OFFICE of INSPECTOR GENERAL
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Top Management Challenges

Facing the U.S. Department of Housing and Urban Development in FY 2023

Office of Inspector General
U.S. Department of Housing and Urban Development

Table of Contents

Memorandum

November 8, 2022

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Secretary, S

From: Rae Oliver Davis
Inspector General, G

Subject: Management and Performance Challenges for Fiscal Year 2023

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 2023 and beyond.

We organized the top management challenges to align with HUD's new strategic plan and five strategic goals: (1) Support Underserved Communities, (2) Ensure Access to and Increase the Production of Affordable Housing, (3) Promote Home Ownership, (4) Advance Sustainable Communities, and (5) Strengthen HUD's Internal Capacity. We also considered and incorporated two overarching themes identified by HUD: increasing equity and improving customer experience.

We identified the following 10 top management challenges:

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

Further, throughout the report, we highlight progress made by HUD, priority open recommendations, the ongoing impact of the pandemic, and related OIG work and other resources.

Management and Performance Challenges for Fiscal Year 2023

To identify this year's top management challenges, we reviewed our Fiscal Year (FY) 2022 Top Management Challenges report (FY 2022 TMC) and related progress made by the U.S. Department of Housing and Urban Development (HUD), including actions taken by HUD to resolve open recommendations. We reviewed HUD's FY 2022-2026 HUD Strategic Plan to ensure that the information we provide in this report incorporates the priorities, progress, and overarching themes identified by HUD, including increasing equity across all departmental programs and improving the customer experience of those that HUD serves. We considered new oversight work, findings, and recommendations, including those from the HUD Office of Inspector General's (OIG) Priority Open Recommendations report, issued in September 2022, and the U.S. Government Accountability Office's (GAO) Priority Open Recommendations: Department of Housing and Urban Development report, issued in June 2022.

We also conducted significant outreach to HUD's leadership team, program officials, oversight partners, and key external stakeholders to fully leverage and incorporate their knowledge, experiences, and expertise. Through that outreach, we heard about their perspectives on progress made by the Department in addressing each of its top management challenges and the obstacles the Department continues to face.

We determined that although HUD has made notable progress over the past year and has developed and started implementing a strategic plan focused on addressing these challenges, all 10 top management challenges from last year remain. For purposes of this report, we reorganized them to align with the five goals and associated objectives set forth in HUD's Strategic Plan, as follows:

Top Management Challenges	HUD Strategic Objective
Ensuring Access to & Availability of Affordable Housing	1A: Advance Housing Justice 1B: Reduce Homelessness
	2A: Increase the Supply of Housing 2B: Improve Rental Assistance
Mitigating Counterparty Risks in Mortgage Programs	3B: Create a More Accessible and Inclusive Housing Finance System
Eliminating Hazards in HUD Assisted Housing	4B: Strengthen Environmental Justice
Managing Human Capital	5A: Enable the HUD Workforce
Increasing Efficiency in Procurement	5B: Improve Acquisition Management
Improving IT Modernization and Cybersecurity	5C: Strengthen Information Technology
Sustaining Progress in Financial Management	5D: Enhance Financial & Grants Management
Administering Disaster Recovery	4A: Guide Investment in Climate Resilience
Grants Management	5D: Enhance Financial & Grants Management
Fraud Risk Management	5D: Enhance Financial & Grants Management

In this report, we explain why we identified each area as a top management challenge, highlight progress made by HUD over the past year, and discuss additional work that needs to be accomplished to address the challenge. Beyond highlighting relevant HUD OIG oversight products that informed this report, we continue to consider and incorporate reports published by other oversight bodies, to include GAO, the Council of the Inspectors General on Integrity and Efficiency (CIGIE), and the Pandemic Response Accountability Committee (PRAC). We weave in ongoing impacts of the pandemic on both the Federal workforce and on our stakeholders, who continue to face challenges in administering and monitoring the use of funding under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the American Rescue Plan (ARP) Act, and other dedicated pandemic-related funding.

HUD OIG Initiative To Align Oversight to HUD's Top Management Challenges

Our mission is to safeguard HUD's programs from fraud, waste, and abuse and identify opportunities for HUD programs to progress and succeed. Our 2022-2026 HUD OIG Strategic Plan demonstrates how we envision providing influential oversight through strategic collaboration, innovation, and independent work to accomplish that mission. Toward this end, we have intentionally sharpened the focus of our new work on oversight that will help HUD address the most significant risks in its programs. This year, we incorporate our ongoing work related to HUD's top management challenges throughout this report.

HUD's Lack of Capacity

Internal and external stakeholders identified capacity as a primary hurdle for HUD in addressing its top management challenges and achieving programmatic success. HUD employees and program participants consistently described HUD as being underfunded and understaffed, with inadequate infrastructure to address the growing mission, program responsibilities, and mandates of the agency.

With respect to staffing, stakeholders identified the difficulty HUD faces in attracting, incentivizing, and retaining the talent, expertise, and skill sets needed in key specialty areas. HUD competes with other federal agencies and the private sector for talented staff with skills in information technology (IT), law, data analytics, and financial services and regulatory industries. Limited staff capacity leads to expertise being concentrated in a small number of employees, risking gaps when those experts retire or depart to take on other opportunities. Stakeholders discussed long-term trends in reduced staff for HUD and an inability to bring staffing levels up with hiring. Stakeholders noted that even with small net gains in staff over the past few years, HUD still carries 30 percent fewer employees than it did 10 years ago, while its budget and programmatic funding has steadily increased. HUD offices that support hiring told us they also had inadequate staff, leaving them challenged to support

HUD'S STRATEGIC GOALS AND OBJECTIVES RELATED TO THE TOP MANAGEMENT CHALLENGES

Goal 1: Support Underserved Communities

- Strategic Objective 1A: Advance Housing Justice
- Strategic Objective 1B: Reduce Homelessness

Goal 2: Ensure Access to and Increase the Production of Affordable Housing

- Strategic Objective 2A: Increase the Supply of Housing
- Strategic Objective 2B: Improve Rental Assistance

Goal 3: Promote Homeownership

- Strategic Objective 3B: Create a More Accessible and Inclusive Housing Finance System

Goal 4: Advance Sustainable Communities

- Strategic Objective 4A: Guide Investment in Climate Resilience
- Strategic Objective 4B: Strengthen Environmental Justice

Goal 5: Strengthen HUD's Internal Capacity

- Strategic Objective 5A: Enable the HUD Workforce
- Strategic Objective 5B: Improve Acquisition Management
- Strategic Objective 5C: Strengthen Information Technology
- Strategic Objective 5D: Enhance Financial and Grants Management

other offices in bringing on new staff or contractor support in a timely manner. They also described shortages in HUD program offices responsible for new mandates, in particular the Office of Fair Housing and Equal Opportunity (FHEO).[1] Finally, we heard from some that HUD's staffing challenges and siloed approaches have led to inconsistent guidance to stakeholders, local challenges in approving proposals at the speed of business, and inconsistent implementation of new requirements.

With respect to technology, internal stakeholders identified HUD's legacy systems as major impediments to effectively addressing necessary operational enhancements, and external stakeholders identified HUD's legacy systems as major impediments to HUD's effectively and efficiently administering its programs and delivering outstanding customer experience.

With respect to data, they raised concerns about HUD's technical ability to securely collect, retain, process, analyze, and effectively share and compare data, concerns often connected to outdated IT systems.

Throughout its Strategic Plan, HUD builds many of these challenges and considerations into its goals and objectives and establishes strategies and measures meant to address them. We incorporated HUD's self-identified challenges and considerations into this report to further shed light on what steps HUD must take to address its top management challenges.

OVERSIGHT RESOURCES HIGHLIGHTED THROUGHOUT THIS REPORT

- **HUD OIG Priority Open Recommendations (September 27, 2022)**
- **HUD's FY 2022-2026 Strategic Plan (March 28, 2022)**
- **GAO's Priority Open Recommendations: HUD (June 8, 2022)**
- **FY 2022 TMC (November 17, 2021)**

Ensuring Access to and Availability of Affordable Housing

Related HUD Strategic Goal 1: Support Underserved Communities
Related HUD Strategic Goal 2: Ensure Access to and Increase the Production of Affordable Housing

HUD must continue making program improvements to create strong, sustainable, equitable, and affordable housing for all

The United States is still struggling with an affordable housing crisis, which was worsened by the COVID-19 pandemic. HUD's FY 2023 Annual Performance Plan states that it is now harder to find an affordable home in America than at any point since the 2008 financial crisis. HUD estimates a national housing stock shortage of 3.8 million homes, and the National Low Income Housing Coalition (NLIHC) estimates that the United States has a shortage of 7 million rental homes that are affordable and available to extremely low-income renters.[2] An abundant supply of housing is essential to HUD's mission of creating strong, sustainable, inclusive communities and quality affordable homes for all.

HUD acknowledges the opportunity to remove barriers and promote equity for people in communities that have been historically underserved by its programs. Specifically, HUD's 2022-2026 HUD Strategic Plan identifies that an absence of an equity lens in housing policy has contributed to segregated neighborhoods, mortgage redlining, and lending discrimination and inhibited wealth-building opportunities for underserved communities.

As the demand for housing has increased, supply has not kept pace.[3] HUD continues to experience challenges in efficiently and effectively overseeing its rental assistance programs. HUD acknowledged that challenges exist when providing oversight to a program based on recipient performance while dealing with limited resources. HUD's business partners are also facing barriers to fully utilizing their programs to maximize the assistance provided to HUD's beneficiaries. HUD generally has difficulty attracting new business partners, such as landlords and property owners, to participate in its tenant-based rental assistance programs to increase the access to and availability of affordable rental housing. This fact is echoed by external stakeholders, who believe program requirements and limitations do not keep up with market values and that property owners with good intentions find it cumbersome to participate.

HUD is also challenged with preserving its aging housing stock to provide quality affordable housing for families, the steady deterioration of which exacerbates the affordable housing shortage. The physical condition of HUD-assisted properties has been an ongoing concern of Congress and the American public. Additionally, HUD acknowledges that far too many families are experiencing homelessness and they need and deserve a safe, stable place to call home.[4]

HUD's FY 2022-2026 Strategic Plan's Strategic Goal 1 is to support underserved communities, and Strategic Goal 2 is to ensure access to and increase the production of affordable housing.

The strategic plan outlines three strategic objectives for supporting underserved communities: advancing housing justice, reducing homelessness, and investing in the success of communities. The strategic plan outlines two strategic objectives for ensuring access to and increasing the production of affordable housing: increasing the supply of housing and improving rental assistance. Department-led progress in equity, rental assistance, and production of affordable housing would benefit families and communities by increasing the availability of safe, high-quality, and affordable housing.

This year, we draw attention to these areas, the dire situation facing our Nation's most vulnerable populations, and progress HUD has made in addressing this management challenge.

HUD Remains Challenged To Ensure That the Maximum Number of Eligible Families Benefits From Its Housing Choice Voucher Program

The Housing Choice Voucher (HCV) Program, also known as Section 8 Tenant-Based Rental Assistance, is funded by HUD and allows eligible families to lease safe, decent, and affordable privately owned rental housing. The program is implemented through contracts between HUD and each public housing agency (PHA), which authorize a certain number of vouchers—or Federal subsidies for housing—to be issued under that contract, and annual appropriations by Congress to fund these contractual agreements.

A PHA determines the family's eligibility and issues a voucher. Once the family has found an acceptable unit, the PHA pays the HUD-funded housing subsidy directly to the landlord on behalf of the family. The family pays the difference between the actual rent and the amount subsidized by the HCV Program.

Voucher Utilization

A September 2021 HUD OIG audit report related to HUD's Oversight of Voucher Utilization and Reallocation in the Housing Choice Voucher Program found that HUD remains challenged to ensure that the maximum number of eligible families benefit from its HCV Program. It was estimated that as of November 2020, more than 62 percent of PHAs had leasing potential—unused voucher authority—and that leasing potential could increase in 2021. HUD estimated leasing potential to be around 80,000 vouchers in November 2020 and approximately 98,000 to the mid-upper 100,000s in 2021. The amount of leasing potential means that there is funding available to serve additional families. As of September 2022, HUD stated that eligible households were using about 86 percent of the housing vouchers that PHAs are authorized to administer, a decrease of 2 percentage points from prepandemic levels, affecting nearly 45,000 families.[5] One of HUD OIG's priority open recommendations for the Department, that HUD "establish and implement a plan for the unused and unfunded vouchers to mitigate or prevent additional vouchers from becoming unused and unfunded, "comes from this report.[6] This plan should include but not be limited to (1) implementing new or revising current regulations or procedures to allow for the reallocation of voucher funding in coordination with the Office of General Counsel; (2) working with interested parties, in particular the public housing industry, to determine how to use the unfunded vouchers; and (3) coordinating with HUD's Office of Policy Development and Research (PD&R) to determine whether research is needed to assess the current need for additional low-income housing assistance in each jurisdiction.[7]

Within Strategic Objective 2B of HUD's 2022-2026 Strategic Plan, HUD notes that the housing affordability crisis highlights the importance of maximizing the reach of HUD's rental assistance programs to assist as many households as possible.

HUD's FY 2022-2023 agency priority goal related to this objective is to increase public and multifamily housing occupancy rates to 96 percent by September 30, 2023, and to increase HCV Program budget utilization to its pre-COVID pandemic average of 100 percent by September 30, 2023.

In our FY 2022 TMC we highlighted that the success of the HCV Program is contingent on other factors, such as participation of private market landlords and maximum utilization of the voucher funding. Landlord participation determines the number of available units and their geographic distribution, which in turn affects tenant mobility, healthy housing, fair housing choice, and other HUD goals and strategies.[8] To this end, HUD is developing and implementing additional new and creative ways to increase landlord participation and leasing potential.

For example, on January 27, 2022, HUD added 29 PHAs to the Moving to Work Demonstration Program (MTW). Through this group, HUD will evaluate landlord incentives and their impact on landlord participation in

OIG WORK AND OTHER RESOURCES

Emergency Solutions Grants CARES Act Implementation Challenges, HUD OIG Report 2022-LA-0002 (August 17, 2022).

HUD's Oversight of Voucher Utilization and Reallocation in the Housing Choice Voucher Program, HUD OIG Report 2021-CH-0001 (September 15, 2021)

Building Back a Better, More Equitable Housing Infrastructure for America: Oversight of the Department of Housing and Urban Development, U.S. House Committee on Financial Services Hearing (July 20, 2021)

Use of Landlord Incentives in the Housing Choice Voucher Program, HUD OIG Memorandum, HUD OIG Report 2021-LA-0803 (January 25, 2021)

Opportunities Exist To Improve HUD's Communication to Renters About Eviction Protections, HUD OIG Memorandum 2021-NY-0801 (October 13, 2020)

Office of Policy Development and Research Worst Case Housing Needs: 2019 Report to Congress, Office of Policy Development and Research Report (June 19, 2020)

As More Households Rent, the Poorest Face Affordability and Housing Quality Challenges, GAO Report No. GAO-20-427 (May 27, 2020)

HUD's HCV Program to improve residents' ability to use vouchers in their community. MTW provides PHAs the opportunity to design and test innovative, locally designed strategies that use Federal dollars more efficiently, help residents find employment and become self-sufficient, and increase housing choices for low-income families. MTW allows PHAs exemptions from many public housing and voucher rules and provides funding flexibility with how they use their Federal funds.[9]

On June 13, 2022, HUD Office of Public and Indian Housing (PIH) issued Notice PIH 2022-18, which allows PHAs to use a portion of their HCV Program administrative fees to (1) assist households with prelease and post lease activities, security deposits, utility deposits, application fees, holding fees, and renter's insurance; (2) provide incentives to attract or retain landlords; and (3) offer owner retention payments.

On September 1, 2022, HUD released its Fair Market Rents (FMRs) for Fiscal Year FY 2023. FMRs are an estimate of the amount of money that would cover gross rents (rent and utility expenses) on 40 percent of the rental housing units in an area and are used in several HUD programs, including to determine the maximum amount that a housing choice voucher will cover. FMRs will increase by an average of 10.4 percent across the United States to enable voucher holders to secure leases in more units amid rapid rent spikes. HUD incorporated private-sector data to ensure the accuracy of FY 2023 FMRs due to difficulty in utilizing public census data that were temporarily interrupted during the coronavirus pandemic. HUD is hopeful that this temporary methodological change will make it easier for households to use their vouchers and rent affordable homes.

Funding Limitations

On January 19, 2022, the Center on Budget and Policy Priorities (CBPP) updated its Federal Rental Assistance Fact Sheet.[10] The fact sheet states that in 2019, the median rent including utilities was $1,100 and approximately 23.4 million low-income families paid more than half of their income for rent. Of the 23.4 million low-income families, approximately 5 million families receive Federal rental assistance.

On February 15, 2022, the CBPP reported that funding limitations create widespread unmet needs for rental assistance. The report stated that unlike economic security programs, such as the Supplemental Nutrition Assistance Program (SNAP), Federal rental assistance reaches only a fraction of renters in need. While the number of SNAP participants increases in response to economic downturns, inadequate funding prevents rental assistance from scaling up to meet rising need. This means that more than 16 million low-income households lack rental assistance, putting them at increased risk of eviction, homelessness, and other forms of housing instability. Demand for rental assistance far exceeds the amount available, which often results in long waiting times around the country. Wait times among families who receive

PROGRESS REPORTED

HUD has implemented one of GAO's Priority Open Recommendations related to the Moving to Work program. Specifically, in July 2022 HUD provided a plan it had developed to monitor stepped rent, term-limited assistance, and work requirement activities, collectively referred to as high-impact activities. This among other actions was responsive to GAO's recommendation to develop and implement a plan for analyzing the information that agencies report on the effect of rent-reform, work-requirement, and time-limit policies on tenants as part of a framework for monitoring the effect of these policies on tenants.[52]

Additionally, as set forth in HUD's FY 2022-2026 Strategic Plan, the Department has taken several steps to address challenges with access to and availability of affordable housing, such as:

- HUD implemented an Eviction Protection Grant Program to help low-income renter families and individuals avoid eviction or minimize the disruption and damage caused by the eviction process in areas with high rates of evictions or prospective evictions, including rural areas.
- PD&R is 2 years into a 5-year study of methods to incentivize landlords to rent to HCV-assisted households.
- PD&R plans to begin a study of the long-term outcomes of participants in the Family Options Study. This project will support a 10-year follow-up with the families who were randomly assigned to receive one of four interventions—rapid rehousing, project-based transitional housing, subsidy only, or usual care—and were followed for 3 years.

vouchers average close to 2.5 years nationally. Many other eligible families do not receive rental assistance because they never rise to the top of the waiting list or they live in an area where the waiting list is closed. Limited funding also leaves the housing safety net poorly equipped to meet increased need for rental assistance during a crisis, capping the number of households that can be assisted.[11]

The Consolidated Appropriations Act, 2022 (P.L. 117-103), appropriated $200 million for HUD to issue new incremental vouchers, which may include addressing factors, such as severe cost burden, overcrowding, substandard housing for very low-income renters, homelessness, and a PHA's administrative capacity.

Decreasing Supply and Physical Condition of Affordable Housing

HUD's FY 2023 Congressional Justification states that the affordable housing shortage, especially housing affordable to families with low to moderate incomes, is a major contributor to high housing costs. As previously noted, HUD estimates a national housing stock shortage of 3.8 million homes, and the NLIHC estimates that there is a shortage of 7 million rental homes affordable and available to extremely low-income renters.[12] That staggering shortage is in part because housing production has lagged compared to population growth for decades.[13] The result is that the supply of affordable housing has not kept pace with demand. HUD stated that over the last year, the price of single-family homes and the cost of renting a home both increased by double digits in 2021. Additionally, HUD pointed out that a lack of housing supply is a major contributor to high housing costs.

Meanwhile HUD's housing portfolio continues to age. The typical public housing property was built between 1955 and 1975, while the typical multifamily housing property was built between 1972 and 1995.[14] The physical condition of HUD-assisted properties is an ongoing concern of Congress and the American public. Congress,[15] industry stakeholders,[16] and the current Administration[17] have focused attention on the need for extensive capital repairs of HUD's public housing portfolio. The Department issues reports to Congress on inferior conditions of units that participate in HUD's programs.[18] Additionally, as highlighted in our TMC section, Eliminating Hazards in HUD-Assisted Housing, HUD OIG reports have identified the health and safety concerns for the families and children that may be subjected to lead-based paint hazards, radon, and other environmental pollutants near or within HUD-assisted housing. The Department must continue to address these ongoing problems as they compound the market-related supply issues of HUD-assisted housing and may negatively impact tenants' health.

In October 2021, the National Low Income Housing Coalition and the Public and Affordable Housing and Research Corporation issued a joint report, entitled 2021 Picture of Preservation. Preservation risks, stemming from expiring affordability restrictions, underfunding, or disrepair put federally assisted rental homes at risk of being lost from the affordable housing stock. This report groups preservation risks into three categories, based on a previous work paper:[19] exit risk,[20] depreciation risk,[21] or appropriations risk.[22] The report estimates that nearly 6 percent of the

IMPACT OF PANDEMIC-RELATED FUNDS

On July 12, 2022, the Department published a factsheet highlighting how the Emergency Housing Voucher (EHV) program established under the American Rescue Plan Act has been allocated as of that date. HUD stated that approximately 87 percent of EHVs are either leased or were currently used. That 87 percent utilization rate has helped more than 26,000 households with renters who were homeless or survivors of domestic violence or otherwise at risk of not being able to afford a safe, stable place to call home.[53] HUD also estimates that nearly 35,000 EHV holders are in the process of searching for housing or completing the lease process.

federally assisted housing stock is set to lose affordability restrictions by 2025. Absent preservation efforts, this may result in the loss of more than 176,000 units in the near term.

