



Artificial Intelligence (AI) Compliance Plan



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Introduction

The HUD Office of Inspector General (HUD OIG) is committed to ensuring accountability, integrity, and transparency in HUD's programs. HUD OIG believes Artificial Intelligence (AI) can significantly improve our oversight capabilities by helping us detect fraud, accelerate investigations, and support data-driven audits.

HUD OIG's AI strategy is founded on the principle of using AI as a force multiplier for our subject matter experts. AI tools will be designed to assist our auditors and investigators who sift through vast amounts of data, identify anomalies, and prioritize their work. The final decision-making authority and accountability will always remain with our personnel.

Purpose

Office of Management and Budget (OMB) Memorandum M-25-21, *Accelerating Federal Use of AI through Innovation, Governance, and Public Trust* (OMB M-25-21) directs each agency to submit to OMB and post on its public website a plan to comply with the requirements of M-25-21, or to submit and publish a written statement that the agency does not anticipate using covered AI. This strategy outlines HUD OIG's AI use cases, maturity goals, governance, workforce development, and commitments to transparency and public trust.

Driving AI Innovation

Removing Barriers to the Responsible Use of AI

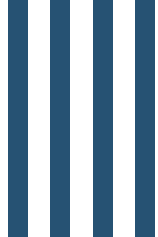
HUD OIG recognizes that responsibly adopting AI requires overcoming barriers such as secure access to development environments, consistent use of approved tools, strong data protections, clear acquisition terms, workforce readiness, and effective collaboration. To address these challenges, we are creating secure spaces for AI testing, standardizing approved resources, strengthening privacy safeguards, aligning contracts with federal guidance, investing in staff training, and building governance processes to ensure AI use is transparent, explainable, and accountable. These steps will help us responsibly integrate AI while protecting privacy, security, and public trust.

Sharing and Reuse

HUD OIG is committed to maximizing the value of AI by promoting responsible sharing and reuse of models, data, and tools. By coordinating across our offices, we are building processes that make it easier to adapt proven solutions, reduce duplication, and accelerate oversight work. At the same time, we ensure that all shared resources are reviewed for security, privacy, and compliance so that reuse strengthens not risks our mission.

HUD OIG also recognizes the value of collaboration in advancing the responsible use of AI. We actively engage with peers across the federal government to share best practices, lessons learned, and proven solutions. This includes:

- **OIG Council:** Participation in the Council of the Inspectors General on Integrity and Efficiency (CIGIE) AI working groups.



- Federal AI Community: Engagement with the Chief AI Officer Council and other interagency forums to stay abreast of government-wide AI initiatives and policy.
- Shared Solutions: Partnering with other agencies to co-develop or adopt AI tools that improve efficiency, reduce duplication, and expand the impact of taxpayer resources.

AI Talent

Successful implementation of this AI strategy requires sustained investment in technology, talent, and training. HUD OIG is committed to:

- Securing Funding: Advocating the necessary budget to acquire secure AI platforms, data management tools, and specialized software.
- Talent Acquisition: Attracting and retaining top AI and data science talent to lead our technical development efforts.
- Training & Development: Allocating resources for comprehensive, role-based training to ensure our workforce has the skills to effectively and responsibly use AI.

Improving AI Governance

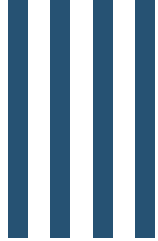
AI Governance Board

The CAIO will chair the AI Governance Board (AIGB), which will be responsible for reviewing and approving all AI systems, setting governance policy, and ensuring alignment with our ethical principles and strategic goals. The AI Governance Board (AIGB) is responsible for providing comprehensive risk management and oversight of HUD OIG's use of AI. The AIGB is a multidisciplinary group whose members bring a variety of perspectives. HUD OIG's AIGB membership includes:

- Executive Leadership (Inspector General and Deputy Inspector General)
- Office of the Chief Information Officer (CAIO/CIO, CISO, CTO)
- Chief Administrative Officer
- Office of Legal Counsel (Counsel to the Inspector General, Ethics Officer)
- Director of the Acquisition & Travel Management Division
- Director of the Integrated Data Analytics Division
- Branch Chief of HR Operations & Personnel Security

The AIGB's charter provides for regular meetings, a structured review process for AI projects, and participation by senior leadership. Key activities include:

Risk Management: Implementing risk management processes to identify and mitigate any risks associated with AI use.



Review and Approval: Establishing the request, development, and approval rules for AI use. Evaluating all prospective AI projects and use cases to ensure they meet legal, privacy, and policy requirements before deployment.

Strategic Direction and Mission Orientation: Ensuring use of AI systems is aligned to HUD OIG's strategic goals and mission needs, based on the extent to which a prospective AI use case could responsibly improve the accomplishment of our mission.

