



OFFICE OF INSPECTOR GENERAL
U.S. Department of Housing and Urban Development

June 16, 2021

LETTER NO:
[2021-DP-0001-CE]

Senate Committee on Appropriations
Room S-128, The Capitol
Washington, DC 20510

House Committee on Appropriations
H-307, The Capitol
Washington, DC 20515

Dear Honorable Members of the Committees on Appropriations,

I am writing in regard to your 2021 Omnibus Appropriations Act request for the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), to provide an update on the Section 184 Indian Home Loan Guarantee Program to determine whether the weaknesses in internal controls and information technology (IT) systems have been addressed in response to OIG's previous oversight and management reviews. OIG conducted three relevant reviews of the program and 16 recommendations remain open while the HUD Office of Native American Programs (ONAP) continues its modernization efforts.

My staff continues to monitor the Section 184 program, including holding quarterly meetings with ONAP to assess its progress and work with ONAP in resolving open audit recommendations. The most recent meeting was held on April 15, 2021, in which ONAP provided updates on some recommendations and the Office of the Chief Information Officer (OCIO) provided information on the progress of Section 184 IT modernization. The scope of this update letter includes a review of the three prior HUD OIG management and oversight reviews and focuses on open recommendations. See Appendix A for a summary of prior reviews and detailed status of open and closed recommendations.

With 16 open recommendations and an ongoing IT modernization effort, it is evident that ONAP must continue its efforts to get the Section 184 program to a point at which there are adequate systems, monitoring, oversight, and enforcement. My staff will continue monitoring the program to ensure that recommendations are adequately implemented and address known deficiencies.

Should you or your staff have any questions, please do not hesitate to contact Kathleen Hatcher, Director of Congressional Affairs, khatcher@hudoig.gov.

Sincerely,

Rae Oliver Davis
Inspector General

Appendix A

Summary of Prior Reviews

Audit report 2015-LA-0002, issued on July 16, 2015

OIG determined that the ONAP Office of Loan Guarantee (OLG) did not provide adequate oversight of the Section 184 program, resulting in an increased overall risk to the program, including guaranteeing 3,845 loans totaling more than \$705 million that were not underwritten in accordance with program guidelines. More specifically, OLG did not adequately monitor, track, and evaluate participating lenders to ensure that loans were underwritten in accordance with the Section 184 processing guidelines.

The audit report contained 11 recommendations to ONAP.

Audit memorandum 2018-LA-0801, issued on August 27, 2018

Based on a Senate Appropriations Committee request to review the management and oversight of the Section 184 program, OIG determined that OLG continued to operate without adequate oversight of the Section 184 program. Many of the issues identified in the prior OIG audit report continued to impact the program 3 years later. HUD officials inappropriately closed 6 of the 10 closed recommendations from the prior OIG audit report because the corrective actions for the agreed-upon management decisions were not fully implemented or completed. Also, one recommendation from the prior audit report remained open 3 years after the audit report was issued and was past due by 6 months.

The audit reopened the six recommendations from the prior audit report and reopened another one that was closed and moved to another recommendation.¹ In addition, it contained seven new recommendations to ONAP.

Evaluation report 2018-OE-0004, issued on August 13, 2018

Based on a Senate Appropriations Committee request to review the management and oversight of the Section 184 program, OIG determined that HUD had not successfully deployed an IT system that enabled effective management and appropriate oversight of all Section 184 program processes. Despite the \$4 million spent on developing the ONAP Loan Origination System (LOS), the system did not satisfy all management and oversight objectives. ONAP-LOS had significant limitations, requiring lenders and program officials to continue to use a HUD Office of Housing legacy IT system and manual process for maintaining files, servicing loans, and managing claims.

The evaluation report contained three recommendations to the Deputy Secretary, one recommendation to the OCIO, and one recommendation to ONAP.

¹ Recommendation 1C from the prior OIG audit report (2015-LA-0002) was closed by HUD officials because they stated that it would be included and tracked under recommendation 1A.

Summary of Prior Reviews and Detailed Status of Open and Closed Recommendations

As detailed in the table below, OIG issued or reopened 20 recommendations (8 from 2015-LA-0002, 7 from 2018-LA-08015, and 5 from 2018-OE-0004), and 16 remain open and unresolved. ONAP has adequately implemented corrective actions for only 4 of the 20 recommendations, with 2 recommendations lacking a final action target date because management decisions or corrective action plans were not submitted to the OIG Office of Evaluation and were, therefore, not approved.