Strategic Objective 2A of HUD's 2022-2026 Strategic Plan states that HUD plans to increase access to and production of affordable housing by supporting the financing and production of new affordable housing, strengthening Federal Housing Administration (FHA) multifamily housing programs in underserved communities, and preserving existing HUD-assisted affordable housing by leveraging the Rental Assistance Demonstration Program to stabilize and rehabilitate properties. HUD's learning agenda seeks to research restrictive zoning laws, gaps in financing for multifamily housing, and how the Housing Trust Fund is being used to increase the production of affordable housing.

On May 16, 2022, Secretary Fudge announced the Housing Supply Action Plan[23] as the latest step HUD and the current Administration are taking to expand the Nation's supply of affordable housing. The plan builds upon the steps the Administration announced in September 2021 to build and rehabilitate 100,000 homes over the next 3 years. Under the Action Plan, the Administration will "reward jurisdictions that have reformed zoning and land-use policies; deploy new financing mechanisms to build and preserve more housing where financing gaps currently exist; expand and improve existing forms of federal financing; ensure that more government-owned supply of homes and other housing goes to owners who will live in them; work with the private sector to address supply chain challenges and finish construction in 2022 on the most new homes in any years since 2006." HUD will play a central role in executing this plan and has outlined specific actions it will take.

On June 1, 2022, Secretary Fudge announced[24] the Our Way Home initiative. Our Way Home is a national initiative that seeks to uplift the unique housing supply successes in local communities and connects cities, counties, tribal communities, States, and U.S. territories to the tools and resources needed to help preserve and produce affordable housing in their area. HUD will update resources through blog posts on the Our Way Home webpage.[25]

Supporting Underserved Communities

A 2021 CBPP report on wait times for vouchers highlights that persons of color are disproportionately likely to experience housing insecurity[26] and homelessness[27] due to a long history of racist housing policies[28] and racial discrimination that has limited their economic opportunities, and one survey shows that households of color are disproportionately represented on waitlists, on average. In addition to persons of color, HUD has identified underserved populations, to include but not be limited to the following: "members of religious minorities; members of the LGBTQ+ community; persons with disabilities; persons who live in rural areas; immigrants; populations with limited English proficiency (LEP); survivors of domestic violence and sexual assault; survivors of human trafficking; people involved in the criminal justice system; and persons otherwise adversely affected by persistent poverty or inequality."[29]

HUD will attempt to fortify support for underserved communities and support equitable community development for all people residing in America through three objectives: advancing housing justice, reducing homelessness, and investing in the success of communities.

Reducing Homelessness

The Department has made reducing homelessness an agency priority goal for FY 2022-2023. Specifically, Strategic Objective 1B sets a September 30, 2023, target date to make homelessness rare, brief, and nonrecurring by reducing the number of people experiencing homelessness by 15 percent from 2020 levels.

As we highlighted in our FY 2021 TMC, to assist the homeless, it is critical to have an accurate count of the homeless population. HUD uses three primary resources to estimate the size of the U.S. homeless population: a point in time (PIT) count, a housing inventory count (HIC), and a Homeless Management Information System database. HUD's collection efforts are built into its Continuum of Care (CoC) Program, a grant program designed to help communities assist individuals and families experiencing homelessness. A GAO report found that HUD is likely underestimating the number of people experiencing homelessness and median rent increases of $100 a month were associated with a 9 percent increase in homelessness in the areas GAO examined.[30]

Due to the COVID-19 pandemic, many communities were not able to conduct an unsheltered PIT count in 2021; thus, HUD was unable to provide a 2021 national homelessness number.[31] Part 1 of the Department's 2021 Annual Homeless Assessment Report (AHAR) to Congress was able to present findings based only on people experiencing sheltered homelessness.[32] Part 2 of the AHAR, issued in August 2022, builds on the Part 1 report by presenting estimates of people experiencing sheltered homelessness at any point over the course of one year, based on data from HUD's Homeless Management Information System.[33]

HUD acknowledges that the pandemic also resulted in operational changes to the capacity of homeless service providers to reduce the risk of COVID-19 transmission. For instance, HUD highlights that facility-based emergency shelters with congregate settings took measures to increase physical distancing by reducing the number of beds available for occupancy. HUD also indicates that this reduced capacity was reported in some communities through the HIC but in other communities, it was not.

Considering these data limitations, HUD produced a series of findings, which included, among others, that:

- On a single night in 2021, more than 326,000 people were experiencing sheltered homelessness in the United States. For each 10 families identified,
    - six were individuals—that is, people in households with only adults or in households with only children—and
    - four were families with children.
- While the number of people staying in sheltered locations decreased by 8 percent between 2020 and 2021, the number of sheltered individuals identified as chronically homeless[34] increased by 20 percent between 2020 and 2021.
- On a single night in 2021, 15,763 people under the age of 25 experienced sheltered homelessness on their own as "unaccompanied youth." This represents a decline of 9 percent between 2020 and 2021. While decreases in sheltered homelessness among unaccompanied youth were experienced across nearly all demographic characteristics, a few groups did experience increases: transgender unaccompanied youth, gender nonconforming unaccompanied youth, and Native American unaccompanied youth.

On June 22, 2022, the current Administration and HUD announced $365 million in funding opportunities to enhance communities' capacity to address unsheltered homelessness by connecting vulnerable individuals and families to housing, health care, and supportive services.[35] These funding opportunities specifically include $322 million in CoC Program grants through a special notice of funding opportunity to fund homeless outreach, permanent housing, supportive services, and other costs as part of a comprehensive community approach to solve unsheltered homelessness and an additional $43 million to fund approximately 4,000 new incremental vouchers that will be allocated via a separate notice to PHAs with a priority to those that are partners in comprehensive community approaches to solve homelessness. Following this announcement, on August 24, 2022, the Department formally announced the noncompetitive allocation strategy for the new incremental vouchers.[36] HUD plans to award up to $43.4 million to support approximately 4,000 vouchers with the goal of encouraging a communitywide commitment to the goal of ending homelessness through a coordinated, Housing First[37] approach.[38]

HUD has an opportunity to advance its goal of ending homelessness in its administration of the coronavirus relief funding, including the Emergency Solutions Grants CARES Act (ESG-CV) funds. In HUD OIG's report, Emergency Solutions Grants CARES Act Implementation Challenges, published on August 17, 2022, we used a survey questionnaire to gather feedback and insight directly from the 362 recipients of ESG-CV grants. Our survey questionnaire of the ESG-CV grant recipients found that they faced challenges in implementing the program and using grant funds. The grant recipients needed an extension beyond the spending deadline of September 30, 2022, to use a majority or all their ESG-CV funds. HUD subsequently extended the spending deadline to help address this issue. The top challenges identified by the grant recipients included staff capacity and coordinating with other sources of pandemic-related funding. In addition, a majority of the grant recipients that provided ESG-CV funds to subrecipients stated that the pandemic impacted their ability to effectively monitor their ESG-CV subrecipients.

While HUD has taken action to help address the spending deadline concerns, the grantees' challenges with capacity, multiple funding sources, and monitoring their subgrantees may increase the risk of misuse of the funds. HUD can use the results of our survey questionnaire to potentially improve the continued implementation of the ESG-CV program to inform its risk assessment of ESG-CV grantees. Such oversight is crucial to ensuring that the funds are maximized for the vulnerable populations Congress intended to reach with this program.

Advancing Housing Justice

As previously stated, a lack of affordable housing disproportionately affects underserved communities because of longstanding inequities stemming from various discriminatory policies and practices. HUD acknowledges the role it has played in declining to invest in underserved communities', inhibiting their access to needed services and resources. Strategic Objective 1A in HUD's FY 2022-2026 Strategic Plan is to Advance Housing Justice. The Department's primary focus in advancing housing justice is to "expand the Department's role in proactively supporting and protecting vulnerable and underserved communities while increasing enforcement of, and compliance with, Fair Housing laws."

On June 1, 2021, President Biden announced the launch of an interagency initiative to combat bias in home appraisals. This initiative became a 13-agency Federal task force on Property Appraisal and Valuation Equity (PAVE), which is co-led by the HUD Secretary and the White House Domestic Policy Council. Federal Home Loan Mortgage Corporation research leveraging census data revealed, among other facts, that 12.5 percent of appraisals for home purchases in majority-black neighborhoods and 15.4 percent in majority-Latino neighborhoods result in a value below the contract price, compared to only 7.4 percent of appraisals in predominantly white neighborhoods.[39] PAVE was directed to evaluate the causes, extent, and consequences of appraisal bias and establish a transformative set of recommendations to root out racial and ethnic bias in home valuations.[40]

On March 23, 2022, the Department issued the final PAVE Action Plan. The Action Plan delivers on the task force's adopted directives by describing the extent, causes, and consequences of misvaluing residential properties and outlining a set of commitments and corresponding actions to address the misvaluing of properties.

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

The CARES Act was signed into law[41] in March of 2020 and provided a 120-day eviction moratorium for properties that participated in Federal assistance programs (or were subject to federally backed loans) and that tenants in covered dwelling units must be provided 30 days' notice.[42] On September 4, 2020, the Centers for Disease Control and Prevention (CDC) issued an eviction moratorium order temporarily halting evictions in the United States.[43] While the order expired on December 31, 2020, the Consolidated Appropriations Act, 2021, was signed into law on December 27, 2020, and extended the statutory halt on evictions until January 31, 2021.[44] The order was subsequently extended multiple times. Most recently, on August 3, 2021, the CDC extended the order for an additional 60 days.[45] The order was vacated by a Supreme Court decision on August 26, 2021, which found that the CDC lacked the statutory authority to issue it.[46]

After the order was vacated by the Supreme Court, HUD continued its efforts to protect the Nation's most vulnerable populations as well as those Americans who were not receiving Federal assistance but may disproportionately face eviction through discriminatory policies and practices. States have taken various approaches related to eviction moratoriums.[47]

In addition to making funding and tools available to assist households and landlords, HUD partnered with the U.S. Department of the Treasury and grantees to connect households behind on rent and utilities with financial assistance.[48] On October 7, 2021, the HUD Secretary activated a required minimum 30-day eviction notification period and other required actions to support families at-risk of eviction for nonpayment of rent.[49] HUD also expanded the amount of grant funding it provided for eviction protection and diversion to help non-profits and governmental entities provide legal assistance to low-income tenants at risk of or subject to eviction.[50]

Data limitations prevent HUD from accurately evaluating the success of its various eviction protections. It is important that HUD maintain up-to-date and readily accessible information for all impacted renters, yet HUD is not tracking evictions. To that end, PD&R issued a report to Congress on the feasibility of creating a national evictions database, which proposed ideas for the collection of eviction data.[51]

Additionally, HUD grantees are experiencing challenges distributing financial assistance to tenants and landlords to avoid as many evictions as possible. 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.

Mitigating Counterparty Risks in Mortgage Programs

Related HUD Strategic Goal 3: Promote Home Ownership

HUD must continue to take steps to address counterparty risks faced by FHA and Ginnie Mae and protect the mortgage insurance fund

HUD's mission includes supporting sustainable home ownership and encouraging investment in affordable rental housing. As set forth in goal 3 of its new strategic plan,

> "Home ownership is vital to promoting viable, inclusive economic opportunities to all. HUD is dedicated to helping individuals develop wealth by improving access to affordable home ownership. This will be achieved by maximizing the extension of credit for low-to-moderate income homebuyers and those underserved by the conventional mortgage market."

FHA administers HUD insurance programs, and the Government National Mortgage Association (Ginnie Mae) administers the guarantee of government-insured mortgage-backed securities (MBS).

Through FHA and Ginnie Mae, HUD employs a two-pronged approach to accomplishing this mission:

- by insuring mortgage loans that 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 the market.

FHA and Ginnie Mae must work with outside entities, including property owners, banks, nonbank lenders, and issuers. Each one of these outside entities has responsibilities and obligations they must meet in responsibly doing business with the government. FHA, Ginnie Mae, and HUD must identify, mitigate, and manage risks related to each entity (also referred to as "counterparty") to protect the Mortgage Insurance Fund and the Guaranty Fund.

As set forth below, both HUD OIG and GAO have identified priority open recommendations for HUD related to counterparty risks. Therefore, we again include this as a top management challenge for HUD in FY 2023.

FHA's Counterparty Risk

FHA is one of the largest mortgage insurers in the world.[54] More than 1 million individuals and families benefit from FHA's single-family mortgage insurance programs each year, and in fiscal year 2021, FHA insured more than 1.4 million mortgages through these programs.[55] As of July 2022, FHA had an active single-family forward mortgage portfolio of nearly $1.2 trillion,[56] and there were 11,088 insured multifamily properties.[57] HUD-approved lenders who originate FHA-insured single-family loans perform the necessary eligibility screenings and decisions on HUD's behalf.[58] This year, we include several challenges in FHA's management of counterparty risk related to protecting the Mortgage Insurance Fund, which we incorporated into our priority open recommendations. Specifically, we designated six priority open recommendations in this area involving flood insurance, eligibility, and claims processing.

Flood Insurance

In March 2022, We issued a report, Approximately 31,500 FHA-Insured Loans Did Not Maintain the Required Flood Insurance Coverage in 2020, finding that based on a statistical sample, FHA insured at least 31,500 loans serviced during calendar year 2020 for properties that did not maintain the required flood insurance coverage. As a result, the FHA insurance fund was potentially exposed to greater risk from at least $4.5 billion in loans that did not maintain adequate National Flood Insurance Program coverage. We identified recommendation 1B as a priority open recommendation, to "develop a control to detect loans that did not maintain the required flood insurance to put $1.5 billion to better use by avoiding potential future costs to the FHA insurance fund from inadequately insured properties." If implemented, HUD will reduce the risk of flood hazards to FHA homeowners and better ensure that borrowers maintain the required flood insurance coverage.

In our FY 2022 TMC, we reported that:

- HUD was developing analytical tools to better understand the risk of flood hazard to FHA homeowners and the collateral securing their home loan and mortgage insurance.
- FHA was updating its systems to track flood insurance and prevent loan endorsement without required flood insurance and anticipated completing this update by March 31, 2022.
- HUD had released a proposed amendment to FHA regulations on November 10, 2020, that would allow lenders to accept private flood insurance policies on FHA-insured properties located in special flood hazard areas.

In March 2022, FHA announced enhancements to its FHA Connection system that require lenders to indicate whether properties are in a Special Flood Hazard Area and if so, provide the applicable flood insurance data electronically when it submits case binders for loans during the loan origination.[59] This data collection resulted in the closure of a recommendation from HUD OIG's previous audit report[60] and represents significant progress because it will enable FHA to perform more data analytics on FHA-insured properties in flood zones. HUD has not released further information related to private flood insurance and is working to address the recommendations from the March 2022 audit report.

Ineligible Loans Related to Debt and Tax Delinquencies

In HUD OIG's Priority Open Recommendations, in the category, Protecting the Mortgage Insurance Fund, we identified three recommendations from three HUD OIG reports related to eligibility as priority open recommendations:

- Recommendation 1A from FHA Insured $1.9 Billion in Loans to Borrowers Barred by Federal Requirements
- Recommendation 1A from FHA Insured at Least $13 Billion in Loans to Ineligible Borrowers With Delinquent Federal Tax Debt
- Recommendation 1B from The Data in CAIVRS Did Not Agree with the Data in FHA's Default and Claims System

As reported last year, these three reports determined, respectively, that 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; that FHA insured more than 56,000 single-family loans, worth $13 billion in fiscal year 2018, to ineligible borrowers because they had delinquent Federal tax debt; and that violations occurred even though FHA provided lenders with the Credit Alert Verification Reporting System (CAIVRS) to screen borrowers for delinquent Federal debt.

Our three priority open recommendations involve HUD's use of several data sources to help determine borrower eligibility and include development of a method for using the Do Not Pay portal, which is a service run by U.S. Department of the Treasury's Bureau of the Fiscal Service allowing agencies to check many data sources to verify a recipient's eligibility for a Federal payment.[61] Specifically, HUD could (1) use the Do Not Pay portal during the underwriting process to identify delinquent

RECENT HUD OIG REPORTS AND OTHER RESOURCES

Approximately 31,500 FHA-Insured Loans Did Not Maintain the Required Flood Insurance Coverage in 2020, HUD OIG Report 2022-KC-0002 (March 22, 2022)

HUD Did Not Have Adequate Controls in Place to Track, Monitor, and Issue FHA Refunds Owed to Homeowners, HUD OIG Report 2022-LA-0001 (January 7, 2022)

FHA Borrowers Did Not Always Properly Receive COVID-19 Forbearances from Their Loan Servicers,HUD OIG Report 2022-KC-0001 (December 15, 2021)

HUD Did Not Always Implement Corrective Actions to Further Ensure That HECM Borrowers Complied with Principal Residency Requirements, HUD OIG Memorandum 2022-PH-0801 (December 10, 2021)

GAO Priority Open Recommendations: HUD, GAO Report No. GAO-22-105539 (June 08, 2022) child support and delinquent Federal debt, (2) require lenders to obtain borrowers' consent to verify the existence of delinquent Federal taxes with the Internal Revenue Service during loan origination, and (3) update selection rules for CAIVRS to provide for complete reporting of all ineligible borrowers. HUD has agreed with these recommendations. If implemented, HUD will reduce the approval of loans to ineligible borrowers.

Lengthy Foreclosure and Conveyance Process

Another challenge HUD faces is a lengthy foreclosure and conveyance process, which negatively impacts the Mutual Mortgage Insurance Fund. When an FHA-insured loan defaults and the lender submits a claim, HUD is obligated to reimburse the lender for its losses, including the unpaid principal balance, accrued interest, and holding costs of the lender during the foreclosure and conveyance process. HUD regulations require the lender to obtain a good and marketable title and then convey the property to HUD, generally within 30 days of the later of (1) filing for record of the foreclosure deed, (2) recording date of deed in lieu of foreclosure, (3) acquiring possession of the property, (4) expiration of the redemption period, or (5) such further time as the HUD Secretary may approve in writing.[62] GAO found that from July 2010 to December 2017, the process for conveying foreclosed-on properties to FHA took a median of 70 days, with servicers exceeding the required conveyance timeframe 55 percent of the time.[63]

In HUD OIG's Priority Open Recommendations, in the category, Protecting the Mortgage Insurance Fund, we identified recommendations 1A from each of the following related reports as priority open recommendations. In the first report, FHA Paid Claims for an Estimated 239,000 Properties That Servicers Did Not Foreclose Upon or Convey on Time, we found that HUD paid claims for an estimated 239,000 properties that servicers did not foreclose upon or convey on time. HUD paid an estimated $141.9 million for servicers' claims for unreasonable and unnecessary debenture interest that was incurred after the missed foreclosure or conveyance deadline and an estimated $2.09 billion for servicers' claims for unreasonable and unnecessary holding costs that were incurred after the deadline to convey. In the second report, HUD Paid an Estimated $413 Million for Unnecessary Preforeclosure Claim Interest and Other Costs Due to Lender Servicing Delays, we found that HUD paid an estimated $413 million in unnecessary interest and other costs for preforeclosure claims after lenders failed to complete servicing actions for defaulted loans within established timeframes. Both priority open recommendations requested that HUD make changes to the Code of Federal Regulations (CFR), at 24 CFR part 203, to avoid unnecessary costs to the FHA insurance funds, which if implemented, will improve HUD's ability to manage and oversee its single-family portfolio, help protect the FHA insurance fund, and clarify requirements for lenders. HUD has agreed with both recommendations.

In our FY 2022 TMC, we noted that HUD plans to amend 24 CFR part 203, to require the curtailment of preforeclosure interest and other costs caused by lender servicing delays. According to HUD, the Maximum Claim Rule has been included in the Office of General Counsel's Regulatory Agenda for upcoming rulemaking. In addition, in March 2022, FHA issued

NEW AND ONGOING RELATED OVERSIGHT

Ginnie Mae Process and Guidance for Troubled Issuers

COVID-19 Loss Mitigation

External COVID-19 Loss Mitigation

HUD Communication to Homeowners Regarding COVID-19 Policies

Temporary Endorsement Policy Related to COVID-19 Forbearance Activity

PROGRESS REPORTED

Ginnie Mae is making efforts to standardize data being reported by issuers, which will lead to improvements in the future, especially in regard to delinquency reporting. Further, Ginnie Mae continued to make improvements to its policies and procedures.

FHA established the 40-year loan modification as part of its COVID-19 recovery loss mitigation options.[73]

Further, Ginnie Mae and the Federal Housing Finance Agency (FHFA) released new financial eligibility requirements impacting nonbanks in August 2022, which go into effect in September 2023.

Mortgagee Letter 2022-06, related to this topic, improving upon existing regulations by clarifying that the period is based on the early date on which the actions should have occurred. However, it did not fully address the report recommendations because it still excluded taxes and insurance from the list of items disallowed.

Home Equity Conversion Mortgage Portfolio Risk

To be eligible for a home equity conversion mortgage (HECM), homeowners must occupy the property as a principal residence. Additionally, homeowners are not required to repay the loan if they continue to occupy the home as a principal residence, maintain the property, and pay the property taxes and the mortgage insurance premiums.

In December 2021, HUD OIG issued a corrective action verification (CAV) report after reviewing recommendations related to the HECM requirement for ongoing principal occupancy from four prior audit reports, cited on page 12 of our FY 2016 TMC. Based on the results of the CAV, recommendations from three of the four reports were reopened, and an additional recommendation was made that HUD's Office of Single-Family Housing coordinate its efforts with PIH and the Office of Multifamily Housing Programs to further ensure that appropriate controls are in place to prevent HECM borrowers from violating principal residency requirements. This review found that HUD did not implement ongoing corrective actions to prevent HECM borrowers from (1) renting out their properties to HCV Program participants, (2) concurrently participating in the HCV Program as a participant receiving assistance, and (3) concurrently participating in HUD's multifamily programs as a participant receiving assistance. As a result, there is an increased risk to the insurance fund when the property is not the principal residence of at least one borrower.

