

TOP MANAGEMENT CHALLENGES



**Facing the U.S. Department of Housing and
Urban Development in FY 2022**

★ ★ OFFICE *of* ★ ★
INSPECTOR GENERAL

UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT



MEMORANDUM

Date: November 12, 2021

Subject: Management and Performance Challenges for Fiscal Year 2022

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To: Marcia L. Fudge
Secretary, S

The Reports Consolidation Act of 2000 requires the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), to issue a report summarizing what we consider to be the most serious management and performance challenges facing the Department. In turn, HUD is required to include this report in its annual agency financial report. This report represents HUD OIG's independent perspective on the top management challenges facing HUD in fiscal year 2022 and beyond.

We identified the following ten top management challenges, organized to align with HUD's strategic goals: (1) Advance Economic Opportunity; (2) Protect Taxpayer Funds, and (3) Streamline Operations:

- Eliminating Hazards in HUD-Assisted Housing
- Mitigating Counterparty Risks in Mortgage Programs
- Ensuring Access to and Availability of Affordable Housing
- Grants Management
- Fraud Risk Management
- Administering Disaster Recovery Assistance
- Sustaining Progress in Financial Management
- Managing Human Capital
- Management and Oversight of Information Technology
- Increasing Efficiency in Procurement

Further, in each section, we highlight progress made by HUD, the impact of pandemic relief funds, and related OIG work and other resources.

for the Physical Inspection of Real Estate (NSPIRE) demonstration to re-examine its 20-year-old physical inspection process.¹⁴ Successful implementation of the demonstration has been threatened by delays, and current inspections of HUD-assisted properties were suspended due to COVID-19.

The NSPIRE demonstration model was designed to more accurately reflect the residents' living conditions and simplify the inspection process. To successfully complete the NSPIRE demonstration and assess the quality of new inspection standards or make needed revisions, HUD must complete 4,500 physical inspections. However, HUD has identified some challenges, including the procurement of a viable and secure information technology (IT) system. HUD OIG initiated an evaluation of HUD's process for managing IT acquisitions and its IT contracts concerning NSPIRE.

While the demonstration was set to end in October 2021, HUD extended the demonstration through April 30, 2023.¹⁵ HUD announced that it would "substantially increase" housing inspections beginning on June 21, 2021. As of September 30, 2021, HUD continued to experience challenges in conducting physical inspections, including under the demonstration model. Even with the extension, there is concern about having the capacity to complete all 4,500 physical inspections in time. Without the results of the inspections, HUD cannot assess the quality of the new inspection standards or make needed revisions.

In a 2020 report, HUD OIG also found deficiencies in the Office of Public and Indian Housing's (PIH) processes for internally referring troubled PHAs for receivership when a troubled PHA does not make substantial improvements. By law, HUD staff must refer a troubled PHA to the Assistant Secretary for Public and Indian Housing to petition for judicial receivership or appointment of an administrative receiver, depending on the size of the troubled PHA, when a troubled PHA fails to meet statutory requirements for substantial improvement within 2-year recovery period. The HUD OIG report found that PIH had not referred troubled PHAs to the Assistant Secretary as required by law. HUD maintains the position that if HUD determines that a PHA is in substantial default for reasons independent of its continued troubled status, HUD is not limited to referring the troubled PHA to the Assistant Secretary. Receivership is a resource-intensive recovery process and one HUD views as a last resort. However, without this referral mechanism, a PHA could remain troubled for an indefinite period while conditions stagnate or deteriorate.

Mitigating Counterparty Risks in Mortgage Programs

Related HUD Strategic Goal I: Advance Economic Opportunity

HUD must continue to take steps to address counterparty risks faced by FHA and Ginnie Mae to protect taxpayer funds

HUD's mission includes supporting sustainable homeownership and encouraging investment in affordable rental housing. It does so through a two-pronged approach: by insuring mortgage loans lenders provide to traditionally underserved home buyers and to owners of various affordable rental housing and by guaranteeing payments to investors who purchase securities collateralized by government-insured loans, providing liquidity in this market. FHA administers HUD insurance programs while the Government National Mortgage Association (Ginnie Mae) administers the guarantee of government-insured mortgage-backed securities (MBS).

This year, we address the challenges facing each entity as well as progress reported as it relates to counterparty risk in both FHA and Ginnie Mae and with respect to the reverse mortgage or Home-Equity Conversion Mortgage (HECM) program.

FHA Counterparty Risk

More than 1 million home buyers each year benefit from FHA's single-family mortgage insurance programs,¹⁷ and as of July 2021, there were 11,235 insured multifamily properties.¹⁸ FHA is one of the largest mortgage insurers in the world, with an active insurance portfolio of nearly \$1.2 trillion as of July 2021.¹⁹ FHA's challenges include ensuring that (1) its lenders only approve borrowers who meet statutory, regulatory, and program eligibility requirements; (2) its lenders address defaults appropriately and in a timely manner; and (3) HUD strengthens its policies and controls to curtail the lengthy process of foreclosure and conveyance.

Lender Approval of Ineligible Loans

HUD-approved lenders who originate FHA-insured loans perform the necessary eligibility screenings and make decisions on HUD's behalf.²⁰ HUD OIG reviews determined that FHA insured more than 56,000 single-family loans, worth \$13 billion, in FY 2018 to ineligible borrowers because those borrowers had delinquent Federal tax debt,²¹ and FHA insured an estimated 9,507 loans, worth \$1.9 billion, during calendar year 2016 to ineligible borrowers with delinquent Federal debt or who were subject to Federal administrative offset for delinquent child support.²² The

Mae continues to believe it would be advantageous to have the authority to administratively adjust its guarantee fee and requested that the permissible guarantee fee be established within a range.

Ginnie Mae has been working to evolve its counterparty risk framework over the past several years. In early 2019, Ginnie Mae met with 13 of its top nonbank issuers, representing 75 percent of its nonbank securities outstanding, to gain an understanding of each issuer’s current operational state, key priorities, corporate ownership, and financial structure and how each business would fare in a stressed scenario. While Ginnie Mae noted that there did not seem to be systemic liquidity challenges for nonbanks under the current economic state, it noted a lack of consistency in how nonbanks addressed liquidity issues from firm to firm, which is a natural consequence given that no two nonbank business models are alike.

In 2020, Ginnie Mae released a request for information regarding its stress testing framework. In 2021, it requested feedback from the public on potential changes to its single-family issuer eligibility requirements, including calculation of the capital requirement for nonbank issuers. The proposal would require issuers to carry greater capital against their MSR. The market reaction to this proposal has been mixed, with some commenters lauding Ginnie Mae for tightening requirements, while other commenters suggested that Ginnie Mae’s proposal unfairly devalued MSR and would drive issuers out of the program.

