

Written Testimony of Inspector General Rae Oliver Davis, U.S. Department of Housing and Urban Development

Before:

The U.S. House of Representatives, House Appropriations
Subcommittee on Departments of Transportation, Housing and Urban
Development, and Related Agencies

Hearing Titled:

**Inspectors General of the Department of Housing and Urban Development,
Department of Transportation, and the National Railroad Passenger Corporation**

Introduction

Chairman Womack, Ranking Member Quigley, and Members of the Subcommittee, thank you for the opportunity to testify today. The Office of Inspector General (OIG) for the U.S. Department of Housing and Urban Development (HUD or the Department) strives to provide timely and relevant oversight that influences positive outcomes for HUD's programs and operations. HUD OIG leverages a staff of over 510 auditors, evaluators, special agents, attorneys, data scientists, and professional staff to produce independent, objective oversight and to protect the integrity of HUD's expansive programs. My testimony today highlights some of our most significant recent work, ongoing audits and evaluations, and outlines priority areas where HUD action is needed. I will also discuss our important initiatives to protect the health and safety of low-income and vulnerable populations living in HUD-assisted housing, including oversight of public housing agencies' (PHA) and landlords' compliance with environmental safety laws and regulations.

Overview of HUD OIG's Operations and Impact

To provide more comprehensive oversight of HUD's critical programs and operations, HUD OIG aligns our oversight teams with significant HUD program functions. This facilitates timely, strategic oversight of critical HUD operations and results in actionable recommendations that identify a roadmap for HUD and its stakeholders to achieve program improvements. Our investigators are regionally positioned and use a data-driven approach that helps focus our efforts on areas with the greatest potential risk to HUD funds and beneficiaries. This approach ensures our investigative work improves accountability, best utilizes HUD OIG's finite investigative resources, and maximizes the deterrent effect for fraud, waste, and abuse – and has produced significant results.

12, 2024, PRDOH had spent less than 1 percent of its total budget for both programs – only \$179,761 of \$1.93 billion. To date, PRDOH has taken actions, such as entering a Memorandum of Understanding with HUD and other Government agencies and engaging in preliminary steps such as publishing program guidelines, developing project selection procedures, and executing subrecipient agreements. PRDOH requested an extension from HUD to use grant funds for both programs until May 2033, which is nearly 5 years after the original August 2028 deadline and 15 years after Congress appropriated funds for Puerto Rico’s electrical grid needs.

[Preventing Duplication of Benefits When Using Community Development Block Grant Disaster Recovery and Mitigation Funds](#)

We conducted an audit examining HUD’s efforts to prevent duplication of benefits in its CDBG-DR programs to determine HUD’s process for assessing the adequacy of grantee procedures to prevent a duplication of benefits before and after grant execution. HUD certified grantees’ high-level processes for preventing duplication of benefits before grant execution and allowed grantees to develop more detailed procedures for individual grant activities later. However, HUD did not review grantees more detailed procedures before grantees began spending funds on program activities and HUD’s adequacy criteria did not include all statutory requirements. Because HUD certified procedures that did not meet requirements and did not review detailed activity-level procedures before grantees began spending funds, it risked grantees failing to prevent duplication of benefits.

HUD OIG recommended that the Office of Disaster Recovery review grantees’ activity-level procedures for adequacy before grantees process applications for assistance to prevent any duplication of benefits and ensure that all applicable requirements for preventing any duplication of benefits are included in the adequacy criteria, grantee certifications, and HUD review checklists supporting the certification.