Ginnie Mae's Counterparty Risk

Ginnie Mae is a Federal Government corporation[64] wholly owned by HUD. It approves lenders (known to Ginnie Mae as issuers) to issue MBS backed by federally insured loans and guarantees that the investor will not lose principal or acquired interest in the event of default by the issuer to make payments on the MBS.

Although Ginnie Mae has enhanced its counterparty risk management,[65] this is the first time since the financial crisis when economic conditions are unfavorable to nonbanks, with high interest rates and rising home prices.[66] Current economic conditions are especially hard for nonbank issuers because they do not have multiple business lines to fall back on during mortgage lending downturns and they do not take deposits, which creates a reliance on short-term loans.

Mortgage volume has fallen for four consecutive quarters, with the largest decreases in the first half of 2022.[67] The number of loans endorsed during this period fell 34 percent compared to the previous year. This condition is driven mostly by the decline in refinances and rising interest rates. Further, rising costs may make it difficult for borrowers to make monthly mortgage payments, which can create another challenge for issuers who must continue to advance payments to investors despite not receiving borrowers' payments.

Risk Management and Staff-Related Challenges

In GAO's Priority Open Recommendations: HUD, GAO identified priority open recommendations pertaining to Ginnie Mae's risk management and staff-related challenges. Specifically, GAO stated that Ginnie Mae has faced challenges in its ability to oversee significant growth in its operations and identified the following three priority open recommendations from its April 2019 report, that Ginnie Mae evaluate (1) its contractor use, (2) its contract administration, and (3) the costs and benefits of options to revise compensation structures for employees. According to GAO, implementing these recommendations would strengthen Ginnie Mae's capacity to respond to its increasing volume of business and enhance management of contractors and budgets for in-house staff.[68]

Issuers Shift From Banks to Nonbanks

Ginnie Mae's program has grown significantly, along with a substantial compositional shift from traditional depositories (banks) to nonbanks. As of April 2021, nonbanks represented 77.7 percent of Ginnie Mae's issuer base.[69] Additionally, Ginnie Mae securities are highly concentrated in its top six issuers, five of which are nonbanks. As of July 2022, Ginnie Mae reported that more than half of the Ginnie Mae mortgage servicing rights (MSR) are owned by its top six issuers. MSR means the right and obligation to collect and remit funds from securitized mortgage loans. The top 30 issuers collectively own 83.2 percent of its outstanding unpaid principal balance guaranteed by Ginnie Mae.[70]

GAO[71] has reported that monitoring costs and risks have increased as more nonbanks become Ginnie Mae issuers. Nonbanks pose an increased risk because many of these institutions involve more complex third-party transactions, rely more on credit lines, and conduct more frequent trading of MSR.

Pandemic-Related Risks to FHA and Ginnie Mae

The 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.

In a December 2021 HUD OIG report, [FHA Borrowers Did Not Always Properly Receive COVID-19 Forbearances From Their Loan Servicers], we found that at least one-third of the nearly 335,000 borrowers, who were delinquent on their FHA-insured loans and not on forbearance in November 2020, were either not informed or misinformed about the COVID-19 forbearance. As a result, these borrowers experiencing a hardship due to COVID-19 did not benefit from the COVID-19 forbearance. We also found that servicers improperly administered the forbearance for at least one-sixth of the nearly 815,000 borrowers on forbearance plans in November 2020. Servicers also performed excessive communication and collection efforts for borrowers who were already in forbearance. As a result, these borrowers experienced additional burdens from improperly administered forbearance. We made several recommendations, to include that FHA identify borrowers who are delinquent and did not fully benefit from the COVID-19 forbearance and ensure that information about the CARES Act and COVID-19 forbearance is distributed to these borrowers, that FHA review the 21 loans in our statistical sample with improperly administered forbearance to ensure that the borrowers were assisted by the servicers if possible, and to ensure that these servicers updated their forbearance procedures to prevent future noncompliance. As discussed in the audit report, HUD resolved the finding and associated recommendations by sending letters to more than 300,000 borrowers who had not made a mortgage payment for more than 60 days.

The number of loans in forbearance in Ginnie Mae MBS drastically declined from 401,336 in April 2021 to 133,269 remaining in May 2022. Ginnie Mae extended its COVID-19 relief policies for issuers with fiscal year ends of September 30, 2022, and delinquency reporting through January 31, 2023.

In our FY 2022 TMC, we also noted that Ginnie Mae had announced in June 2021 the creation of a new, custom pool type to support the securitization of modified loans with terms of up to 40 years.[72] 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. However, at the time of publication, HUD had not announced a 40-year modification option. Since the FY 2022 TMC, FHA has established the 40-year loan modification as part of its COVID-19 recovery loss mitigation options.

Tracking, Monitoring, and Issuing Refunds to Borrowers

In January 2022, HUD OIG issued a report finding that HUD did not have adequate controls in place to ensure that refunds were appropriately tracked, monitored, and issued. Specifically, HUD (1) did not ensure that the homeowner information for at least 23,579 loans with unpaid refunds totaling approximately $15.8 million was included in its public listing of unpaid refunds, (2) did not adequately track the status of refunds, (3) lacked policies and procedures for various stages of the refund process, (4) did not fully implement procedures it developed requiring additional documents from homeowners, and (5) did not follow the requirements of the Paperwork Reduction Act. As a result, HUD could not ensure that it implemented a consistent refund process, and homeowners and third-party tracers were not able to search for all refunds HUD owed, which may have reduced the chance for homeowners for at least 23,579 loans to obtain approximately $15.8 million in refunds. We made several recommendations, including recommendations to implement policies and procedures (1) for the refund process, (2) for locating homeowners, (3) to reduce the number of refunds that have remained unclaimed for an extended period, and (4) for the designation of legal representation for applicants.

Eliminating Hazards in HUD-Assisted Housing

Related HUD Strategic Goal 4: Advance Sustainable Communities

While HUD has made progress in Its efforts toward eliminating hazards in its assisted properties, several safety and health issues remain to be addressed

HUD is required to ensure that its assisted properties are decent, safe, sanitary, and in good repair. HUD recognizes the goal of protecting underserved populations from environmental hazards as a priority in goal 4 of its FY 2022-2026 Strategic Plan, which starts with the principle that everyone deserves a safe and healthy place to live. Specifically, in section 4B of its strategic plan, HUD notes that it has been a champion of the Federal Government's goal to address lead-based paint and other health and safety hazards in housing for families and children and commits to continuing to work to reduce exposure to housing-related health hazards, environmental hazards, and substandard housing, especially for underserved communities that are disproportionately impacted by these threats. An October 2021 report, entitled American Healthy Homes Survey II Lead Findings, revealed that 34.6 million homes (29.4 percent of all housing units) contain lead-based paint. The survey also found that 18.2 million homes (15.4 percent of all housing units) have significantly deteriorated LBP, 21.9 million homes (18.6 percent) have dust lead hazards, and 2.4 million homes (2.0 percent) have soil lead hazards.

HUD is responsible for ensuring that all properties participating in HUD programs are free of hazardous materials, contamination, toxic chemicals and gasses, and radioactive substances when a hazard could affect the health and safety of occupants or conflict with HUD's intended utilization of the property (24 CFR 50.3(i)(1) and 24 CFR 58.5(i)(2)(i)). HUD is also responsible for ensuring that HUD-assisted programs and projects comply with HUD's environmental regulations.

In our FY 2022 TMC, we included "Eliminating Safety Hazards in HUD-Assisted Housing" as a top management challenge for HUD, focusing on lead, radon, and other hazards in housing; contaminated sites; and inspection of HUD properties and recovery options for troubled PHAs. While HUD has made progress in addressing this challenge, especially with respect to contaminated sites, both HUD OIG and GAO have issued multiple reports focusing on HUD's approaches to identifying and mitigating specific hazards, and HUD's progress in enhancing its process for inspecting physical conditions in HUD-assisted housing. Through our oversight, HUD OIG has identified several recommendations pertaining to hazards.

Further, both HUD OIG and GAO have identified related priority open recommendations, which if implemented, would help HUD protect its beneficiaries from safety hazards. In HUD OIG Priority Open Recommendations,we identified three recommendations related to lead and one recommendation related to radon. In GAO's June 2022, GAO's 2022 Priority Open Recommendations: HUD, GAO identified three priority open recommendations related to compliance monitoring and enforcement of lead-based paint regulations.

As discussed more fully below, HUD continues to be challenged with addressing environmental issues and substandard conditions in its assisted properties and projects and in ensuring that HUD-assisted properties are free from these hazards. We credit HUD for recognizing these challenges and intentionally building them into its 4-year strategic plan.

We have initiated multiple oversight engagements intended to assist HUD in accomplishing its mission of protecting beneficiaries from health and safety hazards and addressing substandard living conditions, with a focus on protecting beneficiaries, particularly young children, from the traumatic health effects of lead hazards.

Lead Hazards

According to the CDC, lead-based paint and lead-contaminated dust are some of the most widespread and hazardous sources of lead exposure for young children in the United States. CDC has reported that there is no safe blood lead level in people, and the effects of lead are irreversible—there is no cure for lead poisoning.

HUD expressly recognizes these dangers in its new strategic plan, stating "young children are especially at risk of harmful effects of lead, to which even low-level exposure can increase the likelihood of behavioral problems, learning disabilities, seizures, and in extreme cases, death."[74] When lead-based paint peels and cracks, it results in lead-contaminated paint chips and dust. Children can be poisoned if they chew on surfaces coated with lead-based paint, eat flaking paint chips, or eat or breathe in lead dust.

HUD's Lead Safe Housing Rule is designed to protect young children from lead-based paint hazards in housing that is receiving assistance from the Federal Government. The Rule establishes procedures for evaluating whether a hazard may be present, controlling or eliminating the hazard, and notifying occupants of what was found and what was done in such housing (24 CFR part 35). HUD is responsible for ensuring compliance with the Rule through enforcement mechanisms, increasing community awareness of lead and other health and safety hazards through outreach events, and increasing participation in HUD and stakeholder services.

Prior Oversight by HUD OIG and GAO and Unresolved Recommendations:

HUD OIG and GAO have issued several related reports and continue to identify challenges related to lead-based paint hazards in HUD-assisted housing. In fact, this year both HUD OIG and GAO identified several priority open recommendations related to addressing lead hazards in HUD-assisted housing.

In HUD OIG's Priority Open Recommendations, we identified two priority open recommendations related to lead:

- Recommendation 1A from HUD OIG report, HUD Needs To Improve Its Oversight of Lead in the Water of Multifamily Housing Units, that HUD develop and implement an action plan that includes sufficient policy, procedures, and controls that address households living in multifamily housing units having a sufficient supply of safe drinking water.
- Recommendations 1A and 1B from HUD OIG report, HUD Lacked Adequate Oversight of Public Housing Agencies' Compliance With the Lead Safe Housing Rule, that HUD require that the Office of Field Operations staff appropriately determine exemptions from the Lead Safe Housing Rule and whether a child under the age of 6 resides in an exempted development, so that appropriate action can be taken in accordance with internal policies.

Beyond the two priority open recommendations identified above, our report, entitled HUD Lacked Adequate Oversight of Public Housing Agencies' Compliance With the Lead Safe Housing Rule contained eight additional recommendations, to address (1) a lack of documentation by PHAs to support that a public housing development was either exempt from or complied with the Lead Safe Housing Rule and (2) a lack of assurance by HUD that PHAs accurately reported accurate construction dates of housing developments to determine the applicability of the Rule, potentially exposing children under 6 years of age to lead-based paint hazards. As of September 20, 2022, 9 of the 10 total recommendations from this report remained open.

RECENT HUD OIG REPORTS AND OTHER RESOURCES

Management Alert: Action Needed to Ensure That Assisted Property Owners, Including Public Housing Agencies, Comply with the Lead Safe Housing Rule, HUD OIG Report 2023-IG-001 (October 4, 2022)

Risk Indicators of Lead-Based Paint Hazards in Public Housing Agencies, HUD OIG Report 2021-OE-0011A

HUD Has Not Referred Troubled Public Housing Agencies as the Law and Regulations Require, HUD OIG Report No. 2019-OE-0001 (February 04, 2020)

Lead Paint in Housing: HUD Has Not Identified High-Risk Project-Based Rental Assistance Properties, GAO Report 21-55 (December 16, 2020)

Lead Paint in Housing: HUD Should strengthen Grant Processes, Compliance Monitoring, and Performance Assessment, GAO Report No. GAO-18-394 (June 19, 2018)

HUD Program Offices' Policies and Approaches to Radon, HUD OIG Report No. 2020-OE-0003 (April 08, 2021)

HUD's Oversight of Public Housing Agencies' Compliance with Lead Safe Housing Rule, HUD OIG Report No. 2020-CH-0003 (March 18, 2020)

Further, in GAO's Priority Open Recommendations: HUD, GAO identified three priority open recommendations from their report, Lead Paint in Housing: HUD Should Strengthen Grant Processes, Compliance Monitoring, and Performance Assessment, two recommending that HUD enhance compliance monitoring and enforcement of lead paint regulations and a third to request authority from Congress to amend the HCV Program inspection standard. GAO noted that implementing these recommendations would improve HUD's efforts to identify and address lead hazards in low-income housing. As of September 2022, all three recommendations were still open.

In addition, in May 2021, GAO issued report, Lead Paint in Housing: Key Considerations for Adopting Stricter Lead Evaluation Methods in HUD's Voucher Program, finding that the HCV Program had 1.1 million voucher holders living in units built before 1978, the year the U.S. banned lead paint in housing. Of these units, roughly 171,000 were occupied by approximately 229,000 young children (under age 6), putting these children at an increased risk of lead exposure.

The voucher program requires visual assessments for identifying deteriorated paint, with no testing of paint or dust. Any change to stricter evaluation methods would need to consider that certain States have a larger portion of pre-1978 voucher units occupied by families with young children. Estimated costs for adopting stricter lead evaluation methods for the voucher program would vary substantially, depending on the method used and what units were included. Estimated initial costs range from about $60 million for a less expensive method applied only to units with young children to about $880 million for a more expensive method applied to all pre-1978 units. Total costs would also depend on the mobility of voucher households and the frequency of any additional lead evaluations.

GAO analysis estimated that nearly 6,000 lead professionals can conduct lead evaluations in the United States. While there is no indication of a national shortage of lead professionals, areas with high numbers of pre-1978 voucher units and low numbers of lead professionals may face implementation challenges.

Selected cities offer observations from their implementation of a change in lead evaluation methods. For example, education of landlords can help clarify new evaluation requirements and encourage landlords to continue to rent to voucher holders. Further, implementing a new method in phases could target areas with the greatest need and help landlords and the industry adapt to the new requirement and the increased demand for lead evaluations.

New OIG Oversight Directed Toward Assisting HUD in Addressing Lead Hazards

Given these longstanding challenges related to lead hazards, the amount of HUD-assisted housing and beneficiaries at risk of lead hazards, and the irreversible health implications for children under the age of 6, HUD OIG has identified lead as a priority, coordinating efforts in all of its oversight components to ensure that lead regulations are followed and HUD beneficiaries are protected from lead.

NEW AND ONGOING RELATED OVERSIGHT

Philadelphia Housing Authority Management of Lead Based Paint in Public Housing

Carbon Monoxide in HUD-Assisted Housing

HUD's Processes for Addressing Cases of Children Residing in Public Housing with Elevated Blood Lead Levels

HUD's Oversight of the Physical Conditions of Public Housing Agencies' Developments

HUD OIG issued three recent oversight products related to lead hazards, a Management Alert, an evaluation report, Risk Indicators of Lead-Based Paint Hazards in Public Housing Agencies, and an audit report, HUD Lacked Adequate Oversight of Lead-Based Paint Hazard Remediation in Public Housing. In the Management Alert, we recommend HUD issue guidance to close a significant gap in its program requirements related to lead-safe work practices, pertaining to HUD's ability to oversee the regulatory "de minimis" exemption (24 CFR 35.1350(d))[75]. According to this exemption, when lead-based paint hazard reduction activities do not disturb small painted surfaces that total more than the de minimis threshold, lead safe work practices are not required (24 CFR 35.1350(d))[76]. The intent of this exemption was to ease the financial and operational burdens of lead-based paint abatement and interim control activities for property owners in smaller projects.

During an ongoing audit of the Philadelphia Housing Authority's management of lead-based paint hazards in its public housing units, we identified that the Authority lacked documentation to demonstrate that it had appropriately applied this exemption for multiple projects. We found that the Authority made substantial use of this exemption but did not maintain documentation from which HUD OIG could determine that the exemption was appropriately applied, which occurred because HUD does not require PHAs or other property owners receiving HUD assistance to maintain such documentation. Our audit team identified instances in which the exemption seemed to be used in circumstances that did not appear to be appropriate or that the Authority's records contained conflicting information regarding the de minimis determination.

Because we determined that this matter required immediate attention and had implications beyond the scope of the audit, we issued a management alert recommending that HUD update applicable requirements to require assisted property owners, including PHAs, to maintain adequate documentation to support their determinations that lead-based paint hazard remediation activities qualify for the de minimis exemption and, therefore, lead-safe work practices were not required.

In addition, HUD OIG conducted an evaluation to identify risk indicators of potential lead-based paint hazards in public housing, with the goal of using those indicators to assess the risk of lead-based paint exposure across regions of the country. HUD OIG issued an interim report in September 2022, identifying nine indicators of potential risk for having lead-based paint hazards in public housing, and after applying those risk indicators to PHAs, HUD identified five HUD regions and six States within those regions—New York, Pennsylvania, Georgia, Kentucky, Illinois, and Texas—with the greatest potential risk for having PHAs with lead-based paint hazards. Of note, the evaluators learned that HUD had identified its own risk indicators for lead-based paint hazards, four of which overlapped with those identified by HUD OIG. HUD OIG issued the interim report to assist HUD in continuing to identify and evaluate risk indicators of lead-based paint in HUD-assisted housing.

PROGRESS REPORTED

HUD has made significant progress that addressed three recommendations from HUD OIG Report No. 2019-IE-0003, Contaminated Sites Pose Potential Health Risks to Residents at HUD-Funded Properties. Specifically, in August 2022, HUD resolved recommendations 2, 3, and 4 of this report, developing and implementing strategies to review Multifamily-funded and PIH-funded properties with potential contamination to determine whether site contamination should be considered in future environmental reviews and by monitoring environmental reviews of PIH-funded properties with potential contamination.

REAC is establishing a stand-alone Environmental Shared Services office (ESS) to improve its risk assessment and inspection capabilities for health and safety hazards, including carbon monoxide, mold, radon, and lead-based paint hazards. HUD noted that ESS will provide insight into potential and existing environmental hazards, compliance issues, and data gaps to improve HUD's decision making and facilitate allocating resources for more effective hazard management strategies. REAC estimates that the ESS concept of operation plan—which included a three-phase approach to developing the office's capacities—will be fully implemented by FY 2023.

HUD has also made progress with its National Standards for the Physical Inspection of Real Estate (NSPIRE) demonstration and has resumed performing physical Inspections that had been suspended due to COVID.

Finally, we issued a report, HUD Lacked Adequate Oversight of Lead-Based Paint Hazard Remediation in Public Housing, and found that HUD did not have a plan to manage lead-based paint and lead-based paint hazards in public housing and, also, that HUD generally did not monitor whether PHAs had implemented lead-based hazard reduction or documented such activities at their public housing developments. In essence, HUD relied on PHAs to implement their own methods to achieve lead-safe housing, which should have included implementing lead-based paint hazard reduction. Further, instead of monitoring PHAs for compliance with the lead-based paint hazard reduction procedures in the Lead Safe Housing Rule, HUD relied on PHAs' annual certifications of compliance, without confirming compliance with these critical health and safety requirements. The audit concluded that HUD lacked assurance that (1) families with children under 6 residing in public housing were not exposed to lead-based paint hazards and, thus, protected from lead exposure and (2) its procedures for eliminating lead-based paint hazards in public housing were effective.

We made several recommendations including, that HUD:

- Develop a plan to manage lead-based paint and lead-based paint hazards in public housing.
- Determine whether PHAs with lead-based paint have and are implementing plans for controlling lead-based paint.
- Assess lead-based paint hazard reduction activities performed at 19 developments identified as not having implanted interim controls or adequately documenting that lead-based paint had been abated or treated with interim controls.

Beyond the above audits and evaluations, HUD OIG has initiated additional ongoing oversight work related to lead hazards, with the goal of making recommendations to assist HUD in meeting this critical challenge.

Investigative Activity Related to Lead

Beyond our audits and evaluations, HUD OIG is partnering with law enforcement and prosecutorial authorities across the country to proactively pursue investigations of suspected intentional or reckless misuse of HUD program funds intended for lead remediation or false lead disclosures or knowing failures to use lead-safe work practices that increase exposure of HUD's beneficiaries to lead.

For example, as reported in our Semiannual Reports to Congress and priority open recommendations, in March 2022, as a result of an OIG investigation, a former employee of the City of Worcester's Housing Development Office and Executive Office of Economic Development was convicted and sentenced for her role in a $2.3 million fraud scheme relating to the redevelopment of a multifamily property in Worcester, involving theft of HUD grant funds that were intended to support lead remediation (Former Worcester Housing Official Sentenced to 40 Months in Prison for $2.3 Million Property Development Fraud Scheme). In that same month, as a result of a joint investigation by HUD OIG and the U.S. Environmental Protection Agency OIG, a property manager pled guilty to a misdemeanor criminal charge for providing false lead disclosure statements to tenants and falsely affirming that he had no knowledge, reports, or records of lead-based paint or lead-based paint hazards in the housing, when the property manager was aware of lead-based paint and associated hazards in the house (Property Manager Pleads Guilty for His Role in The Failure to Properly Notify Tenants About Lead Hazards).