With regard to stress testing recommended by GAO, as of April 2021, Ginnie Mae had included in its 2021 budget justification a request that the permissible guarantee fee be established within a range. This fee is currently set at six basis points by law. According to officials, Ginnie Mae will perform the guaranty fee adequacy analysis annually until 2023. Beginning in 2023, Ginnie Mae will begin to perform the analysis semiannually. GAO stated that it will continue to monitor Ginnie Mae’s progress in fully implementing its recommendation by determining how it will periodically conduct this analysis.

COVID-19 Pandemic Impact on FHA and Ginnie Mae Counterparty Risk

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provided financial relief to homeowners with HUD-insured mortgage loans experiencing COVID-19-related hardships by permitting forbearance of their mortgage payments for up to 360 days. FHA has also extended forbearance under its program authority. The chart below shows the forbearance periods implemented and their potential latest end dates.⁴⁰

Initial forbearance date	Initial forbearance period	Additional forbearance period	Forbearance extensions	Maximum forbearance period	Latest forbearance end date
March 1, 2020 - June 30, 2020	Up to 6 months	Up to 6 months	Up to 6 months (in 3-month increments)	Up to 18 months	December 31, 2021
July 1, 2020 - Sept. 30, 2020	Up to 6 months	Up to 6 months	Up to 3 months	Up to 15 months	December 31, 2021
Oct. 1, 2020 - June 30, 2021	Up to 6 months	Up to 6 months	0	Up to 12 months	June 30, 2022
July 1, 2021 - Sept. 30, 2021	Up to 6 months	0	0	Up to 6 months	March 31, 2022

While OIG has noted instances in which HUD could improve its response to the pandemic and related CARES Act provisions,⁴¹ HUD has taken a number of steps to address the impact of the pandemic on borrowers and on HUD business partners.⁴² As of June 30, 2021, 750,628 homeowners with FHA-insured mortgages were 90 or more days delinquent on their mortgage payments. HUD has taken steps to provide options for delinquent borrowers. Through Mortgagee Letter 2021-18, HUD streamlined the existing COVID-19 loss mitigation options and established the COVID-19 recovery modification, which targets a 25 percent principal and interest reduction as the initial option for all borrowers in forbearance who are unable to return to making their existing mortgage payments. For borrowers who can return to making their existing mortgage payments, FHA's COVID-19 recovery stand-alone partial claim will enable them to quickly resolve the delinquency and arrearages through a zero-interest subordinate lien. HUD is also considering a 40-year loan modification option.

Forbearance places a greater financial strain on issuers of Ginnie Mae MBS because they must continue to make investor payments and advance borrower taxes and insurance while foregoing servicing fees, even when the borrower is not making mortgage payments. At the end of April 2021, a total of 401,336 Ginnie Mae loans were in forbearance, which is less than 4 percent of the total share of loans in Ginnie Mae pools.⁴³

In response to the COVID-19 pandemic, Ginnie Mae offered a Pass-Through Assistance Program (PTAP), which provides pass-through assistance to issuers who are facing a temporary liquidity shortage due to a major disaster occurrence, foregoing the immediate consequence of termination and extinguishment. PTAP is an option of last resort, and few issuers have participated in PTAP. To provide additional protection to Ginnie Mae investors from significant early prepayments, Ginnie Mae stated that loans placed in forbearance on or after March 1, 2020, and bought out of pools on or after July 1, 2020, could not be repooled until the borrower had made timely payments for 6 months.⁴⁴

In June 2021, Ginnie Mae announced the creation of a new, custom pool type to support the securitization of modified loans with terms up to 40 years.⁴⁵ This new pool type would support Federal insurers' provision of a 40-year loan modification, which would decrease any immediate claims to the insurance funds while decreasing borrower payments. As of September 2021, HUD had not announced a 40-year modification option.

more than 3.5 times higher than the annual HOME program allocations. In addition, much of the \$4 billion in CARES Act funding for homelessness remains to be used and drawn through 2022.

Ensuring Eviction Protections for Renters During the Pandemic and After Moratoriums Expire

The CARES Act provided financial relief to renters experiencing pandemic-related hardships by placing a 120-day moratorium on eviction filings. The eviction moratorium protected millions of households residing in properties that participate in certain housing programs or have federally backed mortgage loans against tenant displacement due to nonpayment of rent. HUD issued several moratorium extensions, with the most recent extension to September 30, 2021.⁶¹

Meanwhile, between the ARP and the Consolidated Appropriations Act 2021, Congress appropriated more than \$46 billion to the U.S. Department of Treasury (Treasury) in emergency rental assistance to assist vulnerable renters and landlords. However, according to an August Treasury report, State and local programs have only spent about \$5.1 billion to support the housing stability of vulnerable renters out of the \$25 billion allocated under the first round of emergency rental assistance.⁶² There are concerns raised by Congress on the management of these emergency funds due the limited amount of funds that have reached tenants and landlords. HUD's challenge in this area will be ensuring that State and local agencies get the financial assistance to tenants and landlords to avoid as many evictions as possible and providing assistance to these grantees to meet this goal.

For HUD-assisted housing, HUD is also challenged with tracking evictions and preventing improper evictions, or improper fees or penalties related to the nonpayment of rent. To meet this challenge, HUD must maintain up-to-date and readily accessible information for all impacted renters, including information on new renter protections and rights, maintaining housing stability through the pandemic, and avoiding homelessness. HUD OIG will continue to communicate with HUD regarding the eviction protections and plans to perform additional work related to the various protections and assistance available to impacted renters.

On October 7, 2021, HUD published an interim rule, which provides that when there is a national emergency, such as the COVID-19 pandemic, and Federal money is allocated to help tenants facing eviction for nonpayment of rent, the HUD Secretary can (1) expand the notice a covered landlord must give before such a tenant must vacate a unit from 14 days to 30 days; (2) require landlords to provide information to the tenant regarding Federal emergency rental relief, along with the eviction notice; and (3) require landlords to provide notice to all tenants in public housing of the availability of emergency rental assistance. Additionally, HUD is publishing notices that invoke this new rule's authority and require provision of information regarding the Emergency Rental Assistance Program. HUD has also taken a number of other steps to help prevent evictions and take steps to further inform communities of their rights and responsibilities.⁶³

Grants Management

Related HUD Strategic Goal II: Protect Taxpayer Funds

HUD is responsible for administering tens of billions of dollars in grants effectively and in a timely manner to meet critical housing needs

Grant making is an essential component of HUD's business. HUD funds a diverse range of grant programs in support of its mission to create strong, sustainable, inclusive communities and quality, affordable homes for all. In FY 2021 alone, HUD obligated more than \$14.4 billion in grants,⁶⁴ or approximately 24 percent of HUD's overall funding. In many cases, these funds are paid to thousands of grantees, who in turn, distribute the funds to thousands more subgrantees, subcontractors, and subrecipients. This system permits flexibility to support local needs but makes effective grant management a challenge when data and relevant personnel are widely distributed across multiple entities, formats, and data systems. These challenges arise throughout the grant process and include HUD's oversight of awards as well as recipients' internal controls and reporting, both at the grantee and subgrantee levels.

