

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL**

(Dollars in Thousands)

	FY 2017 Actuals	FY 2018 Annualized CR	FY 2019 President's Budget
Personnel Services	\$98,542	\$98,920	\$99,501
Non-Personnel Services			
Travel	3,726	3,568	3,675
Transportation of Things	37	20	20
Rent and Utilities	7,575	7,239	7,150
Printing	3	4	4
Other services/Contracts	16,674	16,398	16,475
Training	400	372	430
Supplies	391	264	285
Furniture and Equipment	517	422	450
Claims and Indemnities	12	5	10
Non-Personnel Services Subtotal	\$29,335	\$28,292	\$28,499
Working Capital Fund	-	-	-
Grand Total	\$127,877	\$127,212	\$128,000
Associated FTE	595	573	573

1. Program Purpose and Fiscal Year 2019 Budget Overview

The mission of the Office of Inspector General is not only to prevent and detect fraud, waste, and abuse in the programs and operations of the Department of Housing and Urban Development (HUD) but also to promote economy, efficiency and effectiveness. The OIG does this by conducting independent investigations, audits, and evaluations. The work performed by investigators, auditors, and evaluators, provides the means to keep the Secretary and the Congress fully and currently informed about the Department's challenges while also identifying best practices. After identifying weaknesses, the OIG makes recommendations to improve operations and monitors departmental progress on corrective actions. Stewardship of taxpayer resources is one of the Inspector General's highest priorities, ensuring funding is appropriately utilized, properly managed, and achieving the outcomes stakeholders require.

Office of Inspector General

The fiscal year 2019 President's Budget of \$128,000K is \$788K more than the fiscal year 2018 Annualized Continuing Resolution (CR) level. During fiscal year 2019 the OIG will be working to increase the volume and effectiveness of information security audits, and evaluations of HUD's cybersecurity posture. Ensuring the continuity and security of HUD systems is a top priority for the OIG. Investigating and preventing fraud in multi-family and Public Housing programs represent a significant caseload driver that is a top initiative for both Department and OIG leadership, the OIG will continue deploying resources and man power to combat this issue in fiscal year 2019. The OIG remains highly active producing the financial statement audits, DATA act reporting, and informing stakeholders on challenges facing multitudes of HUD programs.

The OIG will be able to support a base of 573 FTE in fiscal year 2019. This staffing level represents no change compared with fiscal year 2018 but allows for strategic backfilling to ensure mission critical staff is maintained. The 0.6 percent increase in requested resources will be vital to absorb inflationary increases in personnel benefit costs. This funding will also allow for small inflationary increases to certain non-personnel spending that is essential for OIG operations.

Ensuring HUD IT systems security and continuity of operations is a primary focus of the OIG. The information system audits and evaluations produced by the Office of Evaluation (OE) and the Office of Audit (OA) are intended to prevent a systems failure resulting in a crisis that would affect HUD stakeholders, benefit recipients, and could result in severe economic ramifications. The OIG pursues this critical objective by conducting a vast array of IT-related activities, including audits addressing the Department's response to the Federal Information System Controls Audit Manual (FISCAM), evaluations mandated by the Federal Information Security Modernization Act (FISMA) and Cybersecurity Act of 2015, and penetration testing to ensure adequate security protocols protecting the vast personally identifiable information (PII) stored on HUD networks. The oversight that the OIG conducts to confirm that HUD IT systems are protected from malicious threats is a critical responsibility considering that 87 percent of HUD's IT systems are at or near the end of their life cycles. This includes 400 IT products that no longer have technical support. The OIG is constantly looking for new and innovative ways to expose potential weaknesses so that they can be addressed and eliminated. This requires staffing with an above average knowledge base and the resources necessary to address one of HUD's biggest challenges. In fiscal year 2019 OE plans to complete four separate evaluations and OA plans to conduct four audits to address these challenges.

The Multi-Family Home Program continues to be a point of focus for OIG's Office of Investigation (OI) and a driving force of personnel and resource needs. In addition to more traditional multi-family facilities special agents have been pursuing investigations involving assisted residential facilities (nursing homes) to identify fraudulent activities related to the health and safety of the elderly and disabled. The OIG is also working with the Department to address grant fraud in HUD's array of multi-family and other housing programs. This oversight is a critical element in assisting the Department with their mission to create strong, sustainable, inclusive communities and quality affordable homes. Investigators have also increased the number of cases involving lead paint false certifications across all HUD programs. The OIG is prioritizing efforts to protect the public and HUD stakeholders against preventable exposure to toxic chemicals. Other major challenges engaging OIG investigators and auditors include Public Corruption involving HUD grant funds and management challenges related Public Housing Authorities. Working with the Department to address deficiencies in these areas are key to the OIG

Office of Inspector General

improving the efficacy and efficiency of HUD programs as well as identifying fraudulent activity in its infancy. Using the resources requested for fiscal year 2019 the OIG will be able position the assets necessary to collaborate with HUD in identifying and eliminating the roadblocks to institutional success.