HUD Identified Strategies for Reducing Lead Hazards

For HUD, its stakeholders, and the broader public, lead is a significant challenge to address. In an October 2021 report HUD's Office of Lead Hazard Control and Healthy Homes released findings on lead levels in American housing showing that 34.6 million homes (29.4% of all housing units) contain lead-based paint, and that 18.2 million homes (15.4% of all housing units) have significantly deteriorated lead-based paint.[77] While not all of these homes are HUD-assisted housing, the magnitude of the issues underscores the need for a wholistic approach to addressing lead-based paint hazards.

To its credit, HUD has recognized these challenges and highlighted them in its 2022-2026 Strategic Plan, charging its Office of Lead Hazard Control and Healthy Homes with the priority goal: "By September 30, 2023, protect families from lead-based paint and other health hazards by making an additional 20,000 units of at-risk housing units healthy and lead-safe."

Further, HUD has set forth multiple planned strategies in this area, to include:

- Increase community awareness of lead and other health and safety hazards in homes to increase participation in HUD and stakeholder programs and services.
- Align and enforce HUD-assisted housing inspections and mitigation measures to consistently address lead-based paint hazards across HUD-assisted housing programs.
- Continue to prioritize comprehensive reductions in Americans' exposure to lead in their homes by

addressing lead contamination in soil, water, and paint.

We stand ready to assist HUD in meeting these critical goals, in part, by working with HUD on the closure of several open recommendations that will help HUD reduce lead hazards for its beneficiaries.

Radon Hazards

Radon is a naturally occurring, colorless, and odorless radioactive substance that is the second leading cause of lung cancer in the United States after smoking. Testing is the only way to determine indoor radon levels.

HUD OIG report, HUD Program Offices' Policies and Approaches to Radon, found that HUD does not have a departmentwide radon policy or uniform approach to test for and mitigate excessive radon levels, which poses health risks to residents. We recommended that HUD develop and issue a departmentwide policy, which notes that radon is a radioactive substance and outlines HUD's requirements to test for and mitigate excessive radon levels in accordance with 24 CFR 50.3(i)(1) and 58.5(i)(2)(i). That recommendation remains open, and we included it as a priority open recommendation in HUD OIG's September 2022 Priority Open Recommendations report, noting that if implemented, a departmentwide radon policy will allow program offices to develop consistent approaches for testing for and mitigating radon in HUD-insured or -funded properties.

We are pleased to report that HUD has agreed with this recommendation and expressly indicated in its new strategic plan (page 53), that it will develop departmentwide and program-specific radon policies. Further, HUD identified minimizing residential radon exposure as a strategy in its strategic plan and in its new Climate Action Plan.

Physical Conditions of Housing and the Role of Inspections in Identifying and Remedying Poor Living Conditions

The physical conditions of HUD-assisted properties have been an ongoing concern of Congress and the American public. Recent media attention has heightened the awareness of the need for extensive capital repairs of HUD's public housing portfolio; the inferior conditions of some multifamily family projects that participate in HUD's programs; and health and safety concerns for the families and children that are subjected to lead-based paint hazards, radon, and other environmental pollutants near or within in HUD-assisted-housing.

In last year's report, we discussed HUD's efforts to modernize its physical housing inspection process by launching a 2-year NSPIRE demonstration program.[78] The goal of the NSPIRE demonstration program was to assess all aspects of HUD's physical inspection process, including the evaluation of physical inspection data and a new scoring model, to ensure that housing is decent, safe, and sanitary.[79] Under the NSPIRE demonstration program, HUD planned to inspect approximately 4,500 HUD-assisted and -insured housing properties from a pool of nationwide volunteers that were willing to adopt the new physical inspection standards.[80] Last year we reported challenges faced by HUD, including the procurement of a viable and secure IT system. While the demonstration was set to end in October 2021, HUD extended the demonstration through April 2023[81] to allow time for HUD to test the standards in the field, refine inspection protocols, and establish business processes and supporting technology.[82]

As of December 2021, HUD was able to bring the IT application online, at ExAM - Inspection, Audit, Compliance & Data Collection. Further, HUD has inspected more than 1,100 properties through July 2022. Although HUD has been able to bring the application online, the application is still in the early development phase, and HUD continues to work toward the application's being fully operational.

GAO highlighted inspection-related recommendations in its June 2022, Priority Open Recommendations: HUD, noting that "HUD's inspections continue to find properties in poor physical condition and with life-threatening health and safety issues." GAO also referenced congressional and media attention on concerns about properties that may have received inspection scores that are inconsistent with their physical condition. GAO identified a priority open recommendation from their report, Real Estate Assessment Center: HUD Should Improve Physical Inspection Process and Oversight of Inspectors, which recommends a comprehensive review of HUD's Real Estate Assessment Center's (REAC) physical inspection process, noting that implementing this recommendation would improve the identification of physical deficiencies at HUD multifamily properties, including public housing.

In our FY 2022 TMC, we highlighted a 2020 HUD OIG report[83] in which we found that HUD PIH had not referred troubled PHAs to the Assistant Secretary to petition for judicial receivership or appointment of an administrative receiver, when a troubled PHA fails to meet statutory requirements for substantial improvements within a 2-year recovery period. HUD has maintained that it is not legally required to refer troubled PHAs upon expiration of the 2-year recovery period and, though we disagree, we have closed the recommendations. Despite the legal disagreement, HUD recognizes that receivership is a resource-intense recovery process and one that HUD views as a last resort. In its FY 2023 Congressional Budget Justification, HUD notes that it identifies "over 500 troubled and substandard PHAs" during any given year and that there are approximately 207,000 units across 658 developments in poor physical condition where the PHA lacks the means to address the physical needs of the units.[84]

Finally, beyond the oversight referenced above, we continue to investigate allegations involving fraud and corruption schemes involving inspectors that threated the integrity of HUD's programs and endangered HUD's beneficiaries. For example, in one case, a building inspector in the City of New Orleans pled guilty and was sentenced to 30 months incarceration for soliciting and accepting approximately $65,000 in bribes from individuals seeking favorable inspection reports and certificates of completion for properties that did not comply with the City and State building codes and for properties that had not been inspected. He also paid bribe money to a City of New Orleans permit analyst for the issuance of permits without proper documentation and plan review.

Managing Human Capital

Related HUD Strategic Goal 5: Strengthen HUD's Internal Capacity

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

For more than a decade, HUD's responsibilities have increased, while the Department's staffing levels have generally declined. At the same time, recruitment, retention, and hiring of qualified employees has become a concern across the Federal Government.

HUD's FY 2022-2026 Strategic Plan focuses on human capital management in Strategic Goal 5, Strengthen HUD's Internal Capacity. This strategic goal features Objective 5A, "enable the HUD workforce through hiring, training, opportunities for growth, and promoting a more engaged and inclusive work environment."[85] The Strategic Plan also acknowledges that "strengthening its workforce is vital to the successful delivery of HUD's mission of creating strong, sustainable, inclusive communities and quality affordable homes for all."[86]

HUD identifies human capital and staffing as top priorities for the Department. As of September 2022, HUD had close to 7,700 employees, which is about 20 percent lower than HUD's staffing levels since 2012. Additionally, the Department's 2021 Enterprise Risk Profile noted:[87]

Of 16 HUD program offices, 14 identified at least 1 talent-related top risk to achieving HUD's mission.

During the 10-year period from 2008 to 2017, HUD lost 18.5 percent of its full-time permanent staff.

Over half of HUD's workforce is eligible for retirement within the next 5 years, posing a risk to staffing, succession planning, and knowledge transfer.

During testimony before Congress on HUD's FY 2023 Budget Request, Secretary Fudge indicated that HUD is understaffed and that supporting hiring and existing staff is one of the most important things HUD asks for in its budget.[88] Secretary Fudge testimony further noted that HUD's attrition rate has resulted in imbalanced program offices and the loss of expert staff with the knowledge to effectively administer some programs. For example, HUD specifically highlighted that a review of enterprise risks found that due to the staffing decline, HUD lost staff in critical disaster mitigation posts, the institutional memory within its environmental programming, and specialized skills necessary to administer contracts critical to the functioning of the agency.[89]

In June of 2022, HUD published a new Human Capital Operating Plan (HCOP) for FY 2022-2026.[90] The HCOP outlines HUD's human capital goals, strategies, and implementation actions to accomplish the goals of the strategic plan. The HCOP sets three new human capital goals: to invest in the Office of the Chief Human Capital Officer (OCHCO) to enable an engaged, high-performing technology and data-driven human resource organization; to develop and retain an inclusive, capable, and engaged HUD workforce needed for today and the future; and to attract and hire diverse top talent for the right positions at the right time.

Our FY 2022 TMC specifically highlighted HUD's challenges with recruitment and retention, improving time-to-hire through hiring efficiencies, and staffing capacity. Although each of these challenges remain to a varying degree, HUD demonstrated progress in FY 2022. Below we provide updates on those challenges and progress HUD has made.

Recruitment

The recruitment challenges facing HUD in human capital are in part based on attrition and not hiring people quickly enough. These factors underscore Office of Personnel Management (OPM) predictions that the government's ability to replace these skills and experience losses with new talent will depend on a Federal agencies' ability to efficiently and effectively recruit, hire, and retain high-performing employees.[91]

To gain efficiencies in the recruitment process, OCHCO released a hiring efficiencies memorandum on April 13, 2022.[92] The memorandum implements several changes to the hiring and recruitment process. Specifically, it provides information on ways to save critical time in the recruitment process, including setting deadlines for each step in the hiring process and best practices for meeting them. It also outlines efficiency gained from using assessment package templates, which are comprised of previously approved recruitment documents. OCHCO is also using USA Hire Assessments[93] to improve candidate quality.

In addition to using USA Hire Assessments as a tool to improve candidate quality, HUD has demonstrated a commitment to diversity and inclusion in recruitment by certifying and implementing a Federal Equal Opportunity Recruitment Program. The program has clear goals to diversify HUD's workforce through active engagement of leadership, inclusion, and engagement of everyone in the workplace and optimization of inclusive diversity efforts using data-driven approaches.

OCHCO has also increased internal communication and discussion related to hiring and recruitment information with program offices. OCHCO meets with program offices' resource managers and administrative officers biweekly and with program offices' executives bimonthly. These meetings provide joint opportunities for organizational progress through discussions, such as OCHCO trainings and clinics, best practices for meeting hiring process deadlines, and current hiring metrics for that specific program office.

Staff Capacity and Retention

HUD's attrition rate has historically outpaced its hiring rate over the past decade. In FY 2019, HUD had a net positive hiring number for the first time since FY 2011. Since FY 2019, staffing levels have continued to rise, although they have yet to reach approved funding levels. Rising staffing levels is a positive development given the fact HUD predicts in its FY 2022-2026 HUD Strategic Plan that more than half of HUD's workforce is eligible for retirement within the next 5 years. While this attrition horizon looms, HUD's current attrition rate, based on OPM data for FY 2021, was 5.6 percent, lower than the governmentwide average of 6.1 percent.[94] According to information provided by HUD, its non-retirement voluntary attrition dropped to 3.89% from 5.10% in FY 2021. In FY 2022, HUD planned to grow the workforce by adding close to 1,400 external hires. At the end of FY 2022 HUD did surpass 1400 hires - 901 were external while 675 were internal - and had a net positive hiring number of 226. HUD is budgeting for a staffing increase of approximately 10 percent over the prior year, which does not include staffing ramp-ups that will be required to respond to pandemic and other disaster-related assistance.[95]

A high attrition rate can impact employee morale, workload, and institutional knowledge, all of which can lead to inefficiencies. It costs money and administrative resources to fill vacancies and train new or existing employees. HUD has also indicated that staffing attrition due to retirement poses a risk to HUD's cybersecurity capabilities.[96] Ultimately, such attrition and capacity limitations weaken HUD's ability to deliver strong, sustainable, inclusive communities and quality affordable housing.

HUD OIG Priority Open Recommendations highlights one human capital-related recommendation, that HUD "create and implement a knowledge management strategy, such as developing standard operating procedures, reference sheets, and program office fact sheets."[97] Successful implementation of this recommendation will help HUD address knowledge loss and improve the efficiency of the hiring process by increasing understanding of all stakeholders. HUD acknowledges that to meet staffing goals, time-to-hire and retention will need to significantly improve.[98]

RECENT HUD OIG REPORTS AND OTHER RESOURCES

Secretary Marcia Fudge's Testimony before Senate Appropriations Subcommittee on Transportation, Housing, and Urban Development, FY23 Budget Request, Justification for HUD, U.S. Senate Committee on Appropriations Hearing (May 12, 2022)

Office of Personnel Management 2022 Federal Workforce Priorities Report, OPM Memorandum (May 10, 2022)

HUD 2023 Budget in Brief FINAL, HUD Report (March 28, 2022)

HUD's Transitioning of Offices from Mandatory to Maximum Telework During the COVID-19 Pandemic, HUD OIG Report 2022-CH-0002 (February 15, 2022)

Opportunities Exist To Improve the U.S. Department of Housing and Urban Development's Hiring Process, HUD OIG Report 2020-OE-0002 (August 02, 2021)

Top Management and Performance Challenges Facing Multiple Federal Agencies, CIGIE Report (February 02, 2021)

FY 2020 Federal Equal Opportunity Recruitment Program, HUD Report (February 08, 2021)

OCHCO is charting a path to address these human capital challenges and has indicated a plan to publish a new strategic workforce plan and a succession plan to align with HUD's Strategic Plan for 2022-2026 and its June 2022 HCOP. Strategic workforce planning could help HUD decrease the percentage of identified proficiency gaps and increase the average employee self-rated proficiency for specific core and or general or technical skills. Succession planning could help HUD mitigate the risk of staffing misalignments and develop and implement training programs and initiatives for competency development of employees.

Collaboration and Progress

HUD OIG conducted an evaluation of HUD's hiring process and found that it was not efficient. That report, Opportunities Exist To Improve the U.S. Department of Housing and Urban Development's Hiring Process, featured a total of 11 recommendations, all of which HUD agreed with. Six of the recommendations were aimed at process reform, and five recommendations were designed to support data improvement. HUD has collaborated with HUD OIG to promptly close 10 of the 11 recommendations. OCHCO has demonstrated further commitment to collaborate with HUD OIG through quarterly meetings with HUD OIG's Office of Evaluation.

In FY 2022 HUD improved it time to hire by more than 5% compared to the previous year.

OCHCO has made human capital management an enterprise-wide priority by participating in internal Risk Management Council meetings. HUD's Risk Management Council is made up of all of HUD's General Deputy Assistant Secretaries.

To improve automation, visibility, and transparency of hiring process data, OCHCO replaced an old talent acquisition tool with a multiyear talent acquisition planning system that allows users to enter hiring forecasting plans and hiring execution plans. Additionally, OCHCO has improved its data analytic capabilities and updated its business intelligence tool to increase visibility into the status of all hiring actions. HUD program office staff have access to the tool, and users can see their own data in real time.

OCHCO is setting up a triennial position management process, which will be a deep dive into HUD's program offices, including meetings with the program offices to see what position descriptions are still valid from the prior 3 years and what new position descriptions are needed. Eventually, all position descriptions at HUD will be updated. OCHCO is currently hiring more staff to work on this process and plans to roll out the process in FY 2023.

PROGRESS REPORTED

HUD collaborated with HUD OIG to promptly close 10 of 11 recommendations made in HUD OIG's August 2, 2021 Hiring Report, to include:

- Standardize position descriptions and job analyses for mission-critical occupations, high-risk occupations, and positions with high-volume staffing needs. (1)
- Develop and share best practices with HUD's program offices on how hiring managers can execute hiring process responsibilities to meet timeliness goals. (2)
- Conduct a feasibility study for an automated position organization listing. (7)
- Develop and implement time-to-hire goals that account for each hiring process step. (8)

OCHCO also reported two primary initiatives demonstrating progress in this area, and both related to the use of data to inform program offices human capital management:

- The Workforce Snap Shot created a live dashboard that allows program offices to analyze its own workforce data to better plan and prioritize human capital actions;
- The OCHCO Hiring Scorecard reflects data on hiring action performance across program offices, which allows HUD leadership to assess which steps of the hiring process need improvement.

Increasing Efficiency in Procurement

Related HUD Strategic Goal 5: Strengthen HUD's Internal Capacity

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

The Office of the Chief Procurement Officer (OCPO) has primary responsibility for HUD's contracting and procurement activities. Almost all of HUD's program areas require contracting and procurement services to sustain and effectively execute mission operations.

HUD has longstanding challenges related to procurement and acquisition management and has acknowledged a need to streamline and improve business function processes. Identified acquisition management risks include untimely procurements, inefficient acquisition processing, insufficient staff training and excessive workloads, and inadequate contract oversight.

OCPO's primary responsibility is procurement governed by the Federal Acquisition Regulation.[99] HUD's FY 2022-2026 Strategic Plan focuses on Increasing efficiency in procurement in Strategic Goal 5. This strategic goal features Strategic Objective 5B, "Improve Acquisition Management." The strategic plan outlines the Department's commitment to improving acquisition management through the development of a governance structure that promotes collaboration. Specifically, HUD will pursue six strategies to accomplish this objective:

1. Improve the HUD-wide governance structure for acquisition planning by increasing transparency, collaboration, and efficiency.
2. Increase visibility across the Department in the HUD contract management process.
3. Leverage the Program Management Improvement Accountability Act to strengthen the knowledge base of HUD's acquisition workforce.
4. Increase the inclusion of small and disadvantaged businesses by helping them navigate Federal contracting opportunities.
5. Improve policies, processes, and procedures for assisted acquisitions.[100]
6. Ensure that new eligible contracts meet sustainable acquisition requirements.

Following through on these strategies will be of utmost importance given HUD's current reliance on contractors to meet its business needs. Procurement remains a fixture in HUD's top risk list, and program office functions continue to rely heavily on contract support. The largest contract users at HUD are significant HUD operational and programmatic offices, such as the Office of Housing, the Office of Administration, OCIO, Ginnie Mae, and PD&R.

Although HUD has taken steps to address known risks within procurement and acquisition management, significant operational weaknesses remain in key areas of HUD's procurement environment. This year we highlight some challenges that, if not effectively addressed, could significantly impact ongoing operations by introducing risks for critical program functions and placing unnecessary strain on limited staffing resources. Such weaknesses could, in turn, have a substantial negative impact on HUD's program beneficiaries.

IT Acquisitions

HUD's programs and related administrative operations depend heavily on IT systems to function effectively, and many of these systems are developed, maintained, and operated by contractors. This substantial reliance on contractors for IT functions means that HUD's ability to effectively complete IT acquisitions is a significant potential risk for the Department. In HUD OIG report, HUD's Processes for Managing IT Acquisitions Evaluation Report, we evaluated contracts above $250,000 that were in place from July 2018 through June 2020 and found that HUD did not have sufficient processes in place to conduct IT acquisitions efficiently and effectively.

The evaluation highlights operational weaknesses in key areas that resulted in frequent process delays and ultimately led to IT service lapses and other significant program impacts. Within the evaluation scope, we identified 36 new IT contract awards and 101 existing IT contracts. Of these contracts, HUD IT services were discontinued 18 times after HUD was unable to award timely replacement contracts. In 35 instances, to avoid an imminent IT service lapse or restart lapsed services, HUD relied on temporary sole-source contracts with the incumbent contractor to "bridge" the time between expired contracts and a future replacement contract. Such frequent IT contract lapses and extensive use of short-term bridge contracts delayed IT modernization efforts or system improvements, limited opportunities to obtain better value through competitive pricing, and wasted limited staff resources on addressing the effects of IT service gaps.

OIG's evaluation revealed that these challenges occurred primarily because HUD lacked adequate staffing capacity, did not implement effective coordination and communication practices, and had not established effective oversight of management controls over acquisition processing. HUD agreed to all five recommendations from this report, and we highlight HUD's implementation timelines in the progress reported column this year.

HUD officials have acknowledged that IT acquisition process improvements are needed and have taken steps toward addressing such identified deficiencies. Although these planned changes have the potential to improve HUD's acquisition efforts, additional actions are needed. HUD's acquisition process challenges, if not effectively addressed, could impede HUD's progress toward modernizing its information systems and significantly disrupt IT services and program operations that support HUD programs nationwide.

Challenges in Using Shared Services for Contracting Needs

HUD's use of outside acquisitions, as opposed to in-house procurement services, continues to cost HUD millions. HUD's Office of Housing, PD&R, Ginnie Mae, and OCIO continue to depend on outside acquisitions for mission support. As stated in last year's FY 2022 TMC, Ginnie Mae and OCIO have expressed dissatisfaction with the support received from outside acquisitions yet continue to use this approach because of HUD's acquisition staffing capacity issues.

GAO's 2022 Priority Open Recommendations: HUD includes two related to Ginnie Mae (1) to evaluate its contractor use by analyzing the costs of using contractors and determine the optimal mix of contractor and in-house staff for operations and (2) to assess and gain a better understanding of its contract administrations costs so it can determine the most efficient and effective use of future contract administration funds. GAO believes these two actions would strengthen Ginnie Mae's capacity and enhance management of contractors.

HUD program offices' continued dependence on outside acquisitions for their contracting needs can potentially increase costs and place HUD at a greater risk for loss of in-house expertise and its ability to oversee contractor performance, which could ultimately lead to HUD's not fully accomplishing its mission.

Acquisition Management and Human Resource Needs

Previous HUD OIG TMCs and CIGIE's February 2021 report, Top Management and Performance Challenges Facing Multiple Federal Agencies,identify procurement management as a top challenge. 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." While many challenges may exist throughout the procurement and acquisition management process, a foundational element is staff.