Further, grant funds may only be used for the specific purposes outlined in each grant award, and HUD must conduct adequate monitoring and oversight to ensure that grantee expenditures are eligible, supported, and administered in an appropriate and timely manner. Given the breadth and scope of HUD's grant programs – which now include supplemental CARES Act and ARP funding, which permits a number of waivers from standard program requirements – grantees and subrecipients face challenges in ensuring that they are expending, documenting, and reporting in compliance with the rules of each grant program.

Like other grant-making agencies, HUD faces challenges in developing and implementing adequate policies, procedures, and other controls to consistently and effectively monitor grantees' compliance with key program requirements. Recently, CIGIE issued two reports related to grants management and oversight. First, in a report, entitled "Top Management and Performance Challenges Facing Multiple Federal Agencies," CIGIE identified grants management as a common challenge for Federal grant-making agencies, identifying the following issues, which are relevant to HUD grants:

- Ensuring that funds are awarded properly
- Overseeing the use of grant funds
- Ensuring that grant investments achieve intended results
- Obtaining timely and accurate financial and performance information

Fraud Risk Management

Related HUD Strategic Goal II: Protect Taxpayer Funds

HUD is challenged to detect and prevent fraud against HUD programs that results in monetary loss and deprives communities and beneficiaries from meeting critical housing needs

Managing fraud risk is a challenge throughout the Federal Government. Beyond the monetary loss of taxpayer funds, fraud against HUD's programs negatively impacts the most vulnerable populations with critical housing needs, including children, the economically disadvantaged, and the elderly. Dollars lost to fraud are dollars that cannot assist those in need, and ineligible participants take spots away from others who need access.

This is an area recently highlighted across the oversight community, especially in the face of historic public spending on emergency pandemic relief programs. In January 2021, CIGIE issued a capstone report, entitled "The IG Community's Joint Efforts to Protect Federal Grants from Fraud, Waste and Abuse," which identified key fraud risks at each stage of the grant life cycle, with mitigation strategies that include mandatory certifications and antifraud training. In addition, in February 2021, the PRAC released a report, entitled "Top Challenges in Pandemic Relief and Response," which included two challenges related to fraud risk: (1) preventing and detecting fraud against government programs and (2) informing and protecting the public from pandemic-related fraud.

HUD is challenged to use all available tools, such as training, outreach, monitoring, and enterprise risk management (ERM), to safeguard its program funds from fraud, especially in light of the billions of dollars to provide housing to those impacted by the pandemic. HUD OIG stands ready to assist HUD with this significant challenge, through outreach and its oversight activities

HUD faces challenges in protecting its programs and limited funds and resources from fraud through risk assessments and improper payment reviews. For example, OIG has found that HUD can do more to use federally mandated and readily available tools to help manage fraud risk and more quickly identify and recover program funds that have not been spent as intended. Additionally, the below examples of fraud convictions demonstrate the effects that embezzlement and other financial crimes have on their victims, to include program recipients and those who are eligible for housing assistance but lose out to fraudsters. Also, recent HUD OIG audits and evaluations, as well as GAO reviews, highlight the negative impact of fraud on HUD programs and provide recommendations to help HUD meet this critical challenge.

Fraud Negatively Impacts the Administration, Reputation, and Success of HUD Programs in Providing Housing Support

As demonstrated through OIG investigations, fraud by HUD program participants has negative impacts on those in need of HUD's program assistance, and there are community victims beyond the taxpayer. Below are examples of recent convictions and settlements involving those entrusted with HUD funds to meet critical housing needs.

Embezzlement by State Officials and Administrators of Public Housing Agencies and HUD-Supported Housing

In October 2021, a former Cleveland city councilman was sentenced to 6 years in prison after a trial conviction of Federal program theft, tax violations, witness tampering, and falsifying records.⁶⁶ In addition, his executive assistant was sentenced to 5 years in prison after trial convictions for the same offenses, and, together, they were ordered to pay \$746,839 to the IRS and HUD. Among their criminal activities, they conspired to induce the City of Cleveland to issue reimbursement checks to the councilman totaling \$127,000 for services that were never performed; diverted \$50,000 from Federal community development funds distributed by the City of Cleveland; submitted false and fraudulent individual income tax returns to the IRS; and attempted to persuade and influence the testimony of a grand jury witness by providing that person with false and fraudulent information and records purporting to document charitable donations and falsifying a donation receipt with the intent to impede, obstruct, and influence an investigation.

In August 2021, the former executive director of the Borger Housing Authority (BHA) pleaded guilty to conspiracy for embezzling \$562,138 of the BHA's collected cash receipts from tenant rental payments. She was sentenced to 46 months incarceration and ordered to pay \$562,138 in restitution.⁶⁷

In July 2021, a landlord of a building administering HUD's Housing Choice Voucher Program agreed to pay \$90,000 in a Civil False Claims Act settlement, resolving allegations that he had illegally claimed subsidies to HUD by renting a subsidized apartment to his father-in-law for 10 years, in violation of HUD's program requirements. Specifically, it was alleged that the landlord had submitted documents to the Bucks County Housing Authority, falsely certifying that the assisted tenant in his rental property was not an immediate relative of the property's owner, when the sole tenant was the landlord's father-in-law. The Housing Choice Voucher Program, commonly referred to as "Section 8," provides rental subsidies for eligible low-income tenants who locate acceptable

OIG Work and Other Resources

[Fraud Risk Inventory for the CDBG and ESG CARES Act Funds](#), HUD OIG Memorandum No. 2022-FO-0801 (October 12, 2021)

[Disaster Recovery: HUD Should Take Additional Action to Assess Community Development Block Grants Fraud Risks](#), GAO-21-177 (May 5, 2021)

[HUD's Use of, Accounting For, and Reporting on CARES Act Funding](#), HUD OIG Memorandum No. 2021-OE-0006 (April 26, 2021)

[PRAC Update: Top Challenges in Pandemic Relief and Response](#) (February 3, 2021)

[CIGIE Grant Oversight Capstone Report](#), (January 2021)

[HUD Did Not have Adequate Oversight to Ensure that its Payments to Subsidized Property Owners Were Accurate and Supported when it Suspended Contractor Administrator Reviews](#), HUD OIG Report No. 2020-FW-0001 (February 26, 2020)

units on the private market and prohibits landlords from putting relatives into apartments for which they are receiving program funds.⁶⁸