Monitoring and Oversight: Overseeing the continuous monitoring of AI systems for compliance and performance.

Policy Development: Developing and updating internal AI guidance, as needed, to reflect the dynamic technological landscape.

Agency Policies

HUD OIG published an agency-wide policy guidance manual, as well as operating procedures, to establish a framework for generative AI usage at HUD OIG. This internal AI guidance is written to encourage innovation, efficiency, and effectiveness in accomplishing our mission while balancing security measures, privacy requirements, and robust risk management practices. Multiple components within HUD OIG support the development and ongoing updating of this guidance manual. HUD OIG is in the process of designing accompanying training for personnel. Our Interim AI Rules of Behavior have been published internally, and a finalized version will be published internally in FY 26. Our AI governance policy is in development and will be published internally in FY26. HUD OIG will annually publish an AI Use Case Inventory, AI Impact Assessments, and any waivers or stop-use decisions on hudig.gov/ai.

AI Use Case Inventory

HUD OIG is currently piloting and using AI in several mission-critical areas:

- **Generative AI Pilot (Copilot):** Conducting a limited-scope deployment for drafting, summarization, and other knowledge work. This pilot uses only non-sensitive data, is opt-in for users, and includes CAIO certification and full telemetry logging.
- **Cybersecurity AI:** Using AI-driven intrusion detection and insider threat analytics to strengthen our cyber defenses.
- **Fraud Detection & Risk Scoring:** Using machine learning and natural language programming models to analyze programs like Public Housing and Multifamily rental assistance, HOME, CDBG, ESG, and FHA insurance to detect anomalies for investigation targeting and audit prioritization.
- **Audit Prioritization:** Employing tools such as the RADAR (Risk Assessment Data Analytics for Recovery) to assess risk in disaster relief spending, which helps us select smarter audits.
- **Investigation Support:** Applying natural language processing tools to efficiently analyze investigative data and documents, advancing the rapid discovery and organization of facts relevant to proactive and ongoing investigations.



Fostering Public Trust in Federal Use of AI

Determinations of Presumed High-Impact AI

In accordance with OMB M-25-21, HUD OIG defines a High-Impact AI system as one whose outputs are a primary basis for decisions or actions that have significant legal, material, or binding effects on individuals' rights, obligations, benefits, or safety.

HUD OIG has established an evaluation process to classify the risk or impact level of a prospective AI use case, and to determine whether it will require a High-Impact AI system. HUD OIG's approach to managing this risk is as follows:

All prospective AI projects are evaluated using HUD OIG's AI Intake Rubric, which classifies them as Low-Risk, Moderate-Risk, or High-Impact.

HUD OIG evaluates every AI system against clear criteria to ensure it can be used responsibly in our oversight mission. Assessments begin before a tool is adopted and continue throughout its lifecycle. Key considerations include:

- **Accuracy and Reliability:** AI must produce results that are dependable and supportable by evidence. Systems are tested to confirm they perform as intended and provide useful outputs for oversight activities.
- **Fairness and Equity:** AI cannot create or reinforce unfair bias. HUD OIG reviews whether the tool treats all individuals and communities equitably and avoids disproportionate impacts.
- **Privacy and Data Protection:** Any use of personal or sensitive information must comply with privacy laws and policies. AI systems must minimize the collection of data and safeguard it from misuse or exposure.
- **Security and Resilience:** AI must operate in secure environments and be resistant to misuse, tampering, or cyber threats. Systems are reviewed for vulnerabilities before and during deployment.
- **Transparency and Explainability:** AI must provide information that is understandable to humans. HUD OIG requires that decisions supported by AI can be explained in plain language and traced back to documented sources.
- **Human Oversight and Accountability:** AI is a tool, not a decision-maker. Human experts remain responsible for all final judgments, ensuring due process and accountability in every case.

High-Impact systems shall undergo further rigorous controls, including:

- Pre-deployment testing and evaluation
- An AI Impact Assessment
- Review by the AI Governance Board
- Continuous monitoring and re-certification



Implementation of Risk Management Practices and Termination of Non-Compliant AI

HUD OIG is committed to ensuring that all AI tools used in our oversight mission meet the highest standards of security, fairness, and accountability. To safeguard public trust, every AI system we adopt is reviewed against government-wide minimum risk management practices before it can be deployed. These reviews consider issues such as accuracy, bias, privacy, and security to confirm that technology supports, not undermines, our mission.

If an AI tool does not meet these requirements, HUD OIG will not move forward. In cases where a system develops risks after deployment, we have processes in place to pause or terminate its use. This ensures that no non-compliant AI is allowed to influence oversight activities or impact the public.

Through these safeguards, HUD OIG reinforces its commitment to using AI responsibly, protecting individual rights, and maintaining the integrity of federal oversight.