RECENT HUD OIG REPORTS AND OTHER RESOURCES

HUD Fiscal Year 2022 Forecast of Contracting Opportunities, Products and Services, (August 10, 2022)

HUD's Processes for Managing IT Acquisitions Evaluation Report, HUD OIG Report 2020-OE-0004 (November 17, 2021)

Limited Review of HUD's Office of Chief Procurement Officer Pandemic-Related Procurement Accommodations and Challenges, HUD OIG Memorandum 2021-FW-0801 (July 14, 2021)

Top Management and Performance Challenges Facing Multiple Federal Agencies, CIGIE Report (February 2021)

RECENT AND ONGOING RELATED OVERSIGHT

HUD's Office of the Chief Procurement Officer Quality Assurance Process Management

With a focus on strengthening HUD's internal institutional capacity to deliver on its mission, HUD requested a budget increase for FY 2023 to address multiple areas that have gone underfunded for several years. HUD's FY 2023 Congressional Budget Justification indicates that HUD's workload has increased by 30 percent since the prior year, as measured by total number of procurement awards, and HUD believes this trajectory will continue.[101] Based on the need to maintain pace with the rise in acquisition workload, the Department paid approximately $11 million in assisted acquisition fees in 2021 to support 70 procurement actions.[102]

To this end, HUD has categorized improving acquisition as a key operational initiative. The Department's procurement strategy to focus on human capital will result in more of HUD's contract obligations being under HUD management and may reduce the average time to procure. Specifically, HUD requested additional funding to address procurement management by budgeting for a number of staffing initiatives, such as:

- Prioritize hiring for the IT cadre and Ginnie Mae support divisions to increase the internal capability to support the growing acquisition portfolios and bring acquisition assistance requirements back in-house, resulting in a cost reduction to the Department.
- Prioritize hiring for Fort Worth, TX, that will support the Housing Assistance Program, which will be the largest acquisition program for the Department. This team also supports the PD&R portfolio, which includes acquisition assistance requirements previously outsourced to the U.S. Department of Health and Human Services Program Support Center.
- Increase capacity within the Acquisition Liaison Unit to provide consultation services for the development of requirements documents and supporting artifacts. Improving the quality of requirements documentation has been identified as a key contributor to reducing delays in the acquisition process, which will directly impact streamlining acquisitions and reducing procurement lead times.
- Ensuring an acquisition staff that is properly resourced, trained, and equipped to support the mission of HUD is paramount to meeting departmental goals and Administration priorities. Increased funding strengthens the acquisition programs at HUD, properly resourcing OCPO to support the entirety of HUD's procurement needs, reducing the reliance on outsourcing of contracting support at a significantly higher cost, and training the acquisition workforce to ensure that it is equipped with the knowledge and skills necessary to support the Department's acquisition programs.[103]

HUD's prioritization of the human capital element of procurement is noteworthy; however, HUD need to improve the timeliness of its overall acquisition process. In our FY 2022 TMC OCPO identified the untimely submission of acquisition packages from program offices as a challenge in awarding contracts, reporting that as of July 31, 2021, it had received 32 percent of the acquisition packages on time during the current fiscal year. In addition, HUD program officials indicated the timeliness of OCPO's document review and contract award processes was a significant cause of further delays.

PROGRESS REPORTED

HUD has reported taking steps to improve procurement and acquisition management through building a departmentwide procurement dashboard.

In addition, OCPO reported progress toward implementing the five recommendations from HUD OIG Report, HUD's Processes for Managing IT Acquisitions Evaluation Report. The recommendations included specific steps for HUD to improve procurement process controls, create efficiencies, and develop IT acquisition workforce capacity. OCPO reported that four of the recommendations would be implemented by March 31, 2023, or earlier and the remaining recommendation, to establish a centralized acquisition tracking system, would be implemented by March 31, 2024.

Based on these highlighted challenges, and HUD's placing a priority on procurement and acquisition management, HUD OIG has initiated an audit to assess HUD's quality assurance processes over its management and marketing contracts.[104] The audit objective is to determine whether HUD effectively administered quality assurance surveillance plans for management and marketing contracts to assist in accomplishing HUD's mission.

IMPACT OF PANDEMIC-RELATED FUNDS

Under the CARES Act, HUD was given flexibility in its procurement and contract administration activities. HUD OIG previously performed a limited review of contract transactions related to COVID-19 and found that HUD had reduced disruptions to its procurement processes during the pandemic and allowed business to continue with contractor accommodations. On November 30, 2021, the PRAC initiated an assessment of the resources available to the Federal acquisition and grants workforce, including HUD, in its implementation of contracts and grants funded with COVID-19 response funds. As of the publishing date of this report, the assessment was ongoing.

Improving IT Modernization and Cybersecurity

Related HUD Strategic Goal 5: Strengthening HUD's Internal Capacity

HUD must overcome challenges in modernizing and securing its information technology to provide efficient and secure platforms that its program offices and partners need

HUD faces several longstanding, persistent challenges in modernizing its IT systems and achieving an effective information security program. HUD OIG has identified several root causes of these challenges, including insufficient staffing and knowledge management in the OCIO and IT acquisition personnel, and weaknesses in planning IT capital investments and budget management. HUD has taken positive steps to improve its cybersecurity program, both in closing Federal Information Security Modernization Act (FISMA) recommendations and in improving performance in 3 of 20 "core" cybersecurity metrics. In addition, it has closed a GAO "priority recommendation" to develop an IT staffing workforce needs assessment and plan. However, in this year's FISMA evaluation, HUD OIG determined that based on the new governmentwide focus on a set of "core" metrics that represent Administration priorities and critical IT security controls, HUD's information security program has remained below what is considered effective. In both the FISMA report and prior OIG work we have highlighted that HUD has been challenged both by budget constraints and budget management. IT planning continues to hamstring progress in HUD's cybersecurity program and its efforts to modernize.

HUD's FY 2022-2026 Strategic Plan, Strategic Objective 5C, focuses on providing "tools that are efficient, safe, secure, and resilient through improvements in Information Technology (IT), cybersecurity, and data management that support the Department's mission." To do so, it must improve its IT project management and modernization efforts, mature its cybersecurity program, and improve how it protects data and privacy.

IT Project Management and Modernization

Project management lapses have had a significant impact on HUD's ability to ensure that IT projects align with the enterprise level modernization roadmap and Federal guidance. HUD and HUD OIG assessments have shown persistent challenges with HUD's IT project management and modernization efforts. Improving IT project management at HUD should result in cost savings, higher efficiencies, and more secure systems. Within HUD's 200 IT investments, a significant number of HUD's mission-essential applications have not been modernized, which presents multiple sources of risk. These applications are hosted on legacy information systems and mainframe platforms, which are operationally inefficient, increasingly difficult to secure, and costly to maintain. HUD needs to continue prioritizing and implementing oversight and performance checks for modernization projects.

Unfortunately, HUD has historically failed to fully execute on multiple modernization plans and implement projects. Hundreds of millions of dollars in potential savings from modernization were not realized, and security risks have remained. HUD previously developed an enterprise-level modernization roadmap in April 2020, which established IT projects for modernizing HUD's program office systems and improving enterprise capabilities. Enterprise capability initiatives included developing an enterprise analytics platform, maturing its cybersecurity program, and implementing robotics process automation.[105] The roadmap established timelines based on an agile approach to allow HUD to deliver new functionality incrementally, maximize flexibility, and adjust to potential risks, such as leadership's shifting priorities and insufficient funding for development, modernization, and enhancement.

This approach resulted in initial success, such as HUD's partial deployment of the FHA Catalyst platform from 2019 to 2021 as part of its effort to transform program participants' interactions with FHA using a single technology platform. OCIO and FHA quickly released several FHA Catalyst modules. Although HUD had success during the first several years of FHA Catalyst development, HUD OIG and GAO both found problems with the FHA

Catalyst initiative. HUD OIG found that poor contract management and communication led to a stop work order that significantly delayed the initiative.[106] Additionally, GAO[107] found significant weaknesses in HUD's practices for cost and schedule estimation and gaps in its oversight of FHA Catalyst's implementation. GAO found that individuals responsible for implementing the program lacked fully defined roles and responsibilities and that HUD lacked measures to assess performance. All of the recommendations from the GAO report remain open.

HUD is leveraging the technology and processes for the FHA Catalyst platform technology and processes for PIH's Native Advantage modernization, which will replace the Office of Native American Programs' (ONAP) Loan Origination System. The latter system had been under development but was discontinued in February 2021 after project delays and technical challenges in onboarding lenders, causing HUD to spend $4 million on a failed project that did not satisfy management and oversight objectives.[108]

Additionally, HUD struggles to ensure proper coordination between OCIO and program offices. For example, HUD attempted to update the Public and Indian Housing Information Center Inventory Management System, which houses more than 50 percent of HUD's budget through implementing the PIH Information Center - Next Generation. OCIO terminated this $8 million effort in January 2021 because it did not align with OCIO's long-term system architecture strategy and had significant security deficiencies.[109]

A primary example of HUD's IT project management challenge is the frequency with which important contracts for IT services lapse. This year, a critical security contract that supported the Security Operations Center (SOC) lapsed, reducing maturity in key capabilities and halting the ability for HUD to improve an important program of its cybersecurity posture. The OIG's FY 2020 FISMA evaluation reported on project management issues with five of eight sample systems experiencing contract lapses and multiple expired authorizations to operate. HUD OIG has found that program office staff has varying levels of expertise and involvement, resulting in disparate project results across program offices. Further, IT program managers have lacked authority over the process, even though they bear significant responsibility for managing their projects. HUD faces challenges in holding IT project managers accountable for managing the different types of IT projects. IT project managers often have insufficient expertise or resources for managing the technical aspects, schedules, coordination, and funding for HUD's IT investments.[110]

Cybersecurity

Though HUD is addressing weaknesses and closing unresolved recommendations, our oversight work highlighted the additional action HUD must take to overcome the significant challenges the Department still faces. Notably, through the annual FISMA evaluation, HUD OIG found HUD's information security program to be at an ineffective maturity level of "defined." The FY 2022 FISMA evaluation focused on Office of Management and Budget (OMB)-identified "core" cybersecurity metrics that address the most critical areas of priority for the Administration and other highly valuable controls for agencies' information security programs.

HUD OIG REPORTS AND OTHER RESOURCES

HUD Information Technology Modernization Roadmap Evaluation, HUD OIG Report 2021-OE-0003 (June 30, 2021)

HUD Privacy Program Evaluation Report, HUD OIG Report 2018-OE-0001 (September 13, 2018)

Topic Brief – 2021 Persistent IT Challenges and Issues Facing HUD (nonpublic)

HUD Fiscal Years 2016 - 2021 Federal Information Security Modernization Act of 2014 (FISMA) Evaluation Reports (nonpublic)

IT Modernization: HUD Needs to Improve Its Estimation and Oversight Practices for Single-Family Housing, GAO Report No. 21-459 (September 2021)

PROGRESS REPORTED

HUD has made significant progress in addressing open recommendations, which has resulted in notable progress in addressing cybersecurity vulnerabilities found in HUD OIG FISMA evaluations.

GAO reported that over the past year, HUD closed two priority recommendations by (1) issuing a "Cybersecurity Risk Management Strategy and an Enterprise Risk Management" standing operating procedure and (2) "reviewing positions and assigned work role codes in the IT management occupational series."

HUD dropped from the consistently implemented to the defined maturity level. Within those core metrics, HUD was able to increase maturity in 3 of the 20 core metrics, remaining at the same maturity level for 16 of the 20 core metrics, and dropping in maturity for 1 core metric. HUD also continues to make significant progress in addressing our prior years' recommendations, closing 21 recommendations in FY 2022 alone. HUD must continue to focus its efforts on addressing known cybersecurity issues to make progress in addressing this management challenge.

HUD's challenges with modernizing key IT systems and implementing enterprise efforts, along with managing limited budget and resource constraints in FY 2022, affected HUD's ability to mature its cybersecurity posture. The large number of legacy systems supporting key HUD functions continued to present elevated risks to HUD's IT environment. Managing cybersecurity risks for legacy systems is resource intensive and limited OCIO's capacity to acquire and deploy technology necessary to implement critical security controls. Further, HUD continued to face challenges with efficiently awarding IT contracts and conducting contractor oversight. Finally, HUD program offices did not consistently implement OCIO policies and procedures.

HUD still faces hurdles in addressing the significant increase in the complexity of its hardware, software, and information systems. Managing this risk requires that it have a full understanding of its infrastructure and network interconnections, integrate its risk activities across the organization, and maximize the use of automation to manage risk in real time to the extent possible. Unfortunately, HUD continues to struggle with identifying web applications and ensuring that only authorized software is executed on its network. This year, HUD implemented a recurring compliance review process to identify and address inconsistencies in its system inventory but acknowledged that it was unable to identify all of its information systems, particularly web applications and cloud-hosted systems. While HUD did improve how it communicated its risk management activities to various levels of its enterprise and improved its asset management capabilities, HUD did not have an effective solution to provide an automated, integrated, and ongoing view of its departmentwide risk exposure.

An example of HUD's progress and remaining challenges can be found in its operation of a key part of its information security program, the SOC. Formed in 2019, the SOC was established to proactively identify and respond to cyber threats, incorporating four key aspects of an information security program: incident management, threat management, threat intelligence, and attack surface reduction. However, HUD failed to make the SOC fully operational. While HUD had defined policies and procedures and implemented incident response processes and technologies, its program was ineffective because HUD could not identify unusual activity on its network, lacked visibility into parts of its network, and did not have access to leading tools and technologies.

In addition, though HUD developed a dashboard as the primary interface for day-to-day monitoring of information systems' security controls, the dashboard was not operational for half of FY 2022 due to budget constraints and the loss of contractor support. HUD struggled to provide clear visibility, awareness of vulnerabilities, and up-to-date threat information. This condition impacted not only planned progress to further continuous monitoring, but also impacted systems already part of the program.

Additionally, HUD has struggled to maintain continuous monitoring within its information security posture. With the focus on OMB's "core" metrics, HUD dropped in maturity level for its continuous monitoring program, in part due to the loss of a major contract supporting the SOC that was largely unfunded in FY 2022. HUD's continuous monitoring and ongoing authorization strategies were defined and communicated to program offices. However, HUD failed to meet the goals that it set for itself in FY 2020 to fully transition to ongoing authorizations. HUD's continuous monitoring strategy should coordinate efforts and automated tool implementation strategies for assessment of system controls and all other FISMA activities. This strategy would also help HUD develop methods to collect, analyze, and report on Department data with the goal to manage risk, as appropriate, based on its core missions and business processes. HUD should prioritize the continuation of its continuous monitoring strategy and implementation plan, as it has achieved some progress since FY 2021.

One area in which HUD showed progress was in conducting an enterprise workforce needs assessment. HUD updated its procedures for conducting a workforce needs assessment and, importantly, conducted a needs assessment in accordance with those procedures. Since HUD has implemented its enterprise needs assessment, it can now identify and prioritize personnel training needs to mitigate this source of risk in a manner that it could not in past evaluations. HUD also closed a GAO priority recommendation related to this metric in March 2022. To get to an effective level of maturity, HUD needs to continue to progress in this area, primarily by showing that the results of the needs assessments were being used to address the personnel skills gaps it identifies.

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. OIG has identified several longstanding challenges that HUD faces 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.[111] HUD needs to enhance its privacy and data protection policy implementation and program governance. HUD must also increase its technical capability to manage its extensive holdings of PII by utilizing tools to limit access to and dissemination and exfiltration of PII.

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. Additionally, the exfiltration of data remains a significant area of concern, as HUD's data loss prevention solution is currently limited to the O365 platform. However, HUD made modest improvements by implementing the blocking and alerting of sensitive data transfers within the O365 platform. Further, 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. HUD must do more to provide platform-specific guidance on standards to apply to protect the data on that platform, which would assist in providing for appropriate security controls when building a system, avoid additional costs in correcting deficiencies, and help prevent authorization of a system that lacks proper controls.

HUD's progress in privacy and data protection is depending on its ability to issue timely program requirements and to establish accountability. Several policies remain outdated or have not been fully developed. To address this, HUD appointed a Senior Agency Official for Records Management to assess resource needs in the records and privacy offices and issued a Controlled Unclassified Information policy. However, we identified that program offices were unsure of 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. In addition, a September 2022 report by GAO found that HUD could improve its processes for ensuring that the Senior Agency Official, or designee, reviews IT capital investment plans and budgetary requests, incorporate privacy into HUD's risk-management strategy, and establish a time frame for fully developing a privacy continuous monitoring strategy.[112]

Sustaining Progress in Financial Management

Related HUD Strategic Goal 5: Strengthening HUD's Internal Capacity

Continued progress by HUD in financial management will lead to stronger administration and effective oversight of HUD funding

Like last year, we are pleased to report that during FY 2022, HUD's overall financial management maturity continued to progress, with HUD maintaining clean audit opinions in the FY 21 financial audit cycle. HUD focused on financial management in its FY 2022-FY 2026 Strategic Plan, through Strategic Goal 5D, Enhance Financial and Grants Management, stating, "HUD aims to provide sound financial and grants management services so the Department can achieve financial excellence." Toward this goal, HUD identified several strategies and associated metrics to enhance financial and grants management.

However, HUD needs to remediate its longstanding material weakness in financial reporting. Specifically, the identification of new instances of financial reporting material weaknesses and noncompliance with significant laws and regulations occurred during the fiscal year that were not prevented by HUD's existing internal controls. This condition, coupled with continued weaknesses in HUD's internal control framework and financial management systems, is keeping HUD from achieving a fully "capable" level of financial maturity under the U.S. Treasury's Financial Management Maturity Model. HUD must continue sustaining the improvements it has made in financial management to produce reliable and timely financial reports consistently and to ensure compliance with significant laws and regulations.

Improvements to HUD's Internal Controls Over Financial Reporting Are Needed

As part of its Accountability, Integrity, and Risk program, in FY 2022, HUD performed an assessment of the effectiveness of its internal controls over financial reporting, with all of its programs being reviewed on a three-year rotational cycle.

Many of HUD's financial reporting controls are operating effectively but HUD needs to address longstanding weaknesses related to its significant estimates and improve controls around component entity activities. For example, HUD OIG has reported on weaknesses in HUD's processes for estimating and validating its grant accruals since FY 2013, which is a major contributor to why HUD continues to have a material weakness in financial reporting. In FY 2021 and 2022, separate and distinct material financial reporting errors were identified at FHA, which were not prevented by FHA or HUD's internal controls.

Specifically, the lack of adequate procedures, proper reconciliations, staff training, and management reviews resulted in a $3,303 million error in the initial version of the September 30, 2021 financial statements. Further, due to the inadequate review and implementation of OMB Circular A-136, FHA's loan guarantee liability was presented incorrectly. In FY 2022, FHA borrowed $6.878 billion in excess of its borrowing authority and lacked adequate budgetary authority for the related payment of interest to Treasury.

These deficiencies resulted in several financial reporting errors in both FHA's and HUD's consolidated FY 2022 third quarter and FY 2021 yearend financial statements and caused potential instances of noncompliance with the Federal Financial Management Improvement Act (FFMIA) and the Antideficiency Act (ADA), both of which are being investigated.

In the FY 2021 financial statement audit, our independent public accountant reported a new instance of noncompliance with the Single Audit Act. With the majority of HUD's funds administered by non-Federal entities, noncompliance with this law has a significant impact on HUD's overall financial management. HUD is currently in the process of implementing corrective actions to address its noncompliance which includes the development of a tool that collects all single audit act report information that have been submitted for its programs and can complete data analysis to identify findings by program area, quantifies the associated questioned costs, and tracks other performance management functions. However, HUD faces challenges in implementing a governance structure over this process because the Department administers hundreds of Federal programs and the Single Audit Act function has been decentralized throughout its program offices. Therefore, gathering the necessary data to track and analyze non-Federal entity compliance for all of HUD's non-Federal entities has been slow. Further, because of the decentralized process HUD has established, it's unclear whether HUD's proposed solution will lead to compliance.

Finally, for the ninth consecutive year, HUD continues to be noncompliant with improper payment requirements. The most recent compliance audit found that HUD continues to experience challenges that prevented it from testing the full payment cycle and developing accurate improper payment estimates for its programs that were deemed susceptible to significant improper and unknown payments. These continued challenges prevent HUD from being able to identify and mitigate the causes of improper payments in its programs.

Based on these examples, we are concerned that HUD's internal control framework is insufficient to prevent other material errors or instances of noncompliance from occurring in the future. Ensuring that all of HUD's internal controls, including those over FHA and Ginnie Mae entities, are designed and operating effectively is also important to achieving a fully capable level of financial maturity.

HUD's Financial Management Systems Weaknesses

Some significant financial business processes continue to be manual, resulting in unreliable and untimely financial reporting or not recognizing events at the transaction level, which creates weaknesses in financial management oversight. For example, PIH uses manual processes and Excel spreadsheets to comply with cash management requirements, resulting in untimely reports on accounts payable and accounts receivable. Further, OCFO is unable to recognize PIH prepayments and PHA expenses as they occur at the transaction level. Therefore, PIH must estimate its prepayments and perform manual adjustments quarterly. PIH also lacks a system capable of fully accounting for its loan guarantee programs. We recommended that HUD implement a system to address PIH's cash management needs in fiscal year 2014; however, due to various challenges, PIH has made slow progress in implementing a system that is fully operational. The system is not expected to be fully operational by the time its FY 2022 financial reporting is due.

HUD is also making progress in its efforts to bring its financial management systems into compliance with FFMIA. However, HUD still has one system that is noncompliant with FFMIA. Further, many of HUD's financial and mixed systems are legacy systems, some of which are more than 30 years old. Relying on legacy financial systems increases risks to ensuring the accuracy and completeness of its financial reporting without extensive manual efforts and workarounds. The challenges in maintaining HUD's legacy systems and ensuring that they can support the proper financial management of HUD's programs and operations will persist until they are modernized.

