U.S. Department of Housing and Urban Development
Office of Inspector General
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MEMORANDUM FOR: Shaun Donovan, Secretary, S

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FROM: John P. McCarty, Acting Deputy Inspector General, G

SUBJECT: Management and Performance Challenges for Fiscal Year 2012 and Beyond

In accordance with Section 3 of the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) is submitting its annual statement to you summarizing our current assessment of the most serious management and performance challenges facing the U.S. Department of Housing and Urban Development (HUD) in fiscal year 2012. Through our audits, investigations, inspections, and evaluations, we work with departmental managers in recommending actions that best address these challenges. More details on our efforts in relation to these issues can be found in our Semiannual Report to Congress.

The Department's primary mission is to create strong, sustainable, inclusive communities and quality, affordable homes for all. HUD seeks to accomplish this mission through a wide variety of housing and community development grant, subsidy, and loan programs. Additionally, HUD assists families in obtaining housing by providing Federal Housing Administration (FHA) mortgage insurance for single-family and multifamily properties. HUD relies upon many partners for the performance and integrity of a large number of diverse programs. Among these partners are cities that manage HUD's Community Development Block Grant funds, public housing agencies that manage assisted housing funds, HUD-approved lenders that originate and service FHA-insured loans, Government National Mortgage Association mortgage-backed security issuers that provide mortgage capital, and other Federal agencies with which HUD coordinates to accomplish its goals. HUD also has a substantial responsibility for administering disaster assistance programs. HUD is also administering new mortgage assistance and grant programs in response to the Nation's financial crisis, increase in foreclosures, and declining home values.

Achieving HUD's mission continues to be an ambitious challenge for its limited staff, given the agency's diverse programs, the thousands of intermediaries assisting the Department, and the millions of beneficiaries of its housing programs. The continuing national credit and financial crisis is having a profound impact on HUD. Proposed and new program changes have introduced new risks and enforcement challenges. More specifically, the $13.6 billion American Recovery and Reinvestment Act increased the oversight responsibilities for the Department. In addition, Congress allotted another $1 billion to the Neighborhood Stabilization Program and $1 billion to the new Emergency Homeowners Loan Program to help homeowners who have become unemployed or underemployed keep their homes. HUD is also a key to the Nation's housing industry in that FHA-insured mortgages finance 15 percent of all home purchases in the United States. The attachment discusses these and other challenges facing HUD.

Attachment

HUD Management and Performance Challenges
Fiscal Year 2012 and Beyond

Single-family programs. The Federal Housing Administration's (FHA) single-family mortgage insurance programs enable millions of first-time borrowers and minority, low-income, elderly, and other underserved households realize the benefits of homeownership. The U.S. Department of Housing and Urban Development (HUD) manages a growing portfolio exceeding $1 trillion in single-family insured mortgages. Effective management of this portfolio represents a continuing challenge for the Department.

HUD has sustained significant losses in its single-family program and is taking on additional risk. The number of FHA mortgages has risen dramatically. The increased mortgage endorsement volume is accompanied by increases in defaults, claims, and loss mitigation. FHA's Mutual Mortgage Insurance (MMI) fund has fallen below the legally required 2 percent capitalization ratio. Recent legislation gave the HUD Secretary more flexibility regarding premiums charged for mortgage insurance. As a result, HUD has raised the annual premium and lowered the upfront premium to aid in returning the MMI fund to congressionally mandated levels without disruption to the marketplace.

FHA plays a major role in supporting the housing market. The current degree of FHA predominance in the market is unparalleled. It is clear that the Department is committed to positioning FHA as rapidly as possible to deal with the changing dynamics. For the first time, FHA has imposed a minimum credit score to be eligible for FHA financing and set loan-to-value ceilings dependent on credit scoring. We have expressed concerns that the credit score threshold HUD uses is traditionally considered subprime territory in the conventional marketplace. HUD has also increased lenders' net worth requirements to a minimum of $1 million and ceased its approval of loan correspondents. Those entities, also referred to as sponsored third-party originators, must establish a sponsorship relationship with an FHA-approved mortgage lender to continue participating in FHA programs. FHA, in turn, intends to hold approved lenders responsible for ensuring that their third-party originators comply with FHA lending requirements.