[After More Than 6 Years, The City of New Orleans’ National Disaster Resilience Project Activities Had Made Little Impact on Resilience](#)

We audited the City of New Orleans’ National Disaster Resilience program to assess whether the City’s grant activities were effective in its recovery from past disaster events as well as whether the City improved its ability to withstand future extreme events. We found that all 11 of the City’s major infrastructure projects that were planned in 2017 and designed to combat flooding, had been significantly delayed. Specifically, only 1 project had made progress although it had been underway for 5 years, 2 projects were slated for cancellation, and the remaining 8 were still in the design or planning phase. In addition, the City had disproportionately spent more of its National Disaster Resilience funds on planning and administration than on the design and construction of its planned projects and program activities. Further, the City’s Retrofit program did not reduce the flood risk in many cases and left some homeowners with more flooding and physical and financial burdens. As a result, (1) the City has been left vulnerable to damage from future rain and flood events, (2) homeowners are more exposed to property damage, and (3) the City may run out of funds needed for program oversight. If the City runs out of funds, it will need to allocate non-Federal funds, which may be limited, to complete monitoring and oversight of the National Disaster Resilience program.

HUD OIG recommended that HUD require the City to reassess the 8 infrastructure projects still in the design or planning phase to determine whether the City can complete the projects or how the remaining \$14.6 million in project funds could be best used within the 6 years remaining for the grant period; ensure adequate and timely monitoring of the City's projects and programs; implement a HUD-approved planning and administration budget and staffing plan; develop a plan on how it will fulfill its required program oversight if it runs out of planning and administration funds; and, develop a plan on how the City's Retrofit program can better serve homeowners.

[CPD Could Improve the Timing of Delivery of Disaster Recovery Funding](#)

HUD OIG audited HUD's disaster recovery program to determine whether the Office of Community Planning and Development (CPD) had improved the timing of its delivery of disaster recovery funds and whether it met congressional allocation timing requirements. CPD's time to deliver disaster program funds to grant recipients varied between 2001 and 2022 and trended upward. CPD's increase in time to deliver disaster program funds and its inability to meet a few of the statutory requirements were caused by (1) the disaster recovery program's lacking permanent authorizing legislation; (2) required coordination among multiple Federal agencies, various HUD offices, and the grantees; and (3) other external and internal issues. As a result, grantees had to wait longer to execute their grant agreements and start spending the disaster recovery funds. Further, CPD lacked consistent and documented allocation data for all grantees, which impaired its ability to benchmark and consistently report the date of allocation to Congress or the public.

We recommend that HUD (1) collect and record the number of days that it or other entities take to complete each milestone in the grant process, (2) establish timing benchmarks for the milestones in the grant making process, and (3) take steps to ensure that the point of allocation is defined and accurately tracked.

[The State of Georgia Did Not Adequately Monitor Its Harvey, Irma, and Maria Grants' Activities and Subrecipients](#)

We audited the State of Georgia's monitoring of its \$50.9 million in disaster recovery grants' activities and subrecipients to determine whether the State effectively monitored them to ensure that the activities addressed unmet long-term recovery needs. The State (1) lacked an understanding of the differences between monitoring reviews and day-to-day operations, (2) had inadequate monitoring procedures, and (3) lacked policies and procedures to conduct remote monitoring. As a result, HUD and the State did not have assurance that the State's controls for program administration were effective for addressing unmet long-term recovery needs. There was also a risk that the planned activities would not serve the State's beneficiaries in a timely manner or meet its goals for the number of beneficiaries it planned to serve.

We recommended that HUD require the State to ensure that it has an adequate approach for monitoring by (1) providing training to staff that includes an understanding of monitoring reviews, (2) updating its policies and procedures, and (3) developing policies and procedures to ensure that monitoring is conducted remotely if needed.

Impactful Investigations

[Camp Verde Woman Sentenced to 24 Months in Prison for Embezzlement of \\$670,000 from Yavapai-Apache Nation](#)

The former Comptroller and Executive Director of the Yavapai-Apache Nation Housing Department was sentenced to 24 months in prison, followed by 36 months supervised release, and ordered to pay restitution in the amount of \$667,043 for her role in embezzlement and theft. Between August 2017 and May 2022, the former Comptroller/Executive Director embezzled \$670,908 from the Yavapai-Apache Nation, including over \$133,000 in HUD Indian Housing Block Grant Funds. As Comptroller and Executive Director, she was the supervisor of the accounting department and oversaw day-to-day activities and financial transactions. As such, she had access to housing department credit cards and knowledge of its vendor accounts. In 2022, it was discovered that there had been hundreds of thousands of dollars in fraudulent purchases via Tribal credit cards. On at least 184 occasions she fraudulently transferred funds into her personal accounts.