In fiscal year 2019 the financial audit undertaken by OIG auditors will continue to grow in importance due to the expanding balance sheets of FHA and GNMA. These two organizations now represent over three trillion dollars of financial exposure to the U.S. economy. The material weaknesses exposed by the OIG's financial audit group is essential to protecting tax payers and the economy in general. The organization's audit staff is committed to delivering the accurate and informative products that Congressional and administration stakeholders have come to expect and rely on. The Office of Audit is also responsible for ensuring departmental compliance with the Digital Accountability and Transparency Act of 2014 (DATA act). Beginning in late 2016 OA has been monitoring HUD's compliance and has found numerous deficiencies in the Department's response to the DATA Act. Ensuring compliance with the DATA Act is a time and information intensive task, during fiscal year 2019 OA staff will continue to provide timely reporting on DATA Act compliance to Congressional stakeholders. In fiscal year 2018 the Office of Audit plans to conduct audits of individual housing authorities in regards to the Rental Assistance Demonstration (RAD) program. This undertaking will grow in size during fiscal year 2019 to include a department wide review of the RAD program. These audits are essential in determining the viability of this program, and identifying successes and failures to Congressional stakeholders.

2. Key Operational Initiatives

- The OIG has been evaluating the current workforce and strategically restructuring human capital to align the OIG with future requirements and initiatives. This personnel approach included using Voluntary Early Retirement Authority (VERA), and Voluntary Separation Incentive Payments (VSIP) in fiscal year 2017. Taking these actions allowed the organization to eliminate underutilized positions and restructure other positions to meet future needs. Through the use of VERA/VSIP the OIG was able to reduce FTE levels to a point that can be maintained for the foreseeable future based on expected budget conditions. Operating from a reduced FTE level, but with a talent base appropriate to the changing workload facing the organization should allow the OIG to continue executing the investigations, audits, and evaluations that stakeholders have come to expect. This type of deliberative human capital management that allows for dynamic personnel decision making and long-term planning will shape the OIG's workforce into fiscal year 2019 and beyond.
- The OIG is pursuing an array of initiatives to find efficiencies in non-personnel spending, these efforts have significantly reduced the total OIG non-personnel spending over time and will allow the organization to continue containing expenditures in fiscal year 2019. Over the last four fiscal years non-personnel obligations have been reduced by seven percent. These results are a byproduct of eliminating expenses deemed to be inadequate at delivering sufficient cost-benefit results, while investing in initiatives that have paid dividends to the organization, and establishing internal governance to oversee corporate decisions. The

Office of Inspector General

Acquisition Steering Committee provides an internal check on all purchasing decisions to ensure that all obligations meet strict requirements to deliver benefits and savings to the agency. Using this approach to long term planning the OIG has undertaken projects that will reduce future outlays in substantial ways. An example of this is the current effort to bring the OIG’s primary data center in-house. When this project is complete, the OIG will have a more secure data infrastructure at a fraction of historic costs. These efforts are a long-term approach to resource management. In fiscal year 2019, the OIG will continue to prioritize travel and training expenditures that keep investigators, auditors, and evaluators in the field addressing the critical workload facing the OIG while reducing obsolete or unnecessary expenditures in all forms.

	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual
Non-Personnel Services Obligations	\$31,528,909	\$31,428,360	\$28,602,680	\$29,334,805

- The OIG is continually looking for new strategic tools to extend the reach of the organization while also increasing efficiency in operations. The Inspector General Empowerment Act of 2016 represents the newest resource that the OIG is working to deploy. Provisions within the law break down barriers allowing HUD-OIG to work on cross cutting issues with other Inspector Generals. The ability to rapidly share data, identify duplicate benefits, and recognize potential waste, fraud, and abuse will allow the OIG to achieve mission successes while reducing time and other material costs. By utilizing the IG Empowerment Act and working through the Council of the Inspectors General for Integrity and Efficiency (CIGIE), HUD-OIG is working to create economies of scale and cost containment in joint investigations, audits, and evaluations. Expanding the role HUD-OIG plays in these inter-governmental initiatives will continue to increase the effectiveness of HUD-OIG while also producing potential cost savings in operations.