Report	Recommendation	New (N) or reopened (R)	Status	Final action target date
2015-LA-0002²	1A	R	Open	12/31/2021
	1B	R	Open	12/31/2021
	1C	R	Open	12/31/2021
	1D	R	Open	12/31/2021
	1H	R	Open	12/31/2021
	1I	R	Open	12/31/2021
	1J	R	Open	10/15/2021
	1K	R	Closed	---
2018-LA-0801	1A	N	Open	12/31/2021
	1B	N	Open	12/31/2021
	1C	N	Closed	---
	1D	N	Open	10/15/2021
	1E	N	Open	10/15/2021
	1F	N	Open	10/15/2021
	1G	N	Open	10/15/2021
2018-OE-0004	1	N	Closed	---
	2	N	Closed	---
	3	N	Open	No approved management decision
	4	N	Open	8/15/2019
	5	N	Open	No approved management decision

² Audit report 2015-LA-0002 contained 11 recommendations; however, 3 of those recommendations were appropriately closed prior to the second audit (2018-LA-0801).

Audit Report 2015-LA-0002 and Audit Memorandum 2018-LA-0801

There are 13 open recommendations for audits 2015-LA-0002 and 2018-LA-0801 (7 for audit report 2015-LA-0002 and 6 for audit memorandum 2018-LA-0801). For these 13 open recommendations, ONAP has stated that it is working on corrective actions to address and close the recommendations. Specifically, ONAP is in the process of developing regulations for the Section 184 program and has stated that the regulations will include language to address 8 of the 13 open recommendations. In developing the regulations, ONAP conducted tribal consultations in 2018 and 2019 and has also been working with the HUD Office of General Counsel (OGC). ONAP informed OIG on February 2, 2021, that it planned to have the final comments from OGC by the middle of February 2021 and was preparing to put the regulations through departmental clearance by March 2021. At the April 15, 2021, quarterly meeting, ONAP stated the draft regulations were a bit delayed and were being reviewed by the HUD Office of General Counsel's Office of Legislation and Regulations. ONAP anticipated that the draft regulations would enter departmental clearance by the end of May 2021.

After the regulations have gone through the departmental clearance process, they must go to the Office of Management Budget as a proposed rule. ONAP stated that the process could take some time for the regulations to be issued in final. After the regulations become final, ONAP stated that it would develop and implement policies and procedures through internal and external guidance to supplement the regulations. OIG has not received or reviewed the draft regulations or determined the status of any internal or external policies and procedures to determine whether they fully address the eight open recommendations because they have not been provided as part of the audit resolution process.

For the five open recommendations that are not dependent on the development of regulations for the Section 184 program, ONAP provided documents to OIG for review during the audit resolution process. OIG reviewed the documents and responded to ONAP between January and February 2020; however, ONAP had not responded back to OIG. These five open recommendations and their status are listed below:



Recommendation 1J (audit report 2015-LA-0002) – Reconcile the total list of guaranteed Section 184 loans to the complete loan file storage list and identify and locate any missing files.

ONAP reconciled the total list of guaranteed Section 184 loans to the complete loan file storage list. The missing files were also reconciled to the lender servicing reports to determine the active loans. The results were provided to OIG during the audit resolution process; however, OIG noted items that needed to be addressed regarding the reconciliation of the missing files to the lender servicing reports.



Recommendation 1D (audit memorandum 2018-LA-0801) – Support line item expenditures for the administrative contract expense fund for fiscal years 2015 to 2018. OLG should repay the U.S. Department of the Treasury for any expenditures that cannot be supported.

ONAP has not provided documentation to support the line item expenditures for the administrative contract expense fund for fiscal years 2015 to 2018. ONAP provided documents to OIG during the audit resolution process; however, OIG noted that it did not receive supporting documentation to verify the information for the four contracts and one interagency agreement identified in the audit report.



Recommendation 1E (audit memorandum 2018-LA-0801) – Develop and implement policies and procedures, coordinating with other program offices as needed, to track and make administrative contract expense fund expenditures readily available for review.

ONAP provided documents to OIG during the audit resolution process; however, OIG noted that the documents did not include internal policies and procedures to track the administrative contract expense fund.



Recommendation 1F (audit memorandum 2018-LA-0801) – Develop and implement a comprehensive plan to use unobligated administrative contract expense funds.