In June 2021, a former manager of three housing complexes, principally catering to elderly and disabled citizens receiving Federal rental subsidies from HUD or the U.S. Department of Agriculture, pleaded guilty to embezzlement for diverting more than \$400,000 from rental payments and other tenant fees to pay for personal expenses.⁶⁹

In January 2021, a former finance officer for the Pierce County Housing Authority (PCHA) pleaded guilty to wire fraud for embezzling \$6.9 million in PCHA funds. She was sentenced to 51 months incarceration and 3 years supervised release and ordered to pay over \$5.2 million in restitution. In addition, she had previously paid \$1 million in restitution, and multiple real estate properties and assets were seized.⁷⁰

In June 2020, a former administrator and owner of an Alzheimer's assisted living facility in Texas was sentenced to almost 4 years in Federal prison and was ordered to pay \$2 million in restitution to HUD for equity skimming – the practice of taking money from a company rather than using the funds to repay a HUD-insured loan, as mandated. The administrator had secured a HUD-insured loan at a favorable interest rate and without personal responsibility in the event of a default. Importantly, owners of the companies with HUD-insured loans are generally prohibited from receiving money from the company unless they are repaying the loan and the company has surplus cash.

Instead of repaying the HUD-insured loan, as mandated, the administrator skimmed money from the company for personal expenses, including \$3,952 for camera equipment, a \$3,247 watch, \$2,520 in landscaping costs for his personal residence, a \$27,408 personal mortgage payment, a \$12,750 downpayment on a personal vehicle, and \$1,540 for tickets to a Dallas Cowboys football game. Additionally, he took money from the assisted living facility and gave it to other individuals, including \$13,000 for cosmetic surgery, \$5,500 for a loan repayment, and \$30,000 in equity distributions. In total, he took personal responsibility for causing a loss to the United States in the amount of \$2 million. Further, the administrator's father, who served as a doctor at the HUD-insured Alzheimer's facility and was the majority owner of the facility, pleaded guilty for failing to report his son or remove him from his position when he knew that his son had been stealing money from the facility, allowing additional theft to occur.⁷¹

OIG Work and Other Resources

[HUD Paid Rental Subsidies to Benefit Public Housing and Voucher Tenants Reported as Excluded from Federal Programs or Deceased](#), HUD
OIG Report No. 2019-KC-0002
(June 25, 2019)

[Disaster Recovery: Better Monitoring of Block Grant Funds Is Needed](#), GAO-19-232
(March 25, 2019)

these programs. Moreover, since the bulk of homelessness funding will be administered by the Office of Community Planning and Development (CPD), prior OIG audit findings concerning CPD's monitoring weaknesses are implicated.

HUD will continue to face challenges in overseeing the substantial amount of grant funding that the CARES Act provided as well as addressing homelessness in the aftermath of COVID. ARP authorized HUD to waive statutory and regulatory provisions to facilitate the administration of these funds. While waivers are meant to provide flexibilities to HUD to get the funds out, the waiving of requirements also creates a higher risk of fraud, waste, and abuse in HUD programs. More specifically, waivers cause challenges in monitoring and addressing fraud, waste, and abuse that occurred with the influx of the large amount of funds from the CARES Act. In a September 2021 report, GAO, in assessing HUD's oversight of CARES Act funding, found that additional risk assessment actions could improve HUD oversight of CARES Act funds. Specifically, GAO found that while HUD tracks CARES Act spending, HUD has not fully assessed risks, including fraud risks.

HUD OIG Fraud Risk Inventory for the CDBG and ESG CARES Act Funds

In coordination with the PRAC, HUD OIG developed a fraud risk inventory for the CDBG and ESG programs. The goal was to gain an understanding of HUD's fraud risk management practices and develop an inventory of fraud risks that HUD had not already identified for the funds appropriated by the CARES Act's funding to these two programs. HUD OIG identified 5 overall fraud risk factors and 31 fraud schemes for the CDBG and ESG CARES Act funds that had not been previously identified by HUD.

In addition, OIG identified opportunities to improve HUD's fraud risk management practices in the CDBG and ESG CARES Act programs. Specifically, OIG found that CPD did not complete its own program fraud risk assessment specific to CDBG and ESG CARES Act programs and neither CPD nor the Office of the Chief Financial Officer (OCFO), as part of its ERM process, maintained an inventory of fraud risks specifically for the CDBG or ESG CARES Act programs. Additionally, while OIG identified that most fraud schemes occur external to HUD, CPD does not collect subrecipient data to conduct data analyses to identify potential instances of fraud that occur across grantees or programs. HUD should consider whether similar weaknesses in the assessment of programmatic fraud risks and maintenance of a fraud risk inventory are occurring in other programs within the Department.

The Negative Impact of Misconduct by Government Officials

When HUD's Federal employees violate government ethics rules and engage in conflicts of interest, to include using their official positions for personal gain, it harms the public's confidence in HUD programs and damages HUD's reputation.

The owner and president of a company that provided IT services to Federal agencies and educational services to public school children pleaded guilty to multiple conspiracy charges for, among other charges, bribing two former HUD employees who in turn provided him with nonpublic information about contracts. He was sentenced to 14 months incarceration and 24 months supervised release and ordered to pay \$179,999 in restitution.⁷⁴

An investigation conducted by OIG substantiated misconduct by a former HUD director, identifying the following Federal ethics violations: (1) failing to recuse from and inappropriately intervening in a HUD matter involving a lender with which the former director was negotiating postgovernment employment, (2) removing a number of HUD documents and reports about financial institutions that contained confidential, nonpublic proprietary information and bringing the information to a new private-sector

employer, and (3) having a number of communications with and appearances before HUD on behalf of private-sector clients regarding matters on which the former director worked or supervised while employed at HUD. As a result of the investigation, the former director agreed to pay \$25,000, as part of a civil settlement to resolve allegations that the former director had an improper conflict of interest while serving at HUD, and entered a settlement with HUD to resolve potential administrative allegations.⁷⁵

The Role of Whistleblowers

It is well known that whistleblowers play a critical role in helping oversight communities tackle fraud, waste, and abuse involving Federal programs. To better protect Federal funds, Congress enacted the Whistleblower Protection Enhancement Act, (41 U.S.C. section 4712), which prohibits reprisal against employees of contractors, subcontractors, grantees, subgrantees, and personnel services contractors for disclosing information that the whistleblower reasonably believes is evidence of gross waste; gross mismanagement; abuse of authority; or a violation of a law, rule, or regulation related to a Federal grant or contract. The statute also requires each agency to ensure that its contractors, subcontractors, grantees, and subgrantees inform their employees in writing of the rights and remedies provided.