[Former Worcester Housing Official Sentenced to 40 Months in Prison for \\$2.3 Million Property Development Fraud Scheme](#)

A former City of Worcester chief of staff for the Executive Office of Economic Development was ordered to pay more than \$2.3 million in restitution to the City of Worcester following her conviction of conspiracy, wire fraud, and false statements.¹⁴ The defendant and her coconspirator applied for and received approximately \$2.3 million in HOME, Neighborhood Development Program, and lead abatement funds to rehabilitate a multifamily apartment building. The defendant knowingly approved false or fraudulent payment requests for HUD grant funds from her coconspirator for work that had not been completed and costs that had not been incurred.

[Hoboken Woman Admits \\$1.5 Million Fraud Scheme That Targeted Over 100 Non-Profit Victims, Including Schools, and Religious Institutions](#)

A Hoboken woman pled guilty to stealing over \$1.5 million from over 100 victims made up mainly of non-profits, private schools, and religious institutions throughout New Jersey. According to case documents and statements made in court, from 2012 through 2021, the woman falsely claimed to be a certified public accountant and defrauded over 100 victims, resulting in financial losses totaling over \$1.5 million.

[Former West Haven Employee and State Representative Sentenced to Prison for Stealing COVID Relief and Other City Funds](#)

A State Representative who was also employed by the City of West Haven, most recently serving as the Administrative Assistant to the City Council, was sentenced to 27 months in prison following a previous guilty plea to conspiracy charges stemming from involvement in schemes that resulted in the theft of more than \$1.2 million dollars in COVID relief funds and other funds from the City of West Haven. The

¹⁴ The defendant was previously sentenced to 40 months incarceration and 3 years supervised release.

individual conspired with others to steal the funds through the submission of fraudulent invoices, and subsequent payment, for COVID relief goods and services that were never provided. Two co-conspirators were sentenced to 13 months and 6 months in prison after pleading guilty to conspiracy to commit wire fraud. A third co-conspirator was sentenced to 8 years in prison, after being convicted of wire fraud and conspiracy charges following a jury trial.

Enterprise-wide Support Functions: Human Capital Management, IT, Cybersecurity, and Procurement

A common thread in our Top Management Challenges report was HUD's challenges with managing human capital, IT modernization and cybersecurity, as well as efficiencies in procurement. These are not unique to HUD, as the IG community has found these issues to be Top Management Challenges throughout the Federal government. HUD has also taken recent steps to address some of the challenges, notably through improved communications between offices responsible for these services and the program offices that rely on them. HUD's most recent Strategic Plan shows how the Department has dedicated considerable effort to strengthening its internal capacity. HUD OIG's oversight has and will continue to provide actionable recommendations that HUD can act upon to further those efforts.

As noted above, employees and program participants have consistently described HUD as being underfunded and understaffed, with inadequate infrastructure to address the growing mission, program responsibilities, and mandates of the agency. In turn, the efficiency and effectiveness of HUD's programs relies on its ability to effectively modernize its IT systems and to protect them from cybersecurity vulnerabilities. HUD's legacy systems are major impediments to effectively addressing necessary operational enhancements, use an inordinate amount of scarce resources, and hinder HUD's ability to provide IT support for emerging and changing program office needs. Further, HUD must address concerns about its technical ability to securely collect, retain, process, analyze, and effectively share and compare data, concerns often connected to outdated IT systems. Notably, HUD has made great progress over the last several years with consistently addressing and closing longstanding cybersecurity recommendations.¹⁵

Many of HUD's program areas rely on contracting and procurement services, whether to provide services to support HUD personnel or to take a major role in executing key operations. HUD OIG has long reported on the challenges HUD faces related to procurement and acquisition management. Notably, in our Top Management Challenges Report, we identified acquisition management risks as including untimely procurements, inefficient acquisition processing, insufficient staff training and excessive workloads, and inadequate contract oversight.