ONAP provided documents to OIG during the audit resolution process; however, OIG noted that the documents included a plan to use the funds available for fiscal years 2009 to 2019 but did not include a plan for using the fiscal year 2020 funds received.



Recommendation 1G (audit memorandum 2018-LA-0801) – Consider adding additional OLG staff, including a full-time director to provide additional leadership and management oversight.

ONAP provided documents to OIG during the audit resolution process. OIG responded that ONAP's response and supporting documents were consistent with the agreed-upon management decision. OIG also noted that ONAP should include all supporting documents when submitting the recommendation for final action, including the fiscal year 2020 appropriations language, as part of the evidence for closure.

During the quarterly update meeting on April 15, 2021, ONAP reiterated its staffing issues within OLG and stated that it continues to be insufficiently staffed to adequately monitor and oversee the Section 184 program, particularly with the increased workload due to lower interest rates and increased demand. As a result, OLG has relied on HUD Real Estate Assessment Center and Public and Indian Housing staff to meet workload demands.

Audit report 2015-LA-0002

Recommendation 1A (Open)

Recommendation

Develop and implement written policies and procedures with an emphasis on increased controls toward the monitoring, tracking, underwriting, and evaluating of the Section 184 program. Implementing these controls would reduce the current high-level risk in the program and result in potentially \$76,967,618 in funds to be put to better use.

Revised Management Decision

ONAP agrees with recommendation 1A and is working with OGC to develop and draft comprehensive regulations implementing Section 184. ONAP will include language in those regulations that will emphasize an increased control toward the monitoring, tracking, underwriting, and evaluating of the Section 184 Loan Guarantee Program. Once ONAP has finalized the rulemaking process, it will implement policies and procedures that further specify controls toward the monitoring, tracking, underwriting, and evaluating of the Section 184 Loan Guarantee Program.

Status

ONAP is in the process of developing regulations for the Section 184 program that will include language to strengthen the monitoring, tracking, underwriting, and evaluation of the program. Once the regulations become final, ONAP stated that it would develop and implement policies and procedures through internal and external guidance that supplement the regulations and further specify the increased controls.

Recommendation 1B (Open)

Recommendation

Develop and implement policies and procedures for a standardized monthly delinquency report format that lenders must follow when submitting information to OLG.

Revised Management Decision

ONAP agrees and is working with OGC to develop and draft comprehensive regulations implementing Section 184. ONAP will include language in those regulations on delinquency reporting requirements for lenders that standardizes the information the lenders must report to OLG monthly. Once ONAP has finalized the rulemaking process, it will implement policies and procedures that further specify a standardized monthly delinquency report format.

Status

ONAP is in the process of developing regulations for the Section 184 program that will include language on loan servicing reporting requirements. Once the regulations become final, ONAP stated that it would develop and implement policies and procedures through

internal and external guidance that supplement the regulations and further specify the increased controls.

ONAP stated in the quarterly report to Congress (dated March 19, 2021) that a “dear lender letter” (2020-06) required all lenders to use a revised report with added fields to track COVID-19 forbearance and loss mitigation activities. However, audit report 2018-LA-0801 noted that not all servicing lenders followed the standardized monthly delinquency report format created by OLG. Also, the servicing reports reviewed by OIG contained issues such as no case numbers, incomplete information, and inconsistent information.

ONAP also stated that it drafted a *dear lender letter* that further details the use of the loan servicing report and expected to publish it in early 2021. This letter had not been published as of June 2, 2021.

Recommendation 1C (Open)

Recommendation

Develop and implement policies and procedures to deny payments to direct guarantee lenders for claims on loans that have material underwriting deficiencies.

Revised Management Decision

ONAP agrees with recommendation 1C and is working with OGC to develop and draft comprehensive regulations implementing Section 184. ONAP will include language in those regulations that will deny payments to originating direct guarantee lenders for claims based on fraud or material misrepresentation on loans they underwrote. Once ONAP has finalized the rulemaking process, it will implement policies and procedures that further specify the provisions of the regulations.

Status

ONAP is in the process of developing regulations for the Section 184 program that will include language to deny payments to originating direct guarantee lenders for claims based on fraud or material misrepresentation on loans they underwrote. Once the regulations become final, ONAP stated that it would develop and implement policies and procedures through internal and external guidance that supplement the regulations.