With billions in pandemic relief funds issued through HUD grant programs, it is more important than ever that HUD ensure that its grantees and subgrantees notify their employees of their whistleblower protections and that such employees understand that they can report fraud, waste, and abuse associated with HUD programs without fear of reprisal. To the extent that HUD can widely share these protections and mandates, this outreach could assist in mitigating fraud risk.

Administering Disaster Recovery

Related HUD Strategic Goal I: Advancing Economic Opportunity

Related HUD Strategic Goal II: Protecting Taxpayer Funds

HUD must continue to address challenges in the CDBG program to ensure that disaster grant funds reach those communities in need in a timely manner

HUD plays a vital role in the long-term recovery efforts following a disaster by addressing unmet needs in communities after initial emergency disaster relief efforts have ended. Although HUD may reprogram existing CDBG and HOME funds to disaster recovery efforts and access existing funds to aid impacted areas, the primary method by which HUD provides disaster recovery assistance is through the CDBG-DR program. After the President declares a disaster, Congress may appropriate supplemental funds to HUD for these grants, which can be used for a broad range of initiatives and activities. HUD can award appropriated funds as grants to States, territories, tribes, and units of local government for disaster recovery efforts. These primary grantees work with other entities to implement recovery programs.

From 2001 to 2021, Congress appropriated \$92.8 billion to HUD to provide for disaster recovery. However, HUD's programs continue to evolve. In February 2018, Congress appropriated \$28 billion, of which \$12 billion was to mitigate disaster risks and reduce future losses through CDBG-MIT.⁷⁶ In March 2020, the CARES Act made available \$5 billion in supplemental CDBG funding for grants to current formula grantees to prevent, prepare for, and respond to the coronavirus pandemic.⁷⁷

Over the years, HUD has made progress in assisting communities in recovering from disasters, but it continues to face challenges in administering and overseeing these evolving grants. Below we discuss the need to codify the CDBG disaster programs and address concerns of those who seek to obtain disaster recovery assistance from HUD programs.

Codifying the CDBG-DR and CDBG-MIT Programs

CDBG-DR and CDBG-MIT grant funds are not provided under a codified program in the Code of Federal Regulations. Although the CDBG program requirements (24 CFR part 570) provide a framework, HUD issues additional program requirements and waivers in multiple Federal notices for each supplemental appropriation. More than 80 Federal Register notices have been issued since funding 9/11 disaster recovery efforts in 2001. With each newly issued Federal Register notice, grantees are forced to study the various notices; decide how to proceed, given their

Managing Human Capital

Related HUD Strategic Goal III: Streamline Operations

It is critical that HUD is able to hire, develop, and retain a diverse, skilled, and accountable workforce that effectively meets HUD's business needs

Over the past 10 years, HUD's staffing levels have generally declined, while its programs and responsibilities have increased. The effects of HUD's difficulties in managing human capital affect many of HUD's mission-related challenges. According to HUD's FY 2022 Budget in Brief, HUD experienced a decline in staff of approximately 30 percent during the period 2012 through 2019. This decline significantly eroded HUD's ability to monitor compliance regarding properties, loans, grants, PHAs, and other areas of responsibility, as well as greatly limiting its ability to address systemic issues inside the Department.

Recruitment, retention, and hiring qualified employees has been a growing concern for the Federal Government. HUD is challenged by some of the same problems that other Federal agencies face. In February 2021, CIGIE included human capital management as a frequently reported challenge facing multiple agencies, affecting "the ability of Federal agencies to meet their performance goals and execute their missions efficiently." CIGIE identified three key areas of concern as part of the human capital management challenge: (1) recruiting and retaining highly skilled staff, (2) providing adequate training, and (3) leadership continuity.

Below we highlight progress made by HUD in all three areas and discuss remaining challenges, especially considering HUD's significantly expanded responsibilities and funding to provide pandemic relief. HUD's new leadership team recognized this challenge most recently in its FY 2022 Budget Brief, which stated that its ERM program identified staffing as one of the top risks to the Department. Moreover, it noted that in the 2021 Risk Profile, "all program offices identified risk related to the quality of their business functions resulting from a need for an immediate infusion of expert staff in procurement, information technology, and human resources areas." Further, in recent testimony, Secretary Fudge recognized that HUD employees must have the right skills and capacity to fulfill the current and future business needs and that leadership gaps resulting from extended vacancies and constant turnover have contributed to an inability to sustain positive changes.

2015 to 2016. The contractor trained OCHCO leadership on its process improvement methodology. OCHCO leadership, with Toyota's coaching and guidance, used that methodology to improve HUD's hiring process and reduce time-to-hire. However, due to OCHCO leadership and staff turnover, OCHCO lost critical knowledge of Toyota's process improvement methodology, as well as awareness of changes made as a result of this process, the rationale behind those improvements, and plans made to further reduce time-to-hire.

Additionally, HUD relies on BFS, its shared service provider, to deliver human resources support. However, high turnover at BFS required HUD to educate BFS's human resource specialists about HUD's programmatic and hiring needs so that the BFS specialist could identify applicants with appropriate skills and qualifications. This additional effort essentially created another step in the hiring process, further delaying time-to-hire. HUD has increasingly relied on contractors to fill its staffing gaps. However, HUD faces challenges with properly directing and monitoring these contractors.

In its FY 2019 Performance Report, HUD stated that it had completed a strategic workforce plan for 75 percent of its mission-critical occupations. However, HUD's strategic milestone to "develop a market-informed pay and compensation strategy for cybersecurity and other mission critical IT positions to improve recruitment and retention" has been delayed until September 30, 2021.

Other HUD program offices also face high turnover and vacancy rates, which further strains HUD's resources and capacity. In our outreach to HUD personnel in preparation for the development of this report, several officials identified the ability to hire efficiently and in a timely manner as a key issue impacting their ability to achieve HUD's mission. We appreciate that the new leadership team in OCHCO is working to enhance the hiring process, and we encourage that team to continue to implement HUD OIG recommendations and other reforms that they have identified.

Impact of Pandemic Related Funds

Additional funding and hiring needs created by the CARES Act and ARP have placed a burden on HUD's already overtaxed human resources staff to oversee the use of funds and hire people more quickly

HUD's OCHCO has stated that it has worked with HUD leadership to streamline and expedite hiring for CARES Act personnel, identifying the following challenges:

- term employees were difficult to use efficiently as terms expired Sept. 2021
- time limit placed strain on OCHCO to quickly hire and effectively manage new temporary workforce

OCHCO reported the following progress:

- provided hiring guidance to HUD managers onboarded in March to support program offices' hiring related to the CARES Act
- distinguished CARES Act and ARP hires from other hires through a unique personnel ID system

the implementation of IT security controls in accordance with Federal guidance. The annual FISMA evaluation shows that HUD continues to prioritize and work to resolve cybersecurity shortcomings, while addressing emerging threats. In FY 2019, HUD established a “tiger team” to complete remediation activities on open OIG recommendations. At the start of FY 2021, 105 recommendations issued in FISMA reports since FY 2013 remained open. During FY 2021, HUD submitted 57 recommendation closure requests, showing considerable progress toward closing years of recommendations. HUD must continue to focus its efforts on addressing known cybersecurity issues to make progress in addressing this management challenge.