¹⁵ HUD's OCIO very recently closed a Priority Open Recommendation from the HUD OIG Evaluation "[HUD IT Modernization Roadmap Report](#)" by approving an IT Modernization strategy that established a framework that aligned with its IT modernization roadmap, which should improve its ability to assign roles and responsibilities, prioritize initiatives, and coordinate processes between OCIO and program offices.

We conduct FISMA evaluations on an annual basis to assess the Department's information security (InfoSec) program, assess their compliance with Federal guidance, and respond to OMB reporting requirements. HUD continued to take positive steps to improve its information technology security posture and its InfoSec program, reaching a maturity level 3, consistently implemented in the FY 2024 IG FISMA metrics that are reported to OMB and DHS. HUD's InfoSec program scored a 3.08 for the core metrics and a 3.30 for the FY 2024 supplemental metrics, both of which were at maturity level 3, consistently implemented, and were considered not effective. HUD made commendable progress on increasing maturity for 22 out of the 37 metrics assessed in FY 2024 and should continue to focus on prioritizing maturity in the 20 core metrics and key cyber executive orders and requirements.

The Office of the Chief Information Officer (OCIO) made notable improvements by closing two priority IT recommendations over the past year and increasing the overall maturity of its InfoSec program. Specifically, OCIO had successes and improved maturity in its data protection and privacy, security training, incident response, and contingency planning programs. These successes were largely because HUD was able to implement technology solutions, performance measures, and resource and personnel allocation within its InfoSec program. Although HUD continues to improve overall, multiple areas within the InfoSec program should be prioritized, in order to meet an effective level of maturity. These efforts will require a shared responsibility of proper resourcing, planning, and support from all levels of leadership across the Department. Fifty-seven recommendations to improve HUD's InfoSec program are currently open.

[HUD's Robotic Process Automation Program Was Not Efficient or Effective](#)

We assessed the maturity of HUD's Robotic process automation (RPA) activities to determine whether HUD had implemented related controls to address technology and program management risks.¹⁶ We found that HUD lacked adequate controls and capacity to operate its RPA program efficiently and effectively. Approximately 3 years since its inception, HUD's program achieved minimal progress and maintained a low program maturity. The program lacked a clear vision or measurable metrics to define program success. HUD also did not maintain adequate oversight of bot development and operations to ensure that limited RPA program funds were used efficiently. Finally, HUD lacked important IT controls related to the security and auditability of its RPA system infrastructure. As a result of these weaknesses, HUD missed opportunities to capitalize on the potential benefits of RPA and expended IT resources inefficiently on projects that provided minimal value. We recommended HUD implement new internal controls and further develop its internal capacity to manage and oversee the RPA program.

¹⁶ RPA is a software technology used to emulate human actions on a computer. RPA software programs, referred to as "bots," can complete repetitive tasks quickly and consistently, freeing up employees to work on other, higher value activities.

Conclusion

There are millions of families across the United States who rely on HUD's programs to provide decent, safe, and affordable housing, and communities throughout the United States look to HUD's programs to provide critical funding for housing and development grants to improve the lives of their residents. Just as HUD must rise to the challenges it faces, HUD OIG will continue to be a force of positive change for the Department.

We could not be prouder of the continued dedication of the HUD OIG staff as we strive to help HUD accomplish its mission to create strong, sustainable, inclusive communities and quality, affordable homes for all. Through performing essential, innovative, and influential work that addresses HUD's most significant management challenges, we are dedicated to helping HUD operate more efficiently and effectively, and helps protect HUD's programs from fraud, waste, and abuse so that our communities receive the critical housing assistance they need.