Recommendation 1D (Open)

Recommendation

Develop and implement policies and procedures to ensure that OLG uses enforcement actions available under 12 U.S.C. [United States Code] 1715z-3a(g) for lenders that do not underwrite loans according to the Section 184 processing guidelines.

Revised Management Decision

ONAP agrees with recommendation 1D and is working with OGC to develop and draft comprehensive regulations implementing Section 184. ONAP will include language in those

regulations that will provide for the use of enforcement actions available under 12 U.S.C. 1715z-13a(g) for lenders that do not underwrite loans in accordance with the Section 184 processing guidelines. Once ONAP has finalized the rulemaking process, it will implement policies and procedures that further specify the enforcement processes and remedies available under the statute and implementing regulations.

Status

ONAP is in the process of developing regulations for the Section 184 program that will include language that will provide for the use of enforcement actions available under 12 U.S.C. 1715z-13a(g) for lenders that do not underwrite loans in accordance with the Section 184 processing guidelines. Once the regulations become final, ONAP stated that it would develop and implement policies and procedures through internal and external guidance that supplement the regulations and further specify the enforcement processes and remedies available to OLG.

Recommendation 1H (Open)

Recommendation

Ensure that only underwriters that are approved by OLG are underwriting Section 184 loans.

Revised Management Decision

ONAP agrees with recommendation 1H and is working with OGC to develop and draft comprehensive regulations implementing Section 184. ONAP will include language in those regulations that will require lenders to notify HUD of any changes in direct guarantee underwriting staff or status within a certain period after the change and specify what enforcement actions will be taken if a direct guarantee underwriter is not approved at the time of endorsement. Once ONAP has finalized the rulemaking process, it will implement policies and procedures that further specify these notice requirements and enforcement actions to assist in ensuring that only approved direct guarantee lenders are underwriting Section 184 loans.

Status

ONAP is in the process of developing regulations for the Section 184 program that will include language to require lenders to inform HUD of any changes in direct guarantee underwriting staff or status within certain periods, as well as what enforcement actions will be taken if an underwriter is not an approved underwriter at the time of endorsement. Once the regulations become final, ONAP stated that it would develop and implement policies and procedures through internal and external guidance that supplement the regulations.

ONAP also stated that (1) it will establish and implement policies and procedures to ensure that the list of direct guarantee underwriters is updated and verified monthly, (2) the underwriter status of each lender is verified when endorsing a loan and specify what enforcement actions are to be taken if an underwriter is not approved, and (3) it requested IT system rules that manage and delete inactive direct guarantee underwriters.

Recommendation 1I (Open)

Recommendation

Develop and implement written policies and procedures for situations in which the borrower for a Section 184 loan is an Indian housing authority, a tribally designated housing entity, or an Indian tribe.

Revised Management Decision

ONAP agrees with recommendation 1I and is working with OGC to develop and draft comprehensive regulations implementing Section 184. ONAP will include language in those regulations that will establish underwriting criteria and capacity standards for Section 184 loans in which the borrower is an Indian housing authority, a tribally designated housing entity, or an Indian tribe. Once ONAP has finalized the rulemaking process, it will implement policies and procedures that further specify these underwriting criteria and capacity standards.

Status

ONAP is in the process of developing regulations for the Section 184 program that will include underwriting criteria and capacity standards for when an authorized tribal organization is the borrower. Once the regulations become final, ONAP stated that it would develop and implement policies and procedures through internal and external guidance that supplement the regulations.

Recommendation 1J (Open)

Recommendation

Reconcile the total list of guaranteed Section 184 loans to the complete loan file storage list and identify and locate any missing loan files.

Revised Management Decision

ONAP agrees with this recommendation and, as a part of transitioning Section 184 files from a contracted vendor to the National Archives and Records Administration, ONAP will reconcile its Section 184 files retrieved from storage at the contracted vendor with the list of all guaranteed Section 184 loans. The initial emphasis will be on reconciliation of currently active loans to the active servicing reports and CHUMS. ONAP will identify any missing files for these active loans and attempt to locate the missing files. If the missing files cannot be located, ONAP will ask lenders for duplicate loan files if needed for a claim review and processing. ONAP will reconcile its Section 184 files retrieved from storage at the contracted vendor for loans that have been paid off through sale or refinance with the list of guaranteed Section 184 loans. ONAP will identify any missing files for these paid-off loans and attempt to locate the missing files. If the missing files cannot be located, ONAP will ask lenders for duplicate loan files when necessary and before the expiration of the record retention period.