HUD also recently made progress in aligning resources to address its cybersecurity challenges. Before FY 2020, HUD’s IT budget allocation toward cybersecurity was one of the lowest of Chief Financial Officer (CFO) Act Federal agencies.⁹² In FY 2021, HUD significantly increased its cybersecurity spending to roughly \$81 million, which is closely aligned with CFO Act agency averages. The Chief Information Security Officer planned to use some of the additional funds to strengthen staffing to support a planned reorganization of HUD’s cybersecurity program. For example, OCIO established a Governance, Risk, and Compliance office to increase the emphasis on continuous monitoring and compliance oversight, a resource that has increased clarity in continuous monitoring policies and procedures and ongoing system authorizations. However, HUD still has challenges in holding system owners and authorizing officials (AO) accountable to HUD-defined policies and procedures.

HUD also formed the Security Operation Center (SOC) in August 2019 in part to strengthen its cybersecurity capabilities and incident response capabilities. While HUD OIG found that the SOC did not consistently monitor HUD’s entire network and, although OCIO initially expected to reach full operational capability in FY 2021, funding issues delayed this effort. Additionally, HUD has not fully implemented a data loss prevention tool but has established a goal to implement it in FY 2022, which is intended to assist HUD in addressing its data management challenges. HUD will need to finalize a plan for monitoring all HUD devices and ensure that the current cybersecurity capabilities are not diminished due to funding and contract delays.

HUD has continued to struggle with inconsistent implementation of configuration management policies and processes, defining key roles and responsibilities, and enforcing guidance at the program office level. For example, HUD had defined roles and responsibilities for many configuration management activities⁹³ but failed to define roles for key stakeholders, such as the AOs, system owners, and information system security officers. Additionally, some guidance needs to be updated to ensure that the AO is properly involved in risk decisions

Also, although HUD had defined policies and processes for conducting system inventories, it did not consistently maintain inventories for six of eight sample systems evaluated. Inventory procedure definitions were found to have improved in the FY 2021 FISMA analysis; however, execution at the program office and system level is still inconsistent.

HUD also continues to be challenged with establishing an effective enterprise identity, credential, and access management program. OCIO had undertaken several initiatives to update the program, starting with a 2017 strategy for implementing an enterprisewide access management solution but then updated in 2020 and again in 2021. OCIO recognizes that a modernized solution would address HUD system access and security challenges, enabling HUD to retire multiple vulnerable access management solutions implemented within program offices. However, the initiative remains incomplete, and HUD remains challenged with improving beyond the “defined” level, or level 2.

The concerns and risks associated with HUD’s supply chain have not been incorporated into its contingency planning program. Many IT systems that are critical to HUD’s mission are operating on

outdated technology, which adds to HUD's challenges and intensifies its urgency to modernize and secure its systems. Within the current infrastructure, there are risks associated with various aspects of HUD's supply chain, and OCIO needs to define the supply chain's risks in the contingency planning program.

Finally, capturing lessons learned is an integral part of mature cybersecurity program improvement and self-awareness of where to make improvements to policies, processes, and procedures. HUD recently released an Enterprise Lessons Learned Directive; however, there was no evidence of implementation as of August 2021. OIG consistently observed that HUD did not capture and report any form of lessons learned in its cybersecurity program, which is an important step it must take to address this challenge.

Data Protection and Privacy

HUD is responsible for managing and safeguarding the personally identifiable information (PII) of individuals that it collects, uses, stores, and disseminates. HUD has significant challenges in protecting the confidentiality of at least one billion PII records and the integrity of financial data for HUD programs processing hundreds of billions of dollars.⁹⁴ HUD continues to face longstanding privacy and data protection issues associated with policy implementation, program governance, and technical capabilities. Additionally, HUD faces technical capability challenges in a number of critical areas, including having the capability to manage its extensive holdings of PII, having tools to limit access to and dissemination of PII, and fully implementing records management practices and retention schedules.

The lack of an efficient agency directives process continues to restrict HUD's ability to issue timely program requirements and establish accountability. Further, some policies remain outdated or have not been fully developed. For instance, HUD appointed a Senior Agency Official for Records Management (SAORM) to assess resource needs in the records and privacy offices.⁹⁵ HUD issued a Controlled Unclassified Information policy, but program offices were unsure how to follow or implement the policy. HUD also updated its PII minimization plan, but efforts have been limited to date. HUD has not yet identified which systems or data should be prioritized and has not committed resources to address specific areas of privacy concern.

HUD has made some progress and improved collaboration among the Privacy Office, Records Management Office, and OCIO, which resulted in several critical improvements. Progress includes developing processes to ensure that privacy protection requirements are built into system development life cycles, designing modernization projects to transition from manual to electronic processes, prohibiting the removal of paper PII records from agency offices for telework purposes, improved training for agency records specialists and privacy liaison officers, and revamping its records inventory processes.

HUD continues to experience privacy and records program governance challenges and has self-determined that additional staff is needed to meet critical data protection and privacy requirements and address management turnover. HUD has taken steps to address some of the governance issues, such as appointing a SAORM and establishing an Office of the Chief Data Officer (OCDO) within the Office of Policy Development and Research (PD&R). Additionally, HUD named multiple acting Chief Data Officers (CDO) during the last few years and has not yet appointed a full-time CDO. In accordance with HUD's request, the CDO will "have agency-wide responsibility for ensuring lifecycle data management of critical information and data systems; standardizing data formats and minimizing duplication of data across internal systems; and coordinating the use, protection, and dissemination of agency data."⁹⁶ The OCDO is in the process of supporting the design of data integration solutions across HUD and with external

parties with a requested staff of 13 full-time employees. Support for these positions and functions will be critical if HUD is to improve its governance of these programs.

HUD OIG has found that HUD was unable to locate and inventory all collections and uses of PII data or to properly track and secure its PII inventories, impeding its ability to secure sensitive data. In FY 2021, HUD initiated a zero-based review to identify sensitive data maintained within information systems, using structured storage such as databases. However, it has not implemented a capability to discover sensitive data located within “unstructured” locations, such as SharePoint libraries, common share locations, or local hard drives. HUD also lacks the capability to prevent the use of untrusted media or to prevent the transfer of data to removable media. HUD has procured solutions, which are in the proof-of-concept phase, and expects to deploy these solutions to improve its data discovery and PII inventory capabilities in FY 2022. As a part of HUD’s modernization strategy, efforts are underway to create a single, unified HUD data warehouse, EAP, to better manage and secure HUD data.