By law, HUD has to pay the claim on a defaulted FHA-insured mortgage but can then go back to the lender that underwrote the loan to recover the losses incurred if it finds that the loan was ineligible for insurance. OIG has noted in past audits HUD's unnecessary exposure when paying claims on loans that were never qualified for insurance. In the early part of 2010, we conducted Operation Watchdog, an initiative that involved reviewing the underwriting of 284 mortgages underwritten by 15 direct endorsement lenders. HUD had paid claims on these loans, which resulted in or are likely to result in actual losses in excess of $11 million. Our review showed that 140 (49 percent) of the loans reviewed, a large and unacceptable percentage, never should have been insured.

FHA has introduced new loss mitigation programs. HUD and the U.S. Department of the Treasury announced enhancements to the existing Making Home Affordable Program, an FHA refinance program for homeowners that owe more on their mortgage than the value of their home. Further, The Dodd-Frank Wall Street Reform and Consumer Protection Act required HUD to develop the Emergency Homeowners Loan Program. This legislation provides up to

$50,000 to homeowners on their mortgage principal, interest, mortgage insurance, taxes, and hazard insurance for up to 24 months. Eligible homeowners are those that have become unemployed or underemployed. The assistance will be provided through a variety of State and nonprofit entities and will offer a declining balance, deferred payment, zero interest, nonrecourse bridge loan, which HUD will write off if the homeowner stays current on the mortgage for 5 years. HUD was challenged to launch the program in a timely manner and as a result, had to extend the application period twice to allow for more participants. HUD initially targeted providing assistance to 30,000 borrowers but now does not anticipate assisting that many due to issues in qualifying eligible participants. Since the funding expired on September 30, 2011, HUD was unable to use all of the allotted funding.

HUD OIG completed a recent internal review highlighting FHA's lack of authority to prevent corporate officers of noncompliant lenders from reentering the FHA program. Specifically, the review identified instances in which corporate officers were participating in the FHA program even though they had previously left other FHA-approved lending institutions that did not honor their indemnification agreements. While FHA has the authority to prevent an FHA lender (company) that does not honor indemnification agreements from conducting future FHA business, it does not have the authority to prevent the lender's corporate officers from reentering the FHA program. Unless an officer is found to have been personally responsible for the lender's failure to make good on its indemnification payments, there is no legal mechanism to prevent such officers from joining other lenders as corporate officers and transacting business in precisely the same manner as they did at the prior lender. As a result, OIG recommended that HUD seek legislative and program rule changes to prevent lenders and their corporate officers with unsatisfied indemnification agreements from reentering the FHA program as an officer with the same or new lender.

We remain concerned that increases in demand to the FHA program are having collateral implications for the integrity of the Government National Mortgage Association (Ginnie Mae) mortgage-backed securities (MBS) program including the potential for increases in fraud in that program. Like FHA, Ginnie Mae has seen an augmentation in its market share (in some recent months, it has even surpassed Fannie Mae and Freddie Mac), guaranteed $350 billion in outstanding mortgage-backed securities during fiscal year 2011, and now has more than $1.2 trillion in outstanding mortgage-backed securities. HUD needs to consider the downstream risks to investors and financial institutions of Ginnie Mae's eventual securitization of a large portion of FHA's insured mortgages. Ginnie Mae securities are the only MBS to carry the full faith and credit guaranty of the United States. If an issuer fails to make the required pass-through payment of principal and interest to MBS investors, Ginnie Mae is required to assume responsibility for it. Typically, Ginnie Mae defaults the issuer and assumes control of the issuer's MBS pools.

Oversight of American Recovery and Reinvestment Act funds. Congress allocated $13.6 billion in funding to HUD programs under the American Recovery and Reinvestment Act of 2009. This allocation added significant funding to the Public Housing Capital Fund, Community Development Block Grants, the Neighborhood Stabilization Program, the Homelessness Prevention and Rapid Rehousing Program, and other HUD programs to modernize and "green" the public and assisted housing inventory, support the low-income housing tax credit market, stabilize neighborhoods hit by foreclosures, and prevent homelessness. Carrying out the goals of the Recovery Act, while dealing with increased mortgage activity and conducting normal operations, is a significant challenge for HUD.