Status

ONAP reconciled the total list of guaranteed Section 184 loans to the complete loan file storage list. The missing files were also reconciled to the lender servicing reports to determine the active loans. The results were provided to OIG during the audit resolution process; however, OIG noted items on January 29, 2020, regarding the reconciliation of the missing files to the lender servicing reports that needed to be addressed.

Recommendation 1K (Closed)

Recommendation

Determine whether any of the loan files were missing as a result of the contracts for loan file storage or data recording and if so, seek monetary or administrative recourse for any contract nonperformance.

Revised Management Decision

ONAP will attempt to determine why each missing file is missing and, if allowable, will ask the Office of the Chief Procurement Officer (OCPO) to seek monetary or administrative recourse for any contract nonperformance.

Status

This recommendation was closed on September 25, 2020. OCPO concluded that it was not able to determine whether any of the loan files were missing because of the contracts for loan file storage or data recording and could not determine why each file was missing. Therefore, OCPO was not able to seek any additional monetary or administrative recourse for contractor nonperformance. The results were provided to OIG during the audit resolution process on October 29, 2019, and OIG responded on January 10, 2020, that the response and supporting documents were adequate for closure.

Audit memorandum 2018-LA-0801

Recommendation 1A (Open)

Recommendation

Develop and implement internal policies and procedures to ensure that approved underwriters are accurately maintained and kept current in the origination systems for the Section 184 program.

Management Decision

ONAP agrees with recommendation 1A and believes this recommendation is substantially identical to the reopened recommendation 1H in audit report 2015-LA-0002. ONAP is working with OGC to develop and draft comprehensive regulations implementing Section 184. ONAP will include language in those regulations that will require lenders to notify HUD of any changes in direct guarantee underwriting staff or status within a certain period after the change and specify what enforcement actions will be taken if a direct guarantee underwriter is not approved at the time of endorsement. Once ONAP has finalized the

rulemaking process, it will implement internal policies and procedures that further specify these regulatory requirements and enforcement actions, as well as internal measures to ensure that lists of approved underwriters are accurately maintained and kept current in the origination systems for the Section 184 program.

Status

See the status for recommendation 1H (audit report 2015-LA-0002) above.

Recommendation 1B (Open)

Recommendation

Develop a comprehensive plan to continue to seek indemnification statutory authority, including consideration to include indemnification authority language in draft regulations currently being considered. Until statutory authority is obtained, develop and implement internal policies and procedures for the voluntary indemnification process, to include a voluntary indemnification agreement, followup procedures, and resolution procedures. Procedures should be revised once statutory authority is obtained.

Management Decision

ONAP agrees with recommendation 1B and has been proposing indemnification statutory authority through the President's budgets by seeking general provisions. ONAP plans to continue to seek this authority through appropriate legislative processes. In addition, ONAP is working with OGC to develop and draft comprehensive regulations implementing Section 184. ONAP will explore whether it can include language for indemnification authority in those regulations. If ONAP can include language for indemnification authority in the regulations, once ONAP has finalized the rulemaking process, it will implement internal as well as external policies and procedures that further specify indemnification authority for the Section 184 program. Until statutory authority is obtained, ONAP will develop and implement internal policies and procedures for the voluntary indemnification process, including a voluntary indemnification agreement, followup procedures, and resolution procedures, as appropriate. The procedures will be revised, as appropriate, if statutory authority is obtained.

Status

ONAP stated that it has continued to seek legislative action for indemnification authority and is also in the process of developing regulations for the Section 184 program that will include indemnification language. Once the regulations become final, ONAP stated that it would develop and implement policies and procedures through internal and external guidance that supplement the regulations.

ONAP also stated that it developed a voluntary indemnification agreement for lenders that have an immediate need to conform to a revised Government National Mortgage Association buy-back policy relating to outstanding Tribal Trust title status reports. In addition, appropriation language allowed OLG to issue loan guarantee certificates without the trailing

documents (for Tribal Trust loan properties), and in exchange, lenders must execute an indemnification agreement until the trailing documents have been received.

Recommendation 1C (Closed)

Recommendation

Develop and implement internal ONAP and OLG policies and procedures for the audit resolution process, complementing HUD Handbook 2000.06, to include management oversight and review of documents prepared and submitted to evidence that corrective actions have been adequately developed and fully implemented.