HUD OIG REPORTS AND OTHER RESOURCES

Audit of FHA's Fiscal Years 2021 and 2020 Consolidated Financial Statements, HUD OIG Report 2022-FO-0003 (December 09, 2021)

Audit of HUD's Fiscal Years 2021 and 2020 Consolidated Financial Statements, HUD OIG Report 2022-FO-0004 (December 09, 2021)

Government National Mortgage Association, Audit of Fiscal Year 2021 Financial Statements, HUD OIG Report 2022-FO-0002 (November 16, 2021)

HUD Compliance With the Payment Integrity Information Act of 2019, HUD OIG Report 2022-FO-0005 (June 27, 2022)

RECENT AND ONGOING RELATED OVERSIGHT

FY 2022 Federal Housing Administration Financial Statement Audit

FY 2022 Ginnie Mae Financial Statement Audit

FY 2022 HUD Consolidated Financial Statement Audit

HUD's Financial Management Maturity

Although HUD has made significant progress in the past few years in resolving material weaknesses and significant deficiencies, the challenges described above continue to impede HUD's progress toward achieving a fully "capable" maturity level under the U.S. Treasury's Financial Management Maturity Model. Specifically, elements of a "basic" level of maturity continue to exist in two of three areas of the model, which cover Financial Systems and Reporting and Financial Integrity. However, to achieve a fully "capable" maturity level, HUD must continue strengthening its internal control framework and further enhance its financial management systems to mitigate existing financial risks and prevent new financial deficiencies from occurring.

PROGRESS REPORTED

HUD is making progress in its efforts to bring its financial management systems into compliance with FFMIA, successfully bringing its Disaster Recovery Grant Reporting system into compliance.

With respect to internal controls, OCFO reported progress in developing new tools around single audits. In addition, OCFO continues to offer training and outreach around HUD's Accountability, Integrity, and Risk program to HUD employees.

Administering Disaster Recovery

Related HUD Strategic Goal 4: Advance Sustainable Communities

HUD is challenged to implement disaster recovery programs that come with large funding increases without a commensurate level of structure and oversight

Following a disaster, HUD's long-term role is to address unmet needs in communities after initial emergency disaster relief efforts have ended. The primary method by which HUD provides disaster recovery assistance is through the CDBG-DR program.[113] For more than 2 decades, Congress has appropriated supplemental CDBG-DR funds to HUD to be used by HUD grantees for a broad range of purposes. HUD awards appropriated funds as grants to States, territories, tribes, and units of local government for disaster recovery efforts. These primary grantees work with other entities, including subrecipients, to implement recovery programs.

More recently, HUD has had to grapple with its finding that one of its largest grantees, Texas General Land Office, planned to inequitably distribute more than $4 billion in mitigation funding to subrecipients in a manner that HUD determined is discriminatory against minorities. HUD's disaster programs are central to its environmental justice and equity goals, and HUD will have to navigate pressure to implement the program quickly while concurrently litigating whether Texas GLO was equitably implementing HUD mitigation funding. From 2001 to 2021, Congress appropriated $92.8 billion to HUD to provide for disaster recovery, of which $41.5 billion (45 percent) remained unspent as of August 2, 2022. Further, HUD's disaster recovery programs continue to evolve as the types of disasters are increasing in magnitude and frequency and as mitigation becomes an additional focus for the programs. For example, in February 2018, Congress appropriated $28 billion, of which $12 billion was to mitigate disaster risks and reduce future losses through CDBG Mitigation (CDBG-MIT) grants.[114] In addition, HUD has had to adapt its disaster assistance to encompass novel disaster circumstances and events.

As Congress continues to appropriate funds with each national disaster declaration, HUD has allocated these funds and set program standards on a disaster-by-disaster basis using complex allocation notices. 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 increasing grants. Below we discuss the need for Congress to codify the CDBG disaster programs and how HUD can improve the outcomes of its disaster recovery programs through increased monitoring and oversight.

Codifying the CDBG-DR and CDBG-MIT Programs

CDBG-DR and CDBG-MIT grant funds are not provided under a program codified in the CFR. Although the CDBG program requirements provide a framework, HUD must issue Federal Register notices with additional, disaster-specific program requirements and waivers for each supplemental appropriation. As HUD allocates and amends requirements for each disaster through Federal Register notices, grantees historically have had to develop multiple action plans or amendments, often through synthesizing many notices to implement plans for disaster recovery. These steps are expected to be completed during a time of great uncertainty, given that personnel, operations, and infrastructure may have been impacted following a disaster. These issues can create delays lasting months and even years. Additionally, oversight of this program is complicated by different rules applying to different grantees.

For years, HUD OIG and GAO have recommended the CDBG-DR program be authorized permanently by Congress and codified in HUD's regulations to simplify and standardize the process.[115] HUD has taken consistent, meaningful steps to address our recommendations to pursue codification through legislative action. Secretary Fudge and former Secretary Carson have expressed public support for codification in testimony before committees of Congress. Importantly, HUD's FY 2023 Congressional Budget Justification expressly supports congressional authorization of the CDBG-DR program, noting:

> "Permanent authorization of CDBG-DR would improve the transparency and predictability of CDBG-DR funds

made available to impacted communities. Permanent authorization would also require HUD to establish consistent regulatory requirements for CDBG-DR across all future disasters, eliminating the current practice of establishing new requirements in response to each supplemental appropriation of CDBG-DR funds."[116]

Bipartisan, bicameral congressional support for codification has resulted in bills, such as the House and Senate versions of the Reforming Disaster Recovery Act,[117] which are responsive to HUD OIG and GAO's recommendations. Legislation codifying the CDBG-DR program would streamline, reform, and inject greater fiscal responsibility into the program, while also mitigating funding lags and duplicative requirements. To date, no bill has been enacted.

HUD is making progress toward providing more consistent guidance to its disaster grantees that the agency believes it has the authority to take. For example, HUD issued two Federal Register notices, collectively referred to as the "Consolidated" notices, that apply to its 2020 and 2021 disaster grantees. HUD also created an interactive guidebook to help those grantees, including pre-award grantee submissions and action plan development, which was a recommendation made by grantees according to PD&R's 2019 study described below. HUD also says that the Consolidated notices and an interactive guidebook will help future grantees, but that is true only to the extent that the rules do not change. HUD reported that it intends to issue a request for information to get public feedback on the Consolidated notice and potentially issue a "stand-alone document" that could apply to future disaster grantees. Additionally, HUD has created a performance action plan (PAP) module in its Disaster Recovery Grant Reporting system that grantees subject to the Consolidated Notices will use for action plan development and submissions. While short of codification, providing additional clarity to HUD grantees and communities would help HUD provide assistance more quickly, help impacted communities better plan, and potentially facilitate better program outcomes.

Although legislation authorizing the program and HUD's administrative efforts may improve HUD's ability to distribute funding in a timely manner, additional steps would be needed. HUD should also consider explicitly setting forth global program requirements. For example, universally clarifying and defining key program terms would facilitate HUD oversight and help grantees better administer and oversee important aspects of their programs.

HUD has made progress through its Consolidated notice in defining "the affordability period" to align with HUD's HOME program for grantees to which the Consolidated notice applies. However, even with that definition gaps remain. The Consolidated notice does not apply to all CDBG-DR grantees and the definition would not apply to a common CDBG-DR program – "housing units newly constructed or reconstructed for an owner-occupant to replace the owner-occupant's home that was damaged by the disaster." A recent HUD OIG audit found that a CDBG-DR

HUD OIG REPORTS AND OTHER RESOURCES

Community Development Block Grant CARES Act Implementation Challenges, HUD OIG Report 2022-LA-0003 (October 3, 2022)

Opportunities Exist to Improve CPD's Oversight of and Monitoring Tools for Slow-Spending Grantees, HUD OIG Audit Report 2022-AT-0001 (January 05, 2022)

The City of Houston, Houston, TX, Faced Challenges in Administering Its Hurricane Harvey Program and Risked Losing Its Funding, HUD OIG Report 2022-FW-1001 (January 04, 2022)

Lessons Learned and Key Considerations from Prior Audits and Evaluations of the CDBG Disaster Recovery Program, HUD OIG Memorandum 2022-FW-801 (November 02, 2021)

Fraud Risk Inventory for the CDBG and ESG CARES Act Funds, HUD OIG Memorandum 2022-FO-0801 (October 12, 2021)

HUD's Major Program Offices Can Improve Their Preparedness To Respond to Upcoming Natural Disasters, HUD OIG Report 2021-KC-0003 (July 26, 2021) grantee arbitrarily chose an affordability period for that type of housing unit construction that was not consistent with other parts of the program and that the same grantee did not have a process in place for enforcing the "affordability period" requirements. Another audit found that a disagreement between a grantee and subrecipient that wanted a lengthy affordability period contributed to delays in the subgrantee's programs.[118]

Addressing Concerns That Individuals Encounter When Seeking Disaster Recovery Assistance

HUD and grantees must also address the challenge of assisting individuals in applying for disaster recovery assistance. Individuals encounter a convoluted process and face substantial difficulties depending on how, when, and where they submit a request for Federal assistance, often while dealing with the aftermath of the disaster.[119] Although not unique to HUD-funded disaster recovery programs, people may experience lengthy delays between the initial application process and the receipt of funding or services. In addition, slow program progression and grantee and subrecipient inefficiencies can contribute to individuals' not receiving assistance in a timely manner. A 2019 study by PD&R noted that grantee "outreach to and case management for individual households" was a cause of program delay.[120] The same study also noted that "recruiting, communicating, and sustaining relationships with household beneficiaries has been a constant source of perceived delays across CDBG-DR grantees of all types, particularly when programs are launched before many details around documentation and case management have been finalized."

Grantees are not required to use CDBG-DR funding for individual households but they often do. Further, grantees are generally required to spend 70 percent of their funds on low- and moderate-income households. HUD provides technical assistance to grantees as they are creating their action plans to use disaster recovery funding for vulnerable populations, but these groups often face language, mobility, and socio-economic barriers that make them more difficult to serve. Unfortunately, these groups are also less prepared and are more vulnerable to the impact of disasters.[121] A November 2021 audit by GAO recommended that HUD collect additional demographic data about vulnerable populations who apply for and receive assistance and analyze the information to better understand how vulnerable populations are being served and the associated challenges.[122] That recommendation remains open, and in March 2022, HUD stated to GAO "that collecting additional data from grantees would require additional staffing, system infrastructure, and protocols" but that it intended to conduct a pilot data analysis using grantee-reported data and Census data to determine whether additional grantee reporting was needed.

HUD has reported it intends to create "dashboards" to provide public, demographic information on those served through such programs. Further, in its Consolidated notice, HUD has required grantees subject to that notice to conduct an unmet needs assessment of housing for vulnerable populations, an assessment of whether its planned activities will violate Fair Housing and Civil Rights requirements, including details related to vulnerable populations and protected classes.

RECENT AND ONGOING OVERSIGHT

Disaster Recovery Data Portal

State of California 2018 Disasters Owner Occupied Rehabilitation and Reconstruction Program

HUD Oversight of CDBG-DR Grantees Use of Program Income

Preventing Duplication of Benefits in Community Development Block Grants - Disaster Recovery and Mitigation

State of GA Monitoring of CDBG-DR HIM Grants Activities and Subrecipients

USVI 2017 CDBG DR Matching Program

USVI Monitoring of 2017 CDBG-DR

Community Development Block Grant - Disaster Recovery Program Timing

Community Development Block Grant - Disaster Recovery LMI Requirements

The Need To Address Slow Spenders

The timely administration and expenditure of funds is also a challenge for HUD's grant programs. When HUD funds administered by grantees to alleviate the impact of COVID-19, natural disasters, and other emergencies are not administered effectively and in a timely manner, the most vulnerable populations remain at risk. In several instances, HUD OIG and other oversight agencies have identified the inability of grantees to administer grant funds in a timely manner as a key challenge. HUD OIG has also identified HUD's need to better address slow-spending as a priority recommendation.

This is especially important with respect to disaster assistance programs. HUD must ensure that grantees receiving disaster relief funds have the capacity to administer the funds in a timely manner and that they are using disbursed disaster funds for eligible and supported items. HUD's ability to do so is constrained by the limited availability of data about how the funds are being spent by subgrantees, contractors, and subrecipients. In addition, HUD OIG audits have noted concerns about HUD's process for certifying that grantees have proficient procurement processes that meet or are equivalent to Federal standards.

For example, in 2020, HUD OIG conducted an audit of the CDBG-DR awards to Puerto Rico.[123] HUD OIG recommended that the Puerto Rico Department of Housing take steps to better administer and monitor the use of HUD disaster-relief funds, to include reviewing and updating its policies to prevent duplication of benefits, reviewing and updating its procurement policies, and continuing to fill job vacancies. Of the 16 recommendations in the report, 11 have been closed, and 5 remain open.

Another recent HUD OIG audit report concluded that a subrecipient of CDBG-DR funds was overwhelmed by the number of programs it intended to operate.[124] We found the subgrantee did not respond effectively to the grantee's guidance and training, resulting in the primary grantee being labeled a slow spender. The slow spending and weak performance were worsened by disagreements between the subrecipient and grantee over how to implement the subrecipient's programs. In addition, the grantee did not provide programmatic benchmarks in its contract to hold the subrecipient accountable. Ultimately, these conditions delayed assistance reaching those in need.

Delays in issuing funding to address disasters increases the risk of not meeting program objectives and results in victims' waiting for assistance years after the disasters. HUD recently revised its methodology to improve how it identified slow spenders, in August 2020, it started publishing monthly CDBG-DR grant expenditure reports. More recently, HUD made progress in January 2022 by implementing changes to how it identifies CDBG-DR grantees as either "on pace" in the expenditure of recovery funds or as "slow spenders" and resumed publication of its monthly report.

PROGRESS REPORTED

In January 2021, Secretary Fudge supported permanent authorization of the CDBG-DR program and said HUD would work with Congress on codification proposals.

Codification was included in the Administration's requests in its most recent Congressional Budget Justification.

Bipartisan, bicameral congressional support for codification has resulted in proposed legislation, such as The Reforming Disaster Recovery Act, which is responsive to OIG's and GAO's recommendations.

HUD and the Federal Emergency Management Agency's (FEMA) computer matching agreement was effective in March 2022. As a result, HUD allocated the remaining $3 billion (of $5 billion) appropriated under the Disaster Relief Supplemental Appropriations Act, 2022, for disasters that occurred in 2020.[127]

Capacity To Oversee Block Grant Programs as Disaster Recovery Grants Increase

Like other agencies, HUD has faced challenges in effectively monitoring grantees to ensure that expenditures are eligible, supported, and administered in an appropriate and timely manner. These challenges are made worse for disaster relief funds by the broad range of activities supported, the need to promptly get the money out to those impacted by emergencies, the high dollar value of typical disaster recovery grants, and the waivers and requirements specified in each successive Federal Register notice.

As disaster funding grows and the program increases in complexity, HUD's capacity to monitor and oversee the funding must keep up. HUD has made some progress in staffing capacity within its disaster oversight division. In 2019, GAO found that HUD was not sufficiently staffed to meet its oversight objectives and recommended that HUD hire dedicated staff specifically trained in disaster recovery who did not have competing obligations, such as oversight of regular CDBG activities.[125] GAO reported that HUD addressed the recommendation by developing a staffing plan, including a workload analysis to determine the staffing gaps within the Disaster Recovery and Special Issues Division (DRSI) and had hired 28 staff members to fill gaps identified. HUD's identification of the skills and competencies needed and hiring of staff to address gaps will help it to oversee the growing number of CDBG-DR grants.

An area worthy of more resources is the Office of Block Grant Assistance (OBGA) which is now responsible for overseeing more than 1,200 grant awards with the addition of CARES Act awards and its current CDBG, CDBG-DR, and CDBG-MIT portfolios. Our recent report highlighting the unique challenges CDBG CARES Act (CDBG-CV) program grantees face places an additional burden on OBGA as it assists grantees. OBGA must manage an increasing list of Federal Register notices and a growing list of grantees, many of which are allowed to operate their recovery program using their own definitions and procurement requirements, all of which will require OBGA staffing resources to oversee. Further, OBGA will have to use its limited resources to address the elevated risk that CDBG-CV grantees without prior disaster recovery experience or that struggle with new coronavirus-related program requirements may not properly administer their funds. Hiring additional staff has not been commensurate with this increase, as even smaller individual award amounts for some of the newer grantees still require robust oversight. Further, stakeholders noted how DRSI can face challenges retaining employees given that they are often sought after and recruited for other positions.

To address monitoring and other concerns in HUD's sizeable CDBG-DR program, HUD has proposed moving DRSI to a new Office of Disaster Recovery. However, a new office would still face challenges related to hiring sufficient and skilled staff to adequately oversee its portfolio, and such an office would still face challenges related to accessing accurate, timely, and complete financial and performance data.

IMPACT OF PANDEMIC RELATED FUNDS

Since March 2020, the CARES Act and ARP Act have made available $14 billion in supplemental CDBG funding for grants to current formula grantees to prevent, prepare for, and respond to the coronavirus pandemic (such as CDBG-CV, ESG-CV, and HOME-ARP awards).[128]

HUD is now responsible for overseeing more than 1,200 grantees though CBDG-CV.

In a 2021 OIG survey, CDBG-DR grantees reported that the pandemic impacted systems technology and communications; timeliness of construction projects; travel; monitoring and onsite technical assistance; and in-person meetings with subrecipients, contractors, and local government.

HUD grantees reported that HUD program staff was generally supportive and helpful, while both grantees and HUD alike navigated the challenges brought on by the global pandemic.

This is important as HUD OIG oversight has consistently found the need for HUD to provide adequate guidance and oversight to ensure that grantees follow eligibility and documentation requirements, which continues to be a challenge for HUD. In 2021, HUD conducted two audits involving the administration and expenditure of HUD's grant funds under the CDBG-DR programs. The audits, one in the City of Houston and one in Harris County, examined the administration of funding in two major localities where the majority of funds had not been administered in a timely manner. Both audits identified concerns about compliance with procurement controls, the maintenance of adequate documentation to support disbursements, and the oversight of subrecipients.

Overall, CDBG-DR grantees' highest risk problem area was not following program and administrative requirements.[126] A total of 68 of 118 HUD OIG reports covering 29 CDBG-DR grantees contained 104 instances of program and administrative issues, including issues with general program and administrative requirements, procurement requirements, duplication of benefits requirements, and Federal cost principles. More than 44 percent of the CDBG-DR grantees reviewed incurred more than $1.7 billion in questioned costs, or about 30 percent of the more than $6 billion reviewed. Most CDBG-DR grantees that incurred questioned costs were unfamiliar with the program requirements and did not implement adequate policies and internal controls. HUD's Office of Community Planning and Development (CPD) should continue to provide grantees with training and other technical assistance, notably grantees without experience administering CDBG-DR funding, to ensure they are familiar with Federal procurement requirements, costs principles, and other administrative requirements.

HUD has reported that it expends considerable resources in addressing this challenge. It reported that it has provided more than 2,190 hours of technical assistance to its CDBG-DR grantees for its entire, decades long portfolio. While HUD previously provided technical assistance upon request, it began providing technical assistance to every new grantee since 2015. Further HUD reported that for 2020 and 2021 disaster grantees it provided a multi-day engagement with grantees to provide an overview of the CDBG-DR notice and related requirements.

Grants Management

Related HUD Strategic Goal 5: Strengthen HUD's Internal Capacity

Grants are a critical portion of HUD's portfolio that must be managed effectively and in a timely manner to meet urgent housing needs

Grant making is an essential component of HUD's business. HUD's grant portfolio includes a diverse range of programs that contribute toward HUD's strategic goals, including programs designed to advance housing justice, reduce homelessness, invest in the success of communities, increase the supply of affordable housing, and strengthen environmental justice. HUD is responsible for administering billions of grant dollars each year effectively and in a timely manner. These funds are distributed to a wide variety of public and private grantees that often distribute funds to subgrantees, subcontractors, and other subrecipients to carry out work that advances HUD's mission. Under this structure, funds—as well as documentation and data—are distributed across a diverse range of organizations, geographic locations, and systems, making effective oversight a challenge.

Like other grant-making agencies, HUD continues to face challenges in developing and implementing adequate policies, procedures, and other controls to oversee grantees' compliance, performance, and effectiveness consistently and effectively. These challenges span the entire grant-making life cycle and include HUD's oversight of grantees as well as grantees' and subrecipients' internal controls and reporting. It is critical that HUD and its grantee partners ensure that HUD grant funds are used to provide timely and effective assistance to Americans, particularly since the beneficiaries of these programs are often from vulnerable and historically underserved populations.

Several recent HUD OIG audit reports identified grants management challenges and offered recommendations for improvements. Below we discuss the challenges faced by HUD in (1) ensuring that grantee expenditures are eligible and supported; (2) meeting the need for reliable and complete financial and performance information; (3) the timely spending of grant funds and execution of grant programs; (4) navigating efficient and effective solutions to complex societal challenges when there are multiple sources of funding; (5) HUD's, grantees', and subrecipients' capacity to oversee grant programs; and (6) subrecipient monitoring.

Ensuring That Grantee Expenditures Are Eligible and Supported

Grant-making agencies across the government face challenges in developing and maintaining robust grant management systems that can provide the level of oversight needed to ensure that grantees use funds only for authorized purposes.[129] The ability of a grant program to be effective in furthering its public policy purpose—such as fostering community development and revitalization—is thwarted when funds are spent on ineligible and unintended activities. One recent civil settlement serves as an example of how a grantee might use grant funds for unintended purposes. In that case, the grantee agreed to pay more than $1 million to resolve allegations that it used HUD grant funds, which it had received to construct a new facility, for other, unintended purposes.[130] As a result of the grantee's actions, the local population lost out on an improvement that could have helped to revitalize and reinvigorate the community.