Related to protecting PII, the exfiltration of data remains a significant area of concern, as HUD’s data loss prevention solution is currently limited to the O365 platform and will only detect data exfiltration by email. To address this limitation, HUD completed a pilot program and anticipates deploying the capability to monitor data exfiltration through the network and the HUD cloud environment in FY 2022.

Increasing Efficiency in Procurement

Related HUD Strategic Goal III: Streamline Operations

It is critical that HUD is able to meet the procurement needs of its program offices in a timely manner so that it can efficiently carry out its mission

HUD's Office of the Chief Procurement Officer (OCPO) is responsible for obtaining all contracted goods and services required to successfully maintain HUD operations. We include "Increasing Efficiency in Procurement" as a Top Management Challenge again in this year's report. HUD is challenged in this area like many other Federal agencies and departments. In February 2021, CIGIE identified procurement management as one of the top challenges most frequently reported by Federal inspectors general, which included the entire procurement process. CIGIE stated that "because many federal agencies rely strongly on contractors to perform their missions, the failure of an agency to properly manage its procurement functions could also impede the agency's ability to execute its mission."

HUD has recognized this challenge for several years. According to its 2018-2022 Strategic Plan, a major HUD initiative is to streamline acquisition management by analyzing its end-to-end acquisition processes, developing a communication strategy that would engage and inform key acquisition process personnel of any underlying challenges, and establishing transformation plans. To achieve this objective, the plan envisioned that HUD would develop and implement scorecards to track the timeliness of acquisition services and incorporate a customer survey process to obtain feedback on acquisition accomplishments and issues.

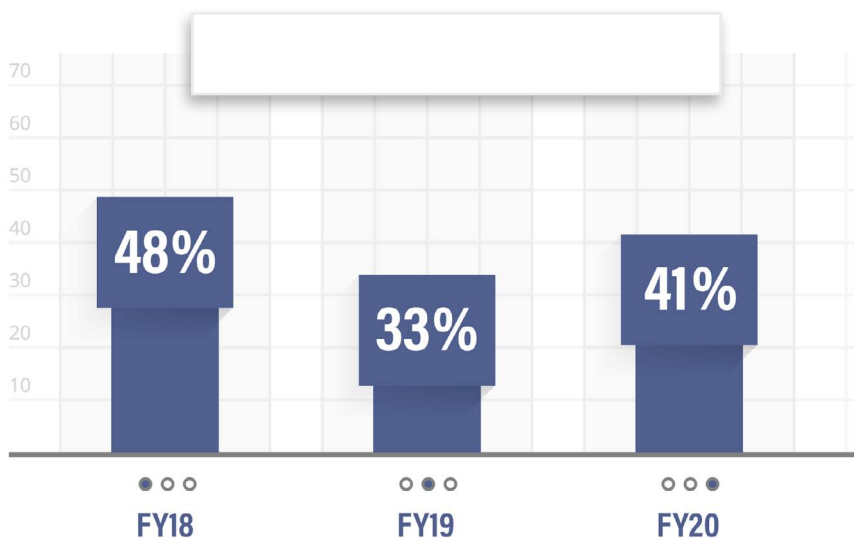
More recently, HUD's 2020 top 10 risk list includes its ability to execute timely procurement actions. In its 2019 risk list, HUD identified risks in untimely procurement, improper training and workload of contracting officer representatives, and inadequate oversight of vendors and third-party service providers. An internal HUD assessment completed in September 2019 also concluded that significant weaknesses persisted within several areas of HUD's acquisition process.

This is especially important given HUD's current reliance on contractors to meet its business needs. In HUD's FY 2021 Forecast of Contracting Opportunities, HUD identified the following functions as areas in which it relies heavily on contract support: policy development, communications, document destruction, and program management, including Section 232 mortgage insurance for long-term care facilities and Section 242 mortgage insurance for hospitals. The Office of Housing, the Office of Administration, Ginnie Mae, and PD&R are the largest contract users. During

that HUD could not meet its contractual needs in a timely manner. However, in FY 2020, Ginnie Mae's contractor expenses added up to \$245.4 million, which was 77.2 percent of its total expenses. According to OCPO, Ginnie Mae and OCIO have expressed dissatisfaction with the support received from GSA and want to return to using HUD OCPO.

OCPO Challenges in Receiving Timely Acquisition Packages and Human Resource Needs

HUD OCPO has identified the untimely submission of acquisition packages as a challenge in awarding contracts. In its Annual Performance Report, HUD reports on the timeliness of its acquisition packages submissions as follows:



We note that according to OCPO the 2019 government shutdown impacted the percentage of on time submissions.

Further, OCPO reported that as of July 31, 2021, it had received 32 percent of the acquisition packages on time during the current fiscal year. Of those packages that were submitted on time, OCPO reported that it was able to make an award on time 88 percent of the time. OCPO further reported that regardless of when the requisition was submitted or whether it was planned or unplanned, OCPO was awarding 80 percent of acquisitions within the prescribed procurement administrative lead time.

Finally, as set forth in the Human Capital section of this report, OCPO has identified staffing shortages as a challenge to meeting HUD's procurement needs. The Chief Procurement Officer reported that staffing has increased in FY 2021, which brings optimism that OCPO will be adequately staffed moving forward.

Impact of Pandemic Related Funds

Under the CARES Act, HUD was given flexibility in its procurement and contract administration activities.

In March 2020, OMB issued a memorandum allowing HUD to rescope some of its existing contracts for pandemic response and leverage the special emergency procurement authorities in connection with the President's emergency declaration. As of September 2020, HUD had 66 executed contract transactions related to COVID-19.

HUD OIG conducted a limited review of five of these procurement activities and found that all five had reasonable, pandemic-related justifications that either ensured the safety of contractor staff, allowed HUD to meet its business objectives, or both.

Based on the limited review, we concluded that HUD reduced disruptions to its procurement processes during the pandemic and allowed business to continue with contractor accommodations.