Management Decision

ONAP agrees with recommendation 1C and will develop and implement internal policies and procedures for the audit resolution process, complementing HUD Handbook 2000.06, to include management oversight and review of documents prepared and submitted to evidence that corrective actions have been adequately developed and fully implemented.

Status

This recommendation was closed on September 25, 2020. ONAP provided the draft standard operating procedures for recommendation closeout to OIG on December 29, 2019. On February 7, 2020, OIG advised ONAP that the proposed procedures should be accompanied by evidence of implementation before recommendation closure. As a result, ONAP sent an email on June 12, 2020, to directors and ONAP administrators indicating that the procedures were final and implemented. The recommendation was closed September 25, 2020.

Recommendation 1D (Open)

Recommendation

Support line item expenditures for the administrative contract expense fund for fiscal years 2015 to 2018. OLG should repay the U.S. Department of the Treasury for any expenditures that cannot be supported.

Management Decision

ONAP agrees with recommendation 1D and will coordinate with other program offices, as needed, to obtain support for line item expenditures for the administrative contract expense fund for fiscal years 2015 to 2018. For any expenditures that cannot be supported, ONAP, in coordination with other program offices, will assess whether the Government received value for those expenses. To the extent that ONAP, in coordination with other program offices, can determine that the Government did not receive value for the expenses, ONAP, in coordination with other program offices, will attempt to recover the funds expended and repay the U.S. Department of the Treasury for the unsupported expenditures.

Status

ONAP has not provided documentation to support the line item expenditures for the administrative contract expense fund for fiscal years 2015 to 2018. ONAP provided

documents to OIG during the audit resolution process; however, OIG noted on February 4, 2020, that it did not receive supporting documentation to verify the information for the four contracts and one interagency agreement identified in the audit report. OIG received only an overview of obligations and expenditures and not specific line item details to support the expenditures paid from the administrative contract expense fund.

Recommendation 1E (Open)

Recommendation

Develop and implement policies and procedures, coordinating with other program offices as needed, to track and make administrative contract expense fund expenditures readily available for review.

Management Decision

ONAP agrees with recommendation 1E and will develop and implement policies and procedures, coordinating with other program offices as needed, to track and make administrative contract expense fund expenditures readily available for review, as appropriate.

Status

ONAP provided documents to OIG during the audit resolution process; however, OIG noted on February 7, 2020, that the documents did not include internal policies and procedures to track the administrative contract expense fund.

Recommendation 1F (Open)

Recommendation

Develop and implement a comprehensive plan to use unobligated administrative contract expense funds.

Management Decision

ONAP agrees with recommendation 1F and will develop a comprehensive plan to use unobligated administrative contract expense funds and coordinate with other program offices, as needed, to implement that plan.

Status

ONAP provided documents to OIG during the audit resolution process; however, OIG noted on February 7, 2020, that the documents included a plan to use the funds available for fiscal years 2009 to 2019 but did not include a plan for using the fiscal year 2020 funds received.

Recommendation 1G (Open)

Recommendation

Consider adding additional OLG staff, including a full-time director to provide additional leadership and management oversight.

Management Decision

ONAP agrees with recommendation 1G and will consider adding OLG staff, including a full-time director to provide additional leadership and management oversight.

Status

ONAP provided documents to OIG during the audit resolution process. OIG responded on February 7, 2020, that ONAP's response and supporting documents were consistent with the agreed-upon management decision. OIG also noted that ONAP should include all supporting documents when submitting the recommendation for final action, including the fiscal year 2020 appropriations language, as part of the evidence for closure.

Evaluation Report 2018-OE-0004

There are three open recommendations for evaluation report 2018-OE-0004. These recommendations concerned transitioning away from the Computerized Homes Underwriting Management System (CHUMS) and the development of ONAP-LOS; however, OLG has shifted directions after procurement and technological challenges with ONAP-LOS. Instead of continuing to develop ONAP-LOS, OLG decided to replicate the Federal Housing Administration's (FHA) Catalyst³ in-house IT system, stating that it would provide greater efficiencies and cost savings for HUD. The new in-house IT system was named Native Advantage. Although ONAP is no longer using ONAP-LOS, the three recommendations (listed below) are still applicable and remain open until ONAP provides adequate support of transition and implementation. OCIO provided a management decision for one of the three recommendations (recommendation 4) and it remains open. The remaining two recommendations also remain open, as the HUD Deputy Secretary and ONAP have been unable to provide management decisions. All three recommendations were reported in the March 31, 2021, Semiannual Report to Congress.