HUD OIG has ongoing work focused on determining whether HUD ensured that program income generated from disaster funds awarded to CDBG-DR grant recipients was used for eligible expenses; that is, to benefit program beneficiaries and positively impact and support disaster recovery in affected areas.

The Need for Reliable and Complete Financial and Performance Information

Accurate, timely, and complete financial and performance data are necessary to determine whether HUD grants achieved their intended results.[131] Grantees often distribute HUD funds to subgrantees, contractors, and other subrecipients to carry out activities to assist beneficiaries. HUD's grant systems, however, primarily maintain data at the grantee level. Similarly, Federal Government-wide requirements do not require grantees to report subawards beyond the "first-tier" transaction.[132] When there is no transparency over lower tier transactions where the work is being carried out and where the funds are being spent, it is a challenge to determine whether the grant funds are achieving their desired results, such as addressing homelessness or providing housing services to vulnerable populations.[133] Fraud has often been identified at the subrecipient level[134], and the lack of efficient access to these data hinders oversight as well as grantees', HUD's, and HUD OIG's ability to prevent and detect fraud.[135]

Further, HUD's systems, many of which were developed more than a decade ago, rely on an integrity-based system in which grantees self-report data and information about grant activities and expenditures. HUD may check these data during monitoring, and HUD OIG may review the data during its oversight work, but these activities collectively examine only a small portion of all grantee data. Inaccurate, delayed, or incomplete data increase the risk of improper payments and wasted funds.[136] Given this context, HUD faces the challenge of developing adequate policies, procedures, and other controls to ensure quality, accurate, and complete data.

Timeliness in Spending Grant Funds and Executing Grant Programs

Another challenge that HUD and its grantees face is timely spending and execution of grant-funded programs. Many of HUD's grant programs are designed to address urgent needs, such as homelessness, disaster recovery, and pandemic-related challenges. HUD, its grantees, and their subrecipients are challenged to plan and implement programs in a timely way so that these urgent needs can be met and so that beneficiaries receive the maximum possible impact from HUD funds.

As discussed above, and in HUD OIG Priority Open Recommendations, CDBG-DR grantees struggle to efficiently distribute disaster recovery funds, resulting in slow spending. Two recent HUD OIG reports identified opportunities for HUD to assist grantees in trying to prevent unused funds from homelessness programs having to be recaptured. One HUD OIG report found that a CoC grantee did not use $3.5 million, or approximately 45 percent, of its total approved CoC grant funds and let these funds expire.[137] This grantee also failed to provide timely annual performance reports, which serve as a key resource for HUD's tracking and oversight of grantees' progress.

A recent HUD OIG report identified spending program funds within required timeframes as a key grantee challenge in administering CARES Act awards.[138] In one instance, HUD extended the timeframe in which ESG-CV grantees could spend funds, and HUD OIG recently recommended that HUD take similar action in relation to the CDBG-CV program.[139] While extensions prevent funds from expiring, doing so does not mitigate the impact of a delay in rolling out programs that were designed to address time-sensitive pandemic-related needs.

HUD OIG recently began an assignment to determine whether CPD is tracking and improving the timing of its delivery of the CDBG-DR program funds over the last 20 years and whether CPD has met congressional allocation timing requirements. Specifically, HUD OIG

HUD OIG REPORTS AND OTHER RESOURCES

Lessons Learned and Key Considerations from Prior Audits and Evaluations of the CDBG Disaster Recovery Program, HUD OIG Memorandum 2022-FW-0801 (November 02, 2021)

Los Angeles Homeless Services Authority, Los Angeles, CA, Continuum of Care Program, HUD OIG Report 2022-LA-1001 (January 20, 2022)

Emergency Solutions Grants CARES Act Program, HUD OIG Report 2022-LA-0002 (August 17, 2022)

Community Development Block Grant CARES Act Implementation Challenges, HUD OIG Report 2022-LA-0003 (October 3, 2022)

HUD Could Improve Its Tracking and Monitoring of Continuum of Care Grantee Spending Levels, HUD OIG Report 2023-LA-0002 (October 19, 2022)

CIGIE Top Management and Performance Challenges Facing Multiple Federal Agencies (February 2021)

COVID-19 Additional Risk Assessment Actions Could Improve HUD Oversight of CARES Act Funds, GAO Report No. GAO-21-104542 (September 2021)

Disaster Recovery: Additional Actions Needed to Identify and Address Potential Recovery Barriers, GAO Report No. GAO-22-104039 (December 2021)

Lessons Learned in Oversight of Pandemic Relief Funds Report, Updated, Pandemic Response Accountability Committee (June 8, 2022) will be measuring the timing of three CDBG-DR program delivery points: (1) CPD's allocation of the funds to grantees, (2) the grantees' submission of their initial action plans, and (3) CPD's execution of grant agreements.

HUD OIG recently began an assignment to determine the challenges that Native American and Hawaiian grantees face in implementing and utilizing ONAP block grant funding provided by the CARES and ARP Acts. This work also will determine how ONAP has helped the grantees navigate available COVID-19 recovery programs.

Navigating Efficient and Effective Solutions to Complex Societal Challenges When There Are Multiple Sources of Funding

HUD awards grants to address complex societal challenges, such as preventing and addressing homelessness, promoting economic and community development in tribal and historically disadvantaged communities, and recovering from disasters. Many other Federal, State, and local agencies, along with nonpublic organizations, also offer funding to address these challenges. In these spaces, HUD faces the challenge of effectively collaborating with other agencies and service providers to ensure that grantees and subrecipients understand all available funding options, as well as the restrictions and rules that govern each funding source. Coordination is essential to avoid potential inefficiencies created by overlapping services.[140]

As GAO has pointed out in the context of programs designed to address veteran homelessness, there are both benefits and challenges when multiple sources of funds are present to address a public need.[141] On the plus side, overlapping programs can facilitate access to services because individuals experiencing homelessness can access services through several entry points. When multiple programs and funding sources overlap, however, there is also the risk that program administrators may make inefficient use of available resources if they do not adequately coordinate their efforts.

A recent HUD OIG report identified coordinating with other sources of funding as a top challenge ESG-CV grantees faced in implementing the program and using grant funds.[142] Sixty-three percent of grant recipients stated that they received funds from non-HUD sources for their programs to address and prevent homelessness, including funds from FEMA as well as State and local sources. Sixty-four percent of those grant recipients indicated that these non-HUD funds have either moderately or significantly impacted their HUD ESG-CV funds. Similarly, a GAO review of HUD's oversight of CARES Act funds found that one reason grantees were initially slow to spend HUD CARES Act funds was the availability of other Federal pandemic relief funds with fewer requirements.[143] Another recent HUD OIG report found that a grantee failed to spend all of its CoC funds, in part, because it emphasized other, more flexible sources of funds to its subgrantees.[144]

CDBG-CV grantees also identified managing multiple funding sources as a significant challenge in administering their HUD funds.[145] Competing CARES Act application and expenditures deadlines, combined with capacity issues, may have led to CDBG-CV program funds' not being used to provide immediate help to those impacted by the pandemic.

RECENT AND ONGOING RELATED OVERSIGHT

Disaster Recovery Data Portal

State of California 2018 Disasters Owner Occupied Rehabilitation and Reconstruction Program

HUD Oversight of CDBG DR Grantees Use of Program Income

Preventing Duplication of Benefits in Community Development Block Grants - Disaster Recovery and Mitigation

State of GA Monitoring of CDBG-DR HIM Grants Activities and Subrecipients

USVI 2017 CDBG DR Matching Program

USVI Monitoring of 2017 CDBG-DR

Community Development Block Grant - Disaster Recovery Program Timing

Community Development Block Grant - Disaster Recovery LMI Requirements

HUD's Spending of Continuum of Care Funds

A recent GAO report examining economic development programs available to tribal entities found programs to be fragmented across seven agencies, including HUD.[146] GAO reported that tribal organizations said many tribes have limited capacity to identify and access programs and may not be aware of the Federal assistance available. While none of the recommendations in that report are directed to HUD, understanding the multiple sources of funds and different rules and timelines that apply to each is a challenge that HUD and its tribal grantees must navigate to provide effective and timely economic development and housing support through HUD's Native American grant programs.

HUD also faces challenges in coordinating interagency efforts to address disaster recovery and mitigation needs. HUD, grantees, and subrecipients must navigate a complex landscape where at least 30 Federal agencies administer disaster assistance programs and activities.[147] Coordination and interagency collaboration is critical in many areas to ensure that grantees and subrecipients understand the rules and are able to administer their programs efficiently and effectively. GAO recently identified its recommendation that FEMA, HUD, and the Small Business Administration work together to develop routine, interagency processes to help ensure equal opportunity to participate in disaster recovery as a priority recommendation.[148]

HUD OIG has ongoing audit work focused on HUD's development of a Disaster Recovery Data Portal and data-matching agreements regarding the CDBG-DR and CDBG-MIT programs that will assess HUD's collaboration with other agencies surrounding data sharing in the disaster space.

PROGRESS REPORTED

In February 2022, HUD issued updated subrecipient monitoring guidance to CDBG grantees as well as updated guidance to CDBG subrecipients about administrative systems. In April 2022, HUD extended the spending deadline for ESG-CV funds to September 30, 2023, to help address grantee challenges in implementing the program and using all grant funds within the original timeframe.[165] As to timeliness of expenditures in the CDBG-CV program, HUD indicated that it is tracking CDBG-CV grantees for timeliness in spending and that the majority of grantees are on track. HUD also indicated, consistent with its August 2020 program notice, that it will consider extending the time grantees have to spend funds on a case-by-case basis if there are extenuating circumstances. HUD has also developed and provided training tools to CoC grantees and subrecipients that can be used to help ensure full compliance with program requirements.[166] These tools cover many topics, including eligible activities, environmental review, financial management, and grant administration. HUD plans to issue a training tool in the future focused on coordination that could help grantees be more successful in fully spending their CoC grant funds.[167] Recognizing that new grantees often need more time to ramp up programs and hiring, HUD adjusted the CoC notice of funding announcement starting in 2019 to allow first-year grantees the option to select 18-month terms, instead of 12-month terms, for the initial year of the grant.[168] In addition to holding conference calls and posting webinars throughout the process for its CARES Act and ARP Act block grant programs, ONAP transparently posted its Indian Community Development Block Grant-ARP awards with specific planned activities, allowing the public to see the planned use of funds.

HUD has shared plans to address many of its grant management challenges over the next 4 years in its strategic plan. For example, HUD plans to focus on automation-driven strategies to improve grants management across the agency. When complete, this could help improve oversight and ease HUD's capacity challenges. HUD also plans to modernize financial systems to better support the collection, availability, uniformity, and quality of grantee data. Additionally, HUD described plans to launch its Grants Evaluation Management System as a single grant life-cycle management solution for ONAP to increase efficiency, reduce manual workload, and improve the customer experience for HUD grantees.

Despite progress made in this area, limited staff resources and a high workload, particularly in light of CARES Act and ARP Act funding, continue to challenge and stretch HUD. There remain a high number of outstanding and open audit recommendations in relation to prior HUD OIG grant audits.[169]

Capacity to Oversee Grant Programs, Particularly in Light of Recent Increases in Funding

Adequate capacity to effectively administer HUD grant programs at the HUD, grantee, and subrecipient level has been a longstanding challenge.[149] HUD's grant programs may not be able to achieve their desired outcomes and adequately protect against fraud if HUD, its grantees, or their subrecipients lack the capacity to conduct grant-funded activities and maintain adequate controls over taxpayer funds. This challenge has been made worse by the large influx of pandemic relief funds over the last few years. Between the CARES Act and ARP Act, HUD has seen more than $14 billion in additional grant funds above and beyond its typical appropriations since March 2020.[150] This amount does not include previous and anticipated supplemental appropriations regarding disaster relief funding or recently appropriated funds for grants to improve energy efficiency, water efficiency, and climate resilience of affordable housing under the Inflation Reduction Act. Capacity challenges strain internal controls and make it more difficult to monitor the grantees and subrecipients that receive funds. This, combined with significant increases in funding, can lead to an increased risk of fraud, waste, and abuse.[151]

It takes time for grantees who were awarded many multiples of previous funding amounts to scale up staffing, infrastructure, and internal controls to handle this significant increase in funds. For perspective, ESG-CV funding represented a 1,379 percent increase to the regular 2020 annual ESG appropriation.[152] Staff capacity was one of the top challenges ESG-CV and CDBG-CV grantees identified in implementing and administering these pandemic-related programs.[153] Capacity was also a challenge that grantees foresaw continuing into the future.[154]

When asked about spending challenges during ongoing HUD OIG work focused on the CoC Program, HUD identified low staff capacity at partner organizations and turnover in staffing at grantees and subgrantees as contributing factors to grantees' challenges in spending grant funds by their expiration dates.[155] One CoC grantee identified concerns with turnover and staff capacity as of one of the reasons it did not use all of its CoC grant funds.[156] The grantee attributed capacity challenges to dramatic increases in local funding for homeless services and short-term housing. In that case, the grantee's operating budget had more than tripled since 2017. This resulted in the need to hire significant numbers of additional staff, including temporary workers. Even with increased hiring, the grantee found it difficult to increase its staffing in proportion to the increase in its funding levels.

Grantee capacity has also been a challenge in the disaster recovery space, particularly for grantees that lack prior CDBG-DR grant experience or are setting up new programs.[157] HUD OIG's recent memorandum summarizing lessons learned and risks identified during prior audits and evaluations identified lacking adequate staff to administer programs as one of four common reasons grantees experienced weaknesses in administering their CDBG-DR programs.[158]

The PRAC has ongoing work focused on assessing the grants and acquisition workforce and anticipates issuing a report that will summarize trends, best practices, and challenges for agencies across the government.

IMPACT OF PANDEMIC RELATED FUNDS

The more than $14 billion in additional grant funds awarded under the CARES Act and ARP Act[170] have strained the capacity of HUD, its grantees, and their subrecipients, which did not see proportionate increases in staffing. The ESG-CV program, for example, saw a 1,379 percent increase to the regular 2020 annual ESG appropriation.[171] The short timeframe in which grantees and subrecipients received huge influxes of funds from many different sources contributed to timeliness concerns in executing HUD-funded programs. HUD is challenged to support its grantees in administering their HUD grants within the larger, complex landscape of pandemic programs available to them, especially when there are varied applications and timeframes across programs.

HUD OIG is one of 10 OIGs participating in an ongoing PRAC-led project focused on identifying the impact of pandemic relief funding to select geographic areas. The objectives of this work include identifying Federal pandemic response program funds provided to select geographic areas and the purpose of those funds. It will also determine whether the Federal program spending aligned with the intended goals and objectives.

Subrecipient Monitoring

Given that much of the work carried out under HUD grant programs is completed by subrecipients,[159] oversight of subrecipients is critical to ensuring that grant funds are managed, spent, and documented appropriately to address critical housing needs. HUD is challenged to ensure that it provides adequate guidance to and oversight of grantees' subrecipient monitoring. HUD OIG's recent memorandum summarizing lessons learned and risks identified during prior audits and evaluations found that more than a third of grantees reviewed did not follow program requirements, at least in part because they relied on or did not monitor their subrecipients or contractors.[160] This review identified 23 instances in which 13 grantees did not monitor subrecipients or contractors or failed to adequately document the monitoring reviews.[161] Additional subrecipient monitoring weaknesses included not monitoring subrecipients to ensure that only eligible applicants and activities were funded, lacking adequate subrecipient monitoring procedures, and lacking adequate staff to perform monitoring and oversight of subrecipients.[162]

Two recent HUD OIG reports also found that grantees were experiencing challenges in relation to subrecipient monitoring. First, HUD OIG found that 87 percent of ESG-CV grantees provided funds to subrecipients to administer. Of these grantees, 84 percent indicated that the pandemic impacted their ability to effectively monitor their subrecipients. [163] In a different report, a CoC grantee said it did not spend all of its grant funds, in part due to challenges with monitoring its subrecipients.[164]

Our office has ongoing assignments to determine whether two CDBG-DR grantees effectively monitored its CDBG-DR grant activities and subrecipients to ensure that the activities address the unmet long-term recovery needs.

Fraud Risk Management

Related HUD Strategic Goal 5: Strengthen HUD's Internal Capacity

HUD is challenged to prevent and detect fraud across its varied programs to minimize fraud's negative impacts to beneficiaries and its bottom line

Fraud negatively impacts the administration, effectiveness, reputation, and success of HUD's programs in carrying out its mission. Beyond monetary losses to the Federal taxpayer, when HUD funds are diverted to fraud, its programs do not receive the financial support intended to meet its critical mission of creating strong, sustainable, inclusive communities and quality affordable homes for all. This is especially egregious since HUD's programs are designed to assist some of America's most vulnerable populations and to provide emergency relief to Americans in urgent need of housing assistance. Every dollar diverted to fraud is a dollar that does not go to helping these intended beneficiaries. Further, the reputational harm caused by fraud may result in a negative shift in perception that can lead key stakeholders to lose faith in HUD and its partners.

Managing fraud risk is a pervasive challenge across the government. It is critical that HUD address this risk head on since fraud in HUD programs undercuts HUD's ability to meet all of its strategic goals. Fraud negatively impacts the most vulnerable and underserved members of our communities. HUD is challenged to develop more robust fraud risk assessments and fraud risk frameworks in its programs. It is also challenged to integrate accountability measures into its programs, such as strong certifications throughout a program's life cycle, and to adopt leading practices in preventing fraud, such as antifraud training for program participants and verifying self-reported information. The below examples of fraud convictions demonstrate how embezzlement and other financial crimes impact victims, to include program recipients and those whose are eligible for housing assistance but lose out to fraudsters.

As discussed in HUD OIG's Priority Open Recommendations report, HUD OIG oversight work has identified systemic challenges HUD faces in completing its testing and mitigation requirements for programs susceptible to significant improper and unknown payments. When HUD cannot test the full payment cycle of certain programs and when it misses opportunities to detect improper and unknown payments in its programs, as was found in a recent HUD OIG report,[172] HUD is also missing opportunities to detect and mitigate fraud risks. As reported last year, HUD continues to face challenges in protecting its programs and limited funds and resources from fraud.

Fraud Prevention and Accountability Through Warnings, Certifications, and Training

While fraud can and does happen, HUD and its partners can take measures to address and mitigate fraud risks. OIG has long recommended and worked with HUD to implement additional controls over its programs to protect them from fraud, including warnings, mandatory life-cycle certifications, and training.

Clear warnings on HUD documents put fraudsters on notice that there can be serious criminal, civil, and administrative consequences to their actions. Encouraging HUD's grantees and other partners who help implement its programs to also include warnings on their documents can help to ensure that all partners and participants understand what can happen if they commit fraud.

Certifications also play an important role in promoting accountability. Comprehensive certifications with language sufficient for effective enforcement are present when applicants, awardees, participants, and other partners certify the truthfulness of the information they are providing; acknowledge that there could be criminal, civil, and administrative consequences if they make material misrepresentations or omit material facts; and agree that they have abided by the relevant program rules when they sign key documents. For example, the sample subrecipient agreement included in HUD's subrecipient oversight guide includes both warning language and a strong certification regarding lobbying.[173] Ideally, these certifications are required at key events throughout a program's life cycle.[174] For example, a best practice for grant programs would be to require certification when submitting an application and signing to accept an award, when drawdown requests are made and when performance and financial reports are submitted.[175] Certifications put everyone on notice of the government's expectations and can serve as important evidence of knowledge and falsity in fraud investigations and prosecutions. While certifications are a critical tool in holding fraudsters accountable, they alone cannot prevent fraud or mitigate fraud risks. To effectively prevent and detect fraud, HUD must also take steps to verify self-reported information, particularly key data related to eligibility.[176] Doing so is a key fraud risk management leading practice.[177]

Training, and subsequent validation efforts, by HUD are also key to addressing fraud risks. Training better enables program participants to prevent and detect fraud and increases the efficacy of warnings and certifications. A best practice is to ensure that partners, grantees, program participants, and others who will be administering HUD funds have training in both the rules of the program and fraud prevention and detection before they receive the bulk of their funds.[178] The goal is to help participants ideally prevent fraud before it happens instead of having to pay and chase fraudsters after the fact. When it cannot be prevented, training can ensure that participants know who to contact and what processes to follow if fraud is detected. Providing training up front to relevant stakeholders can help set everyone up for success. In those instances in which fraud does occur, equipping HUD's program staff and partners with knowledge of how to recognize fraud can help those individuals detect fraud earlier and minimize the harm caused as a result.

Mitigating Fraud Risks Through HUD's Fraud Risk Management Program

HUD OIG audited HUD's fraud risk management program at the enterprise and program-office levels. The goal was to determine HUD's progress in implementing a fraud risk management program that encompasses control activities to prevent, detect, and respond to fraud. We found that HUD's fraud risk management program was in the early stages of development, or an "ad hoc" maturity level.[179] Specifically, there were weaknesses in all four of the phases established by the Chief Financial Officers Council and the U.S. Department of the Treasury, Bureau of the Fiscal Service's The Antifraud Playbook: (1) culture, (2) identifying and assessing fraud, (3) preventing and detecting fraud, and (4) turning insight into action. Although HUD recently took some steps toward maturing its program, such as issuing a fraud risk assessment program departmental policy, HUD's program is still in its infancy, and it did not have sufficient resources to lead and implement fraud risk management activities. To increase its maturity level, HUD needs to commit resources to enhancing antifraud controls and promoting a culture of fraud risk management. Without improvements to its program, HUD may miss opportunities to identify and eliminate fraud vulnerabilities, leaving its funds and reputation at risk.