▶ Appendix I - Endnotes

- 1 24 CFR 50.3(i)
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- 10 [HUD Press Release No. 21-007](#), HUD Awards \$4.4 Million for Carbon Monoxide Detectors in Public Housing (January 19, 2021)
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 - 27 Audit Report [2017-KC-0001](#), FHA Paid Claims for an Estimated 239,000 Properties That Servicers Did Not Foreclose Upon or Convey on Time, (October 14, 2016)
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- 36 [Ginnie Mae Global Market Analysis Report](#), (June 2021), p. 44
- 37 [Ginnie Mae Global Market Analysis Report](#), (June 2021), p. 43
- 38 [GAO-19-191](#), Ginnie Mae: Risk Management and Staffing-Related Challenges Need to Be Addressed, (April 3, 2019)
- 39 [GAO-19-191](#), Ginnie Mae: Risk Management and Staffing-Related Challenges Need to Be Addressed, (April 3, 2019)
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- 41 See, Audit Memorandum [2021-NY-0801](#), Opportunities Exist To Improve HUD's Communication to Renters About Eviction Protections, (October 13, 2020), and Audit Memorandum [2021-LA-0802](#), Interim Audit Memorandum – The HUD Single Family Insurance Operations Division Should Take Additional Action to Inform Homeowners of Changes to Its FHA Refund Process Resulting From the COVID-19 Pandemic, (December 2, 2020)
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► Appendix II - Department Response



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, DC 20410-3000

MEMORANDUM TO: Rae Oliver Davis, OIG Inspector General, G
FROM: Marcia L. Fudge *Marcia L. Fudge*
SUBJECT: Response to OIG Fiscal Year 2022 Top Management Challenges

As we work together to create equitable, inclusive, and sustainable communities and to ensure affordable homes for our most vulnerable populations, HUD's Office of Inspector General (OIG) plays an important role as the Department seeks to continuously improve its performance.

We appreciate OIG's recognition of HUD's continued progress in a variety of areas, including Financial Management, and acknowledge OIG's recommendations for focused areas of improvement during this challenging time in our Nation's history. Even with the multitude of operational and programmatic challenges brought on by the pandemic, HUD staff has operated effectively in executing their expanding responsibilities.

We agree that only the highest performance and focused delivery is appropriate when it comes to program priorities and supporting administrative functions.

I should note, though, that without a reasonable level of resources, the Department will be unable to make significant progress in addressing several of the challenges facing it. We have put forth budget requests to the Congress and are hopeful that they will be approved.

Here are some other actions HUD has undertaken:

- Ensuring program properties are free from hazardous materials, including lead paint is a core responsibility of the HUD mission. We recognize as part of this requirement, there are challenges with processes for inspecting physical conditions and mitigating risks.
 - HUD has developed draft procedures for staff to enforce lead paint regulations.
 - HUD is developing a risk-based monitoring plan and structure to mitigate and address risks with respect to lead paint compliance monitoring.
 - HUD has developed a risk-based inspection plan to address the backlog of inspections.
- Actions are necessary to address counterparty risks faced by FHA and Ginnie Mae to protect taxpayer funds.
 - HUD is developing analytical tools to better understand the risk of flood hazard to FHA homeowners.
 - HUD has taken numerous steps to address the impact of the pandemic on borrowers and on HUD business partners.

- There is a national shortage of affordable housing and as noted in [HUD's Worst Case Housing Needs: 2021 Report to Congress](#), in 2019 only 62 affordable units were available for every 100 very low-income renter households, and only 40 affordable units were available for every 100 extremely low-income renter households. Resources available to HUD have not kept pace with this need. Nonetheless, HUD is working with its local partners to ensure access to available resources.
 - HUD established a Landlord Task Force to look into strategies to attract new landlords and to hold forums for landlords and PHAs to address declining landlord participation.
 - HUD recommended to individual agencies ways to increase leasing, including increasing the maximum amount of HUD subsidy allowed to support a voucher, and monitoring success rates.

- Concerns have been identified by those who seek to obtain disaster recovery assistance from HUD programs.
 - In January 2021, Secretary Fudge supported permanent authorization of the CDBG-DR program and said HUD would work with Congress on codification proposals.

- Like other grant-making agencies, HUD faces challenges in developing and implementing adequate policies, procedures, and controls to consistently and effectively monitor grantees' compliance with key program requirements.
 - HUD began staffing additional positions to help support monitoring and oversight, adopted and fully implemented a new Accountability, Integrity and Risk (AIR) Program charter to promote fiscal accountability, integrity, and risk management
 - HUD conducted five additional Front-end risk assessment (FERA) reviews on its programs that receive American Rescue Plan (ARP) funds.
 - HUD and its grantees have taken measures to improve the accuracy and reliability of homelessness data.

- HUD is challenged to detect and prevent fraud against programs and is encouraged to use available tools including training, outreach, monitoring, and enterprise risk management to safeguard its program funds.
 - HUD conducted training and developed SOPs for program managers on how to report fraud risks and expanded the fraud risk compendium to help educate program managers about fraud schemes that could affect HUD programs.
 - HUD communicated ethical guidelines around fraud, waste, abuse, and mismanagement, to include declaring November as anti-fraud month.

- While HUD has sustained progress during Fiscal Year 2021 in addressing its remaining financial management weaknesses, it needs to sustain its progress, including a focus on its internal control framework and its financial management systems to achieve a capable level of financial maturity.
 - During FY21, HUD received unmodified opinion on consolidated financial statements.

- HUD sustained progress during Fiscal Year 2021 in addressing its remaining financial management weaknesses.
- Recruitment, retention, and hiring qualified employees have been a growing concern for the Federal Government. HUD is challenged by these issues and specifically, time to hire and staff turnover.
 - HUD filled several Human Capital leadership vacancies in 2020-21, to include the Chief Human Capital Officer (CHCO), Deputy CHCO, and Director of Strategic and Workforce Planning.
 - Hiring timelines in FY 2021 are down 16% from FY 2020.
 - HUD is developing an automated position management and personnel security system and develop business intelligence tools to improve data analytics capabilities.
- While progress was noted, several long-standing issues persist including management of HUD's IT resources, security programs, data protection and privacy, and IT project management/modernization, which could impact the programs' ability to carry out the mission.
 - By deploying an agile modernization approach, OCIO and FHA have quickly released FHA Catalyst modules.
 - HUD is leveraging the technology and processes for the FHA Catalyst platform technology and processes for PIH's Native Advantage modernization.
- The procurement process faces issues including contractor oversight, acquisition staffing capacity, and operational weaknesses in key areas of HUD's IT acquisition and use of Shared Services.
 - HUD's OCPO is conducting targeted acquisition training, setting goals for early process engagement, and adding contractor support to address staffing gaps.
 - OCPO reported that in FY21, it awarded 80% of acquisitions within the prescribed Procurement Administrative Lead Time.

We thank the OIG for its commitment to performance excellence. We are committed to addressing each of the challenges identified by OIG as we strive to fulfill our mission and continually improve our processes and will continue to seek the additional resources needed to make significant improvements in several of these long-standing issues.

**Report fraud, waste, and mismanagement
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