Recommendation 3 – We recommend that the Deputy Secretary direct PIH [Office of Public and Indian Housing] and OCIO [Office of the Chief Information Officer] to ensure that the Section 184 program transitions away from dependency on CHUMS.



Recommendation 4 – We recommend that OCIO continue to develop required ONAP-LOS capabilities using cloud environments as appropriate.

³ FHA Catalyst is FHA's IT modernization initiative. According to HUD, FHA Catalyst is the foundation on which FHA will use new and innovative ways to fulfill its mission, not just for today but throughout FHA's technology transformation. FHA Catalyst currently contains the functionality to accept and process the electronic submission of case binders and supplemental claims in the single-family forward mortgage insurance program.

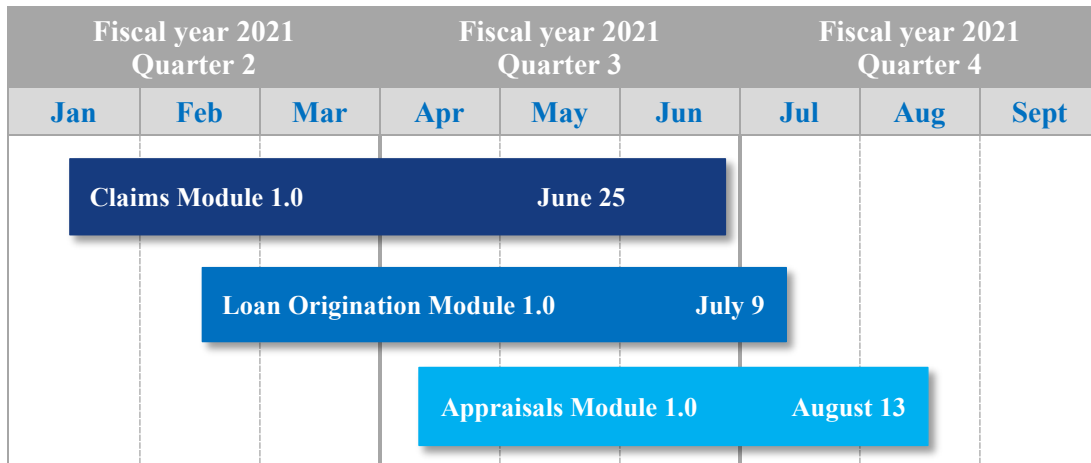


Recommendation 5 – We recommend that ONAP coordinate and participate in resolving all open recommendations from evaluation report, IT System Management and Oversight of the Section 184 Program (2018-OE-0004).

As noted in evaluation report 2018-OE-0004, OLG developed ONAP-LOS to replace the legacy IT system it had been using since 2013 for the Section 184 program (CHUMS). HUD began planning ONAP-LOS in fiscal year 2014, and the initial development capability became operational in August 2017. However, the system was still considered to be in development at the time of the evaluation report, with only one lender using the system as of June 2018. The contract for ONAP-LOS was \$4 million, with \$903,000 annual operations and maintenance costs. The evaluation report determined that ONAP-LOS had significant limitations, requiring lenders and program officials to continue to use the legacy CHUMS IT system and manual processes for maintaining files, servicing loans, and managing claims.

HUD’s quarterly report to Congress stated that the LOS development had been challenged and delayed due to lengthy procurement issues and technological conflicts related to HUD systems alignment. Therefore, with the assistance of HUD OCIO, ONAP reviewed the FHA Catalyst in-house IT system and concluded that replicating this enterprise system for the Section 184 program would provide greater efficiencies for HUD. The replicated system was renamed from ONAP Catalyst to Native Advantage. ONAP stated that the estimated total cost for Native Advantage will be less than the remaining funding on the LOS contract.

Currently, many of the Section 184 processes are still completed manually. Native Advantage’s current functionality includes only electronic document delivery, which allows lenders to submit loan documents electronically. The electronic document delivery was developed, in part, in response to the COVID-19 pandemic and the mandatory telework of ONAP staff. According to OCIO, it planned to introduce additional functionality for claims processing, loan origination, and property valuation this fiscal year (Phase 1). See detailed timeline below. OCIO will begin development of the firm commitment and loan guarantee modules in Phase 2. Once fully completed, OCIO anticipates Native Advantage will support the full loan life cycle, including case number issuance, appraisal, firm commitment, document delivery, loan guarantee, active servicing, and claims.