Mitigating Fraud Risks in HUD's Disaster Assistance Program

OIG has long recommended and worked with HUD to implement additional controls to protect disaster relief funds from fraud, including warnings and mandatory certifications. As discussed above, standard warning and certification language in any document provided to a grantee, subgrantee, or recipient greatly facilitates HUD's and its partners' abilities to hold fraudsters accountable. However, at the current time, such language is not universally required by HUD or included in some key documents executed by grantees, including contracts.

HUD OIG REPORTS AND OTHER RESOURCES

FY 2021 Audit: HUD's Compliance With the Payment Integrity Information Act of 2019, HUD OIG Report 2022-FO-0005 (June 27, 2022)

Fraud Risk Inventory for the Tenant- and Project-Based Rental Assistance, HOME, and Operating Fund Programs' CARES and ARP Act Funds, HUD OIG Report 2022-FO-0007 (September 29, 2022)

COVID-19 Additional Risk Assessment Actions Could Improve HUD Oversight of CARES Act Funds, GAO Report No. GAO-21-104542 (September 2021)

RECENT AND ONGOING RELATED OVERSIGHT

Improvements are Needed in HUD's Fraud Risk Management Program, HUD OIG Report 2023-FO-0001 (October 26, 2022)

In recent years, OIG has successfully partnered with HUD DRSI, the National Center for Disaster Fraud, and the U.S. Department of Justice (DOJ) to provide disaster and fraud training to grantees, subrecipients, and contractors.[180] This training teaches grantees about the potential for fraud in this program and provides resources and best practices for preventing and detecting fraud. HUD should continue to support this training as well as other training opportunities to help grantees, subrecipients, and other program participants learn about and navigate the rules and requirements of HUD's programs. This training is particularly important for disaster recovery grants, to which different waivers and requirements apply from the many and varied Federal Register notices implementing the program over the years. As HUD continues to confront this challenge, it is imperative that HUD and its grantees notify OIG when they believe fraud may have occurred.

Mitigating Fraud Risks Associated With Pandemic Relief Funds

HUD also faces unique challenges in mitigating fraud risks associated with pandemic relief funds. The sheer quantity of funds involved and the speed with which the funds were awarded, combined with the many waivers of program rules and requirements, including certain requirements that relate to accountability, make a complicated landscape within which to address fraud.[181] Additionally, pandemic funds further stretched programs, grantees, and subrecipients, which were already stretched before the pandemic. In one example, as discussed in the Grants Management section, Congress provided $4 billion in the CARES Act for the ESG-CV program, which represented a 1,379 percent increase to the regular 2020 annual ESG appropriation.[182] Staff capacity and coordinating with other sources of pandemic-related funding were top challenges ESG-CV grantees identified in implementing the program. They also indicated that the pandemic impacted their ability to effectively monitor their ESG-CV subrecipients.[183] Overall, the pandemic led to less oversight and monitoring, as well as less effective controls, increasing the risk of fraud.

As discussed in last year's report, HUD suspended physical inspections of many HUD-assisted public housing and multifamily properties in

PROGRESS REPORTED

In February 2022, HUD's Secretary and Inspector General issued a joint statement encouraging collaboration between HUD and OIG. This statement emphasized the important contribution HUD employees can make by fulfilling their duty to cooperate with OIG and producing materials requested by OIG in a timely and complete fashion. It clearly stated that HUD employees have a responsibility to report instances of fraud, waste, and abuse directly to OIG.

HUD finalized and issued a fraud risk assessment program departmental policy in March 2022. This policy sets forth the Department's objective to eliminate or reduce fraud events to the lowest extent possible to ensure the most effective and efficient use of funds and resources. It seeks to set a departmentwide standard for preventing, detecting, and responding to fraud and related misconduct and reiterates that all HUD personnel have a duty to help create and maintain a culture of integrity and opposition to fraud, waste, abuse, and mismanagement.

HUD has developed analytic tools designed to help identify fraud risks. For example, the Office of the Chief Financial Officer-Financial Management Office (OCFO-FM) collaborated with the Office of Lead Hazard Control and Healthy Homes to pilot the Lead Analytics project, leveraging disbursements, grant data, and nationwide lead exposure risk factors to identify potential environments of fraud, waste, abuse, and control gaps. OCFO-FM also developed a Single Audit Act Fraud Analytics Dashboard to provide a user-friendly snapshot of third-party entities' historical performance across single audit reporting requirements that can be used to focus program monitoring, evaluate internal controls, and track regulatory compliance for report completion.

HUD has continued its efforts to educate grantees on fraud prevention and deterrence through antifraud training for disaster grantees in collaboration with OIG and other partners. More than 2,000 employees of disaster grantees have attended this training.

In its strategic plan, HUD has committed to continue building its Enterprise Fraud and Risk Management Program. HUD plans to develop tools to help prevent and detect misuse of taxpayer funds and address longstanding issues by bringing together program offices to preemptively identify and quickly resolve weaknesses.

March 2020 due to the COVID-19 pandemic. HUD has resumed physical inspections, but the backlog of inspections has led to delays and waivers of biennial inspections for both tenant-based and project-based voucher units. PHAs may rely on the owner's self-certification that there is no reasonable basis to have knowledge of existing life-threatening conditions. Self-certification alone, however, without verification, increases the risk of fraud, waste, and abuse in these programs and importantly, leaves residents, including individuals from vulnerable populations, at risk of unsafe housing conditions.

Fraud Manifests in Many Different Schemes That Negatively Impact the Communities and Program Participants HUD Programs Are Designed to Help

Recent audit reports that include fraud inventories focused on specific programs exemplify how HUD programs can fall victim to a variety of different fraud schemes. In coordination with the PRAC, HUD OIG developed an inventory of fraud risks for the Tenant Based Rental Assistance, Project-Based Rental Assistance, HOME, and Operating Fund programs. The objective was to identify fraud risks that HUD had not already identified for the funds appropriated by the CARES and ARP Acts for these programs. [184] HUD OIG identified six overall and three program-specific fraud risk factors that increase the chance of fraud's occurring. The report also identified 66 potential fraud schemes that could be used to misappropriate CARES and ARP Act funds, resulting in emergency funds' being diverted from intended beneficiaries.[185] We made recommendations to HUD to consider this inventory when conducting program-specific fraud risk assessments. This builds on previous work that shared a fraud inventory for two CPD CARES Act programs.[186]

As demonstrated through OIG investigations, fraud involving HUD programs has negative impacts on those in need of HUD's program assistance, and there are often community victims beyond the taxpayer. Below are examples of recent convictions and settlements involving those entrusted with HUD funds to meet critical housing needs. Additional examples of convictions and settlements can be found in HUD OIG's Priority Open Recommendations resources.[187]

In February 2022, a former city councilman was sentenced to 18 months in prison and ordered to pay restitution, in part, for using a company he owned to obtain an $87,500 contract from a local housing nonprofit for services that he never performed. HUD money that was intended to go to the community was diverted for his personal use, including to pay off personal debts.

In March 2022, a former city official was sentenced to 40 months in prison for her involvement in a $2.3 million grant fraud scheme involving the misappropriation of HUD lead remediation funds.[188] As a result of this fraud scheme, a HUD-assisted building was never remediated, and the city was required to pay back the $2.3 million to the government, negatively impacting its ability to put those funds to better use.

In April 2022, three public individuals—the former mayor of a city who was also former president of a local economic development corporation; his daughter, who was a former interim executive director of a local PHA; and a former maintenance director of a local PHA—were collectively

IMPACT OF PANDEMIC RELATED FUNDS

As discussed above, the large influx of pandemic-related funds and the speed with which these funds were awarded, along with many waivers of program rules and requirements, raise unique challenges for HUD in mitigating fraud risks associated with pandemic relief funds. Capacity challenges at HUD, grantees, and subrecipients brought on by the quantity of pandemic funds available strain internal controls, make monitoring more challenging, and increase the risk of fraud.[194] Pandemic-related programs also raise cross-cutting risks, such as the risk of HUD beneficiaries' becoming victims of identity fraud, as raised in a recent PRAC fraud risk advisory.[195]

sentenced to 81 months in prison and ordered to pay more than $300,000 in restitution associated with a procurement fraud scheme that violated the trust of their local community.[189]

In May 2022, three landlords agreed to pay $430,000 to resolve allegations that they violated the False Claims Act during their participation in HUD's HCV Program, which is intended to help low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market.[190] HCV Program regulations require landlords to certify that they are not charging a higher rent to program tenants than they charge to unassisted tenants in comparable housing units. It was alleged that these landlords charged program participants higher rents than unassisted tenants and that two of the landlords provided false information on program forms to justify the inflated rents they sought to charge for program rentals. In addition to paying the settlement amount, two of the landlords agreed to reduce the rents being charged to certain tenants. As a result of schemes to collect excess rent, such as that alleged in this case, money that went to overpay rent to one landlord was not available to help additional families in need.

In September 2022, a business owner was sentenced to 1 year in Federal prison and 1 year of home detention for a wire fraud conspiracy to fraudulently obtain federally insured home loans.[191] He was also ordered to pay more than $370,000 in restitution and to forfeit more than $490,000. To obtain FHA-insured loans, the buyer must use the residence as his or her primary residence, disclose any familial or business relationship between the seller and the buyer, and disclose the source of the money the buyer intends to use for the down payment and closing costs. The business owner conspired to circumvent these rules, falsifying information regarding primary residence and using family members to help perpetrate the fraud. This fraud meant that the taxpayer was not receiving the benefit of the bargain; that is, paying for honest, qualified applicants.

Mitigating and Addressing Public Fraud and Corruption

As oversight professionals, we in HUD OIG understand that there is always a real risk of fraud, both internal and external. It is especially difficult when public officials violate the public trust by committing fraud. We highlight a recent conviction involving one of our own former senior leaders to demonstrate that fraud can occur anywhere and OIGs are not immune to the damage caused by unethical public officials.

In a press release, issued in September 2022,[192] DOJ announced that Eghbal "Eddie" Saffarinia, a former HUD OIG Assistant Inspector General for Management and Technology, was convicted by a Federal jury on several criminal charges related to a procurement fraud scheme, making false statements, and falsification of records.

Saffarinia abused his position of authority within HUD OIG to enrich himself and a friend, and he concealed their relationship on his annual ethics disclosures. These annual ethics filings plan an important role in ensuring that government officials are free from conflicts of interest. Saffarinia's conduct is contrary to our core values and the oath we take as public servants. His conduct was a significant violation of the public trust, and his actions caused serious reputational damage to our office. This unfortunate circumstance is a stark reminder that we all must remain vigilant in mitigating and addressing fraud risks.

As an oversight organization charged with combatting fraud, waste, and abuse, we must hold ourselves to the highest ethical standards. Yet, we share this cautionary tale to demonstrate that no office or business, public or private, for profit or nonprofit, is immune from fraud risk. Like HUD, we employ Enterprise Risk Management to consider fraud risk and how best to manage it, to encourage all to feel comfortable sharing concerns without fear of retribution, and to implement internal controls to protect the public trust.

Promoting program integrity is our responsibility as Federal employees and public servants and, especially so, as oversight professionals within the Inspector General Community. We look forward to continuing to work with HUD toward fraud prevention, detection, and deterrence

The Role of Whistleblowers

HUD employees, as well as the employees of contractors, grantees, and other program participants, are often in the best position to identify and report fraud, waste, abuse, and misconduct. They are closest to the daily activities and expenditure of funds and are a critical source of information to OIG.

Federal employees are protected if they disclose information that they reasonably believe to be a violation of any law, rule or, regulation; mismanagement; a gross waste of funds; an abuse of authority; or a substantial and specific danger to public health or safety. The statute at 5 U.S.C. 2302 and the Office of Special Counsel's (OSC) 2302 certification program require HUD to train its employees on whistleblower rights and protections. HUD is certified under OSC's 2302 program.

Congress has also set forth whistleblower protections for employees of government contractors, subcontractors, grantees, and subgrantees.[193] These individuals are protected from retaliation when they disclose information that they reasonably believe to be 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. Agencies are required to verify that contractors, subcontractors, grantees, and subgrantees have informed their employees of these rights and protections. Ensuring that all potential whistleblowers know they are protected from retaliation is a key step that HUD can take to mitigate fraud risk.

Apendix I - Endnotes

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151 COVID-19 Additional Risk Assessment Actions Could Improve HUD Oversight of CARES Act Funds, GAO Report No. GAO-21-104542 (September 2021), p. 14; *see also* Lessons Learned in Oversight of Pandemic Relief Funds Report, Updated, Pandemic Response Accountability Committee (June 8, 2022), p. 15.

152 Emergency Solutions Grants CARES Act Program, OIG Report 2022-LA-0002 (August 17, 2022), p. 5.

153 *Id.* at p. 9; Community Development Block Grant CARES Act Implementation Challenges, HUD OIG Report No. 2022-LA-0003 (October 3, 2022).

154 Emergency Solutions Grants CARES Act Program, OIG Report 2022-LA-0002 (August 17, 2022), p. 9.

155 HUD Could Improve Its Tracking and Monitoring of Continuum of Care Grantee Spending Levels, OIG Report 2023-LA-0002 (October 19, 2022)

156 Los Angeles Homeless Services Authority, Los Angeles, CA Continuum of Care Program, OIG Report 2022-LA-1001 (January 20, 2022), p. 7.

157 Lessons Learned and Key Considerations from Prior Audits and Evaluations of the CDBG Disaster Recovery Program, OIG Memorandum 2022-FW-0801 (November 2, 2021), pp. 3, 15.

158 Lessons Learned and Key Considerations from Prior Audits and Evaluations of the CDBG Disaster Recovery Program, OIG Memorandum 2022-FW-0801 (November 2, 2021), pp. 8, 15.

159 Emergency Solutions Grants CARES Act Program, OIG Report 2022-LA-0002 (August 17, 2022) at p. 10 (87% of ESG-CV grant recipients stated they provided program funds to subrecipients to administer).

160 Lessons Learned and Key Considerations from Prior Audits and Evaluations of the CDBG Disaster Recovery Program, OIG Memorandum 2022-FW-0801 (November 2, 2021), p. 2.

161 *Id.* at p. 12.

162 *Id.*

163 Emergency Solutions Grants CARES Act Program, OIG Report 2022-LA-0002 (August 17, 2022), p. 10.

164 Los Angeles Homeless Services Authority, Los Angeles, CA Continuum of Care Program, OIG Report 2022-LA-1001 (January 20, 2022), pp. 5-6.

165 Emergency Solutions Grants CARES Act Program, OIG Report 2022-LA-0002 (August 17, 2022), p. 7, n. 8.

166 HUD's Spending of Continuum of Care Funds

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168 *Id.*

169 For example, all recommendations in the following reports remain open and past due: Neighborhood Housing Services of Los Angeles County Los Angeles, CA, Neighborhood Stabilization Program 2, OIG Report 2021-LA-1002 (January 5, 2021) and City of Compton, Compton, CA, Neighborhood Stabilization Programs 1 and 3, OIG Report 2021-LA-

1001 (October 27, 2020).

170 Funding for HUD in the CARES Act, Congressional Research Service Insight No. IN11319 (April 7, 2020), pp. 1-2, Transportation, Housing and Urban Development, and Related agencies (THUD) Appropriations for FY2021, Congressional Research Service No. R46465 (June 17, 2021), p. 24.

171 Emergency Solutions Grants CARES Act Program, OIG Report 2022-LA-0002 (August 17, 2022), p. 5.

172 HUD's Compliance with the Payment Integrity Information Act of 2019, OIG Report 2022-FO-0005 (June 27, 2022).

173 Managing CDBG: A Guidebook for Grantees on Subrecipient Oversight, HUD (December 2021), pp. 3-26-27.

174 The IG Community's Joint Efforts to Protect Federal Grants from Fraud, Waste, and Abuse, CIGIE (January 2021), p. 3.

175 See, e.g., 2 CFR 200.415.

176 A Framework for Managing Fraud Risks in Federal Program, GAO Report No. GAO-15-593SP (July 2015), p. 40.

177 Self-certification procedures may increase fraud risk in pandemic response programs, Pandemic Response Accountability Committee (November 13, 2020).

178 The IG Community's Joint Efforts to Protect Federal Grants from Fraud, Waste, and Abuse, CIGIE (January 2021), p. 3.

179 Improvements are Needed in HUD's Fraud Risk Management Program, OIG Report 2023-FO-0001 (October 26, 2022)

180 Requirement for this training included in 83 FR 5844 VI.A.18.

181 Fraud Risk Inventory for the Tenant- and Project-Based Rental Assistance, HOME, and Operating Fund Programs' CARES and ARP Act Funds, OIG Report 2022-FO-0007 (September 29, 2022).

182 Emergency Solutions Grants CARES Act Program, OIG Report 2022-LA-0002 (August 17, 2022), p. 5.

183 *Id.*

184 Fraud Risk Inventory for the Tenant- and Project-Based Rental Assistance, HOME, and Operating Fund Programs' CARES and ARP Act Funds, OIG Report 2022-FO-0007 (September 29, 2022)

185 *Id.*

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187 HUD OIG Priority Open Recommendations Resource.

188 Former Worcester Housing Official Sentenced to 40 Months in Prison for $2.3 Million Property Development Fraud Scheme, U.S Department of Justice Press Release (March 28, 2022), last accessed September 22, 2022.

189 La Joya residents sentenced for fraud schemes, U.S Department of Justice Press Release (April 28, 2022), last accessed September 22, 2022.

190 Newark Landlords Agree to Pay $430,000 to Settle Allegations of Collecting Excess Rent in Sparrow Run, U.S Department of Justice Press Release (May 2, 2022), last accessed September 22, 2022.

191 Baltimore Business Owner Sentenced to Federal Prison for Fraudulently Obtaining Federally Insured Loans to Sell Two Baltimore Properties He Owned, U.S Department of Justice Press Release (September 15, 2022), last accessed September 22, 2022.

192 Former U.S. Department of Housing and Urban Development Assistant Inspector General Convicted of Falsifying Financial Disclosure Forms, U.S Department of Justice Press Release (September 20, 2022), last accessed September 22, 2022

193 41 USC 4712.

194 COVID-19 Additional Risk Assessment Actions Could Improve HUD Oversight of CARES Act Funds, GAO Report

No. GAO-21-104542 (September 2021), p. 14; *see also* Lessons Learned in Oversight of Pandemic Relief Funds Report, Updated, Pandemic Response Accountability Committee (June 8, 2022), p. 15.

195 Risk Advisory — Potential Identity or Other Fraud in SBA Pandemic Relief Program, Pandemic Response Accountability Committee (September 19, 2022).

Apendix II - Acronyms

ADA........ Antideficiency Act
AHAR........ Annual Homeless Assessment Report
ARP........ American Rescue Plan
CAIVRS........ Credit Alert Verification Reporting System
CARES........ Coronavirus Aid, Relief, and Economic Security
CAV........ corrective action verification
CBPP........ Center on Budget and Policy Priorities
CDBG-DR........ Community Development Block Grant Disaster Recovery
CDBG-MIT........ Community Development Block Grant Mitigation
CDBG-CV........ Community Development Block Grant CARES Act
CDC........ Centers for Disease Control and Prevention
CFR........ Code of Federal Regulations
CIGIE........ Council of the Inspectors General on Integrity and Efficiency
CoC........ Continuum of Care
CPD........ Office of Community Planning and Development
DOJ........ U.S. Department of Justice
DRSI........ Disaster Recovery and Special Issues Division
EHV........ Emergency Housing Voucher
ESG-CV........ Emergency Solutions Grants CARES Act
ESS........ Environmental Shared Services office
EPA........ U.S. Environmental Protection Agency
FAR........ Federal Acquisition Regulation
FEMA........ Federal Emergency Management Agency
FFMIA........ Financial Management Improvement Act
FHA........ Federal Housing Administration
FHFA........ Federal Housing Finance Agency
FHEO........ Office of Fair Housing and Equal Opportunity
FISMA........ Federal Information Security Modernization Act
FMR........ fair market rent
FTE........ full-time equivalent
FY........ fiscal year
GAO........ U.S. Government Accountability Office
Ginnie Mae........ Government National Mortgage Association
HCOP........ Human Capital Operating Plan

HCV........Housing Choice Voucher
HECM........home equity conversion mortgage
HIC........housing inventory count
HIM........Hurricanes Harvey, Irma, and Maria
HUD........U.S. Department of Housing and Urban Development
IAA........interagency agreement
IT........information technology
LEP........limited English proficiency
LMI........low- and moderate-income
MBS........mortgage-backed securities
MMI........Mutual Mortgage Insurance
MSR........mortgage servicing rights
MTW........Moving to Work Demonstration Program
NLIHC........National Low Income Housing Coalition
NSPIRE........National Standards for the Physical Inspection of Real Estate
OBGA........Office of Block Grant Assistance
OCHCO........Office of the Chief Human Capital Officer
OCFO-FM........Office of the Chief Financial Officer-Financial Management Office
OCPO........Office of the Chief Procurement Officer
OIG........Office of Inspector General
OMB........Office of Management and Budget
ONAP........Office of Native American Programs
OPM........Office of Personnel Management
OSC........Office of Special Counsel
PAP........performance action plan
PAVE........Property Appraisal and Valuation Equity
PD&R........Office of Policy Development and Research
PHA........public housing agency
PIH........Office of Public and Indian Housing
PII........personally identifiable information
PIT........point in time
PRAC........Pandemic Response Accountability Committee
REAC........Real Estate Assessment Center
SNAP........Supplemental Nutrition Assistance Program
SOC........Security Operations Center
TMC........Top Management Challenges

Apendix III - Department Response

This page has been intentionally left blank and will be updated with the Department's response. The Department's Fiscal Year 2022 Agency Financial Report will be available at https://www.hud.gov.