In general, the Recovery Act directs HUD to ensure that the $13.6 billion is awarded and distributed in a prompt, fair, and reasonable manner; that the recipients' use of funds is transparent to the public; that the funds are used for only authorized activities; that recipients avoid unnecessary delays and cost overruns; and that program goals are achieved, including specific program outcomes and improved results on broader economic indicators. This oversight role is a challenge. Further, HUD must assist all of its recipients in reporting their use of funds on the Recovery Act Web site. HUD also has to ensure that the data the recipients report are accurate. This type of reporting is unprecedented.

During the last 3 fiscal years, we started and completed 171 audits and reviews of Recovery Act-related activities. These audits and reviews addressed the administrative capacity of selected Recovery Act grantees to meet their responsibility to properly administer these funds. We also assessed HUD's efforts to assess the risks associated with Recovery Act funding along with the Department's plans to mitigate those risks. Using risk assessments, we also identified grantees, performed audits of Recovery Act expenditures, and evaluated recipient reporting to ensure that the data the recipients report are accurate.

HUD must ensure that recipients have the administrative capacity to effectively administer Recovery Act funds. For example, HUD decided to provide Recovery Act public housing capital funding to authorities it deemed "troubled." There were 174 troubled authorities that received allocations totaling $350 million in Recovery Act funds, and members of Congress raised concerns about these authorities' abilities to effectively administer Recovery Act funding. HUD developed a strategy in which it assigned each troubled public housing agency (PHA) a risk level of low, medium, or high, followed by technical assistance, monitoring, and oversight based on these risk levels. Last fiscal year, we reviewed the capacity of 19 authorities, noting that 11 had significant capacity issues. We remain concerned about grantees' capability to effectively administer the large influx of funds. This fiscal year, we performed 33 audits related to grantees' administration of Recovery Act capital funds, noting that 25 grantees were noncompliant with the requirements. Examples of noncompliance included improper procurements, ineligible expenditures, unsupported expenditures, and inaccurate reporting on the Federal reporting Web site.

The Recovery Act added $2 billion to the Neighborhood Stabilization Program that Congress created as part of the Housing and Economic Recovery Act of 2008, and recent legislation added another $1 billion. HUD administers the now nearly $7 billion program to redevelop abandoned and foreclosed-upon homes. The Recovery Act also added $3.5 billion for block grant and homelessness prevention programs administered by HUD's Office of Community Planning and Development. We issued reports on seven Community Development Block Grant Recovery Act grantees and reported that five were noncompliant with the requirements. We found that grantees did not report accurate data on the Federal reporting Web site, used funds to support an activity prohibited by the Recovery Act, and did not adequately monitor subrecipients. We also reviewed eight Neighborhood Stabilization Program Recovery Act grantees and found that four did not administer funds in accordance with HUD requirements. For example, we noted inadequate support for administrative expenditures, improper procurements, ineligible expenditures, lack of adequate policies and procedures, and insufficient documentation to support the number of jobs reported as created or retained. Our 17 reviews of Homelessness Prevention and Rapid Rehousing program grantees found that 16 did not always comply with Recovery Act requirements. There were occurrences of services being paid for ineligible participants, inadequate support to determine participant eligibility, inadequate monitoring of subrecipients and inaccurate reporting of jobs created or retained.

In addition to HUD's challenges with overseeing external entities, we found that HUD can improve its oversight of Recovery Act obligation and expenditure requirements. Our review determined that $1.6 million in Public Housing Capital Fund and Native American Housing Block Grant funds, recaptured after July 21, 2010, needed to be returned to the U.S. Treasury under the provisions of the Pay It Back Act. Additionally, we found that Recovery Act monitoring and oversight could be better documented in HUD's funds control plans.

Another internal audit found that HUD met the initial expenditure requirements for five of the six Recovery Act programs under review and the remaining program was on track to meet its initial expenditure requirement by its specific expenditure deadline. However, HUD had $20.85 million in recaptured Recovery Act funds that, while properly identified for recapture, needed to be returned to the U.S. Treasury's general fund. Additionally, $6.2 million in available funds, which were recaptured before the Pay It Back Act, had not been reallocated and should have been returned to the U.S. Treasury. We also found that the grant closeout process for two of the six programs increased the risk for noncompliance with the Recovery Act by allowing disbursement of funding after the final expenditure deadline or allowing grantees to retain a percentage of Recovery Act funds from subgrantees. We also found that funds control plans for the selected programs had not been modified to include Pay It Back Act requirements or modifications had not been reviewed and approved by HUD's Chief Financial Officer.