Recommendation 1 (Closed)

Recommendation

Direct PIH and OCIO to develop a comprehensive project plan, documenting the milestones and dates for addressing the gaps in ONAP-LOS capabilities (functionality and reports) and the 25 recommendations made during HUD OCIO's project health assessment.

Planned Corrective Action

Develop a comprehensive plan, documenting the milestones and dates for addressing the gaps in ONAP-LOS capabilities (functionality and reports) and the 25 recommendations made during HUD OCIO's project health assessment.

Status

This recommendation was closed on June 25, 2020. OCIO worked with the Project Health Assessment Team to gather documentation that addressed the 25 recommendations made during OCIO's project health assessment and drafted a list of LOS functionalities and capabilities to address the OIG recommendations. A comprehensive project plan-roadmap was developed that will address the gaps in ONAP-LOS capabilities (functionality and reports).

Recommendation 2 (Closed)

Recommendation

Direct all stakeholders to identify all viable options to securely resolve the ONAP-LOS access issues, so authorized Section 184 lenders can access the system. The best solution should not impose unacceptable risk to business processes or sensitive data. Current program offices involved are OCIO, PIH, and FHA, while others may also be identified.

Planned Corrective Action

Conduct a discovery effort to determine the root cause of the Section 184 lender access issue and migrate user data from FHA Connection (FHAC) to the Web Access Security Subsystem (WASS) to resolve the access issue.

Status

This recommendation was closed on June 25, 2020. OCIO led a discovery effort with relevant system vendors, including HUD's secure access system (WASS), FHAC, and ONAP-LOS, and determined a solution to resolve the access issue. OCIO validated the list of Section 184 users that required access to ONAP-LOS and added the access-roles for each identified user.

Recommendation 3 (Open)

Recommendation

Direct PIH and OCIO to ensure that the Section 184 program transitions away from dependency on CHUMS.

Planned Corrective Action

There has been no approved management decision; therefore, a corrective action plan has not been approved.

Status

OLG shifted directions after procurement and technological challenges with ONAP-LOS. Instead of continuing to develop ONAP-LOS, OLG decided to replicate FHA's Catalyst in-house IT system because it would provide greater efficiencies and cost savings for HUD. With ONAP's implementation of Native Advantage, it appears that ONAP is continuing to transition away from dependency on CHUMS. However, ONAP still relies on CHUMS to track Section 184 loans.

Recommendation 4 (Open)

Recommendation

Continue to develop required ONAP-LOS capabilities using cloud environments as appropriate.

Planned Corrective Action

As noted in the evaluation report, ONAP-LOS system development and deployment has not been fully successful. This condition was due to a break in service with the support vendor to get new releases into production. The support vendor is back onboard, and OCIO is working to procure new support services for the ONAP-LOS application. Once the contract support services are awarded, one of the first tasks will be to promote pending releases to production to onboard the rest of the pending functionality. Afterward, OCIO will continue to perfect and improve on the functionality and capabilities of ONAP-LOS as needed using the cloud environment.

OCIO will provide a copy of the HUD Application Release Tracking System (HARTS) release requests as supporting documentation to close the recommendation. The HARTS release requests include descriptions of the functionalities-capabilities being released and the target production environment for the application.

Status

The ONAP-LOS system development and deployment was not fully successful. It never matured beyond a pilot program with only one lender piloting the system. As noted previously, ONAP is implementing Native Advantage instead of ONAP-LOS. Currently, the system's functionality includes only electronic document delivery by lenders. According to OCIO, it planned to introduce additional functionality for claims processing, loan origination, and property valuation this fiscal year (Phase 1). OCIO will begin development of the firm commitment and loan guarantee modules (Phase 2), and once fully completed, OCIO anticipates Native Advantage will support the full loan life cycle, including case number issuance, appraisal, firm commitment, document delivery, loan guarantee, active servicing, and claims. ONAP stated that it planned over the next year to introduce additional

functionality for claims processing and loan origination and once fully completed, the system would support the full loan life cycle.

Recommendation 5 (Open)

Recommendation

Coordinate and participate in resolving all open recommendations from evaluation report, IT System Management and Oversight of the Section 184 Program (2018-OE-0004).

Planned Corrective Action

There has been no approved management decision; therefore, a corrective action plan has not been approved.

Status

This recommendation will remain open until recommendations 3 and 4 have been addressed.