



U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL

March 4, 2019

The Honorable Patrick McHenry
Ranking Member
United States House of Representatives
House Committee on Financial Services
2129 House Rayburn Building
Washington, DC 20515

Dear Ranking Member McHenry:

Thank you for your interest in our work and your most recent request regarding our 2019 priorities and outstanding recommendations. Please see our responses to both questions below. We look forward to briefing you in detail in the near future.

1. Which three open or unimplemented recommendations does your office consider to be the most important or urgent? For each, identify: a) the status of the recommendation, including whether agency management has agreed or disagreed with the recommendation and the expected date of implementation, and b) the cost saving associated with the recommendation (if applicable).
 - a. 2016-PH-0005, HUD Did Not Always Provide Accurate and Supported Certifications of State Disaster Grantee Procurement Processes, recommendation 1A, issued September 29, 2016. (See Attachment A, page 10 for recommendation 1A).

We recommended that HUD review procurement procedures for each State grantee receiving funds under the Disaster Relief Act to ensure compliance with specific standards in HUD's regulations. We further recommended that HUD require noncompliant grantees to update their procedures and recertify to compliance, and that HUD review updated certifications to verify them. Where HUD had not yet awarded all allocated funds to a grantee, we recommended that the Department confirm compliance with its procurement standards before executing additional grant agreements with the State.

The Department and the OIG are in disagreement over the actions needed to address this recommendation, meaning there is no corrective action plan in place. On March 31, 2017, the Inspector General issued a referral to the Deputy

Secretary outlining the points of disagreement in this matter, to which the Department has yet to respond.

The OIG estimates that HUD could realize \$4.87 billion in cost savings by adequately addressing this recommendation.

- b. 2017-KC-0001, FHA Paid Claims for an Estimated 239,000 Properties That Servicers Did Not Foreclose Upon or Convey on Time, recommendation 1A, issued October 14, 2016. (See Attachment B, page 12 for recommendation 1A).

We recommended that HUD enact changes to its regulations that would allow it to avoid unnecessary costs to the FHA insurance fund. These changes include (1) establishment of a maximum period for filing FHA insurance claims and (2) disallowance of expenses incurred beyond established timeframes.

The Department and the OIG entered into a corrective action plan on February 28, 2017, with an anticipated completion date of February 24, 2019. On February 4, 2019, the Department reported that the recommended rule change is a priority and that it is actively working to finalize and publish the rule. At that time, the Department estimated completion in 30 to 60 days. Currently, the recommendation remains open and overdue.

The OIG estimates that HUD could realize \$2.23 billion in cost savings by adequately addressing this recommendation.

- c. 2018-KC-0001, FHA Insured \$1.9 Billion in Loans to Borrowers Barred by Federal Requirements, recommendation 1A, issued March 26, 2018. (See Attachment C, page 8 for recommendation 1A).

We recommended that HUD develop a method for using the U.S. Department of the Treasury's "Do Not Pay" database portal during the loan underwriting process to prevent future FHA loans to ineligible borrowers who are delinquent on child support or federal debt payments.

The Department and the OIG entered into a corrective action plan on July 17, 2018, with an anticipated completion date of January 31, 2020. Currently, the recommendation remains open.

The OIG estimates that HUD could realize \$1.9 billion in cost savings by adequately addressing this recommendation.

- 2. Describe your office's audit and investigative priorities for fiscal year 2019, to include start and end dates.

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Our offices of Audit, Investigation, Evaluation, and Special Inquiry, collaborate to identify and plan oversight work on the following priorities:

- Protecting HUD's insurance funds, with a focus on the health of the Mutual Mortgage Insurance fund through an audit of FHA's reverse mortgage program. We anticipate issuing that report in the late spring. We also plan to continue significant oversight work focused on HUD's management of its nursing home and hospital portfolios.
- Continued disaster-recovery oversight work through audits of HUD grantees and programs offices, as well as significant involvement on several Council of the Inspectors General Integrity and Efficiency working groups for disaster assistance.
- Assessing housing-quality issues such as lead, mold, and other hazardous conditions. Currently, a cross-component Joint Housing Authority Review Team is proactively identifying systemic deficiencies in the administration of public housing programs. We have also begun a nationwide investigative initiative to target local inspectors who falsely certify that no lead is present in HUD-assisted housing units. Additionally, we have evaluations underway to review (1) the Department's compliance with laws and regulations regarding taking public housing authorities into receivership, and (2) its actions to identify and mitigate health risks to residents in HUD-assisted housing located near Superfund sites.
- Oversight of HUD's data security through evaluations of (1) the Department's compliance with the Federal Information Security Modernization Act of 2014, and (2) its network resilience to cyber threats through penetration testing.
- Ongoing reviews and inquiries into alleged ethics violations by senior officials.

We look forward to talking with you in depth about these important areas. Please contact our Director of Congressional Affairs, Kathleen Hatcher, at khatcher@hudoig.gov with any questions and to arrange a briefing. Thank you again for your interest in our work.

Sincerely,



Rae Oliver Davis
Inspector General