Seattle will be eliminated and will ultimately result in a reduction of one FTE.

## **C. Costs Versus Benefits**

### **1. One-time costs:**

- (a) *Personnel relocation costs* It is not anticipated that there will be any personnel relocation costs associated with this reorganization. It is prudent to plan for potential relocations that may become necessary to fill vacancies and/or back filling of

positions.

- (b) *Severance or unemployment compensation costs (\$0)*. No severance costs are associated with this initiative as it does not contemplate the termination of any staff.
- (c) *Purchase/movement of furniture and equipment (\$0)*. The only costs here will be for equipping the new SAC office. All other offices already exist and are fully equipped. Additionally, the proposal does not contemplate the creation of new field offices or an increase in overall FTEs at this time. Thus, no purchase or movement of furniture or equipment is involved.
- (d) *Space alteration costs (de minimus)*. Some offices may require slight space alterations and telephone changes to accommodate assigned staff and the new SAC. However, HUD/OIG estimates that any space alteration costs that result will be minimal. No additional or supplemental funding is expected to the current appropriated budget. All costs will be maintained within the current budget.

## **2. Permanent increases in operating costs:**

*Cost to realign current FTEs* : The reclassification of the Denver field office to a regional office will require the creation of one SAC position at the GS-15 level. However, the elimination of a SAC position in Seattle by merging Region 10 into Region 8 will ultimately offset the addition of the GS 15 position in Denver. It is likely that the position will be filled with someone from the local commuting area so any additional cost involved will be limited to the pay differential between GS-14 and GS-15 pay levels. Moreover, in light of Law Enforcement Availability Pay (LEAP) differentials payable to ASACs and SACs, combined with the curtailing effect that the overall GS15 step 10 salary cap has on LEAP differentials payable to GS-15 SACs, it is believed that costs

associated with the creation of the SAC positions will be negligible, if anything. No additional or supplemental funding is expected. All additional costs will be funded within the ordinary budgets.

**3. Dollar savings resulting from elevation of office:**

*Management travel costs:* A necessary incident to having remote field offices is travel costs for supervisors to travel to the office to supervise/review staff and liaise with stakeholders. HUD/OIG believes that contracting the geographic footprint of Region 7—as is contemplated by this plan—will correspondingly reduce management travel for the SAC of Region 7 located Kansas City. Travel for the eventual SAC in Region 8 will be shorter and less expensive than the corresponding travel from Kansas City. The merger of Region 10, with its regional office currently in Seattle, Washington, into Region 8, as noticed in a separate Federal Register notice, will further reduce travel for the Region 7 SAC. In light of the current volatile nature of energy and transportation costs, HUD/OIG is unable to accurately quantify such savings.

**D. Impact on Local Economies**

The planned reclassification of the Denver, Colorado office is not expected to have any impact on the local economy of Denver. The plan does not involve terminating existing real estate leases prior to their expiration date, nor does it involve leasing additional real estate. Moreover, the plan does not contemplate appreciable relocation of staff to these large metropolitan areas. Thus, any impact on the local economies in terms of housing, schools, public services, taxes, employment, and traffic congestion will be insignificant.

**E. Effect of the Reclassifications on the Availability, Accessibility, and Quality of Services Provided for Recipients of Those Services.**

The plan was designed to improve the quality and level of service provided to stakeholders and affected clients nationwide. The new region will receive greater management emphasis than prior to the reclassification. Management in the new region—because it will be less dispersed and remote—will be enabled to interact with HUD management and clients, the Office of the United States Attorney, and other law enforcement partners more frequently and in greater scope than is now possible. More interaction and attention translates into more availability and accessibility of higher quality services. Similarly, the footprint of HUD/OIG’s Region 7 will shrink, and the incumbent SAC will be empowered to redirect attention that he currently devotes to the new Region 8 to the city within Region 7 as redefined. Again, more attention translates into more availability and accessibility of higher quality services.

Date March 13, 2012

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David A. Montoya, Inspector General

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