Lastly, during an audit of HUD's Office of Healthy Homes and Lead Hazard Control's (OHHLHC) monitoring of its grantees, we noted that OHHLHC did not maintain documentation in accordance with its requirements to support payments to four recipients totaling more than $4.2 million of the nearly $5 million in grant awards. Additionally, OHHLHC did not review the voucher requests for payments in a timely manner.

Human capital management. In 2001, the U.S. Government Accountability Office (GAO) reported that a consistent approach to the government's management of its people was the critical missing link in reforming and modernizing the Federal Government's management practices. For many years, one of the Department's major challenges has been to effectively manage its limited staff to accomplish its primary mission. HUD lacks a valid basis for assessing its human resource needs and allocating staff within program offices, as evidenced in OIG's September 2008 audit pertaining to HUD's management of human resources.

As noted in GAO's February 2011 High Risk series, the Federal Government has made substantial progress in addressing its human capital challenges. To address its human capital challenge, HUD began a "Human Capital Transformation" initiative, which noted that the 2008 Federal Human Capital Survey ranked HUD 24th out of the 30 large agencies in the "Best Places to Work in the Federal Government" report. HUD has since slipped to next to last place in the 2010 rankings (31 of 32). The Department contracted with the National Academy of Public Administration (NAPA) to consult on this problem. The Academy noted HUD did not engage in any short- or long-term planning to determine staffing needs. It noted the absence of a clear workforce planning strategy, which is impeding the Department's efforts to address its workforce needs in a strategic, systematic manner.

NAPA recommended that the Department establish an intraagency team of senior officials from the Chief Financial Officer, Chief Human Capital Officer, and administrative and budget officials from major program offices to assess the causes of its erratic resource management practices and develop a more timely and predictable staffing process. NAPA recommended that this team lay the groundwork for creating ongoing; agency wide workforce analysis and planning that is tied to HUD's strategic plan and enhances longer range capability to recruit and sustain a high quality workforce.

GAO has narrowed the scope of strategic human capital management to focus on the most significant challenges that remain to close current and emerging critical skill gaps. These challenges must be addressed for agencies to effectively and efficiently accomplish their missions.

In response, HUD included a strategic goal in its Fiscal Year 2010 – 2015 Strategic Plan to transform the way HUD does business. This goal addresses HUD's history of being viewed by both its employees and external partners as lacking in its ability to provide the support needed to fully deliver on its mission. HUD has developed specific subgoals to (1) build capacity, (2) focus on results, (3) reduce bureaucracy, and (4) change its culture. HUD will measure its progress by its success in increasing satisfaction ratings from internal and external parties, increased delegation to field offices, reduced number of burdensome regulations and reports, and reduced end-to-end hiring time.

***Financial management systems*.** Since fiscal year 1991, OIG has annually reported on the lack of an integrated financial management system, including the need to enhance FHA's management controls over its portfolio of integrated insurance and financial systems. During the past several years, HUD has made progress by partially implementing new core financial systems at FHA and Ginnie Mae and addressing most of the previous weaknesses that OIG identified. These improvements enabled OIG to reclassify the weakness in financial management system requirements from a material weakness to a significant deficiency.

The contract to modernize HUD's financial management systems, HUD Integrated Financial Management Improvement Project (HIFMIP), was awarded on September 23, 2010. The original scope of HIFMIP was to encompass all of HUD's financial systems, including those supporting FHA and Ginnie Mae. However, the inclusion of the FHA and Ginnie Mae portions has been put on hold as a result of review by OMB. HIFMIP was launched in fiscal year 2003 and was to have begun implementation of HUD's core financial system in fiscal year 2006. With the recent award of the contract, HUD anticipates implementation of phase one of the project in time to have all of the fiscal year 2012 financial data within the new system. However, we remain concerned about the successful execution and completion of HIFMIP. The Deputy Chief Financial Officer informed us that he expected a 2-month schedule slip due to the project requirements not having been updated. We are also concerned that completion of the first phase of HIFMIP will still not result in a truly integrated core financial system. We have reported the lack of an integrated core financial system as a significant deficiency in our financial statement audits for the past several years. HUD uses five separate financial management systems to accomplish the core financial system functions. However, the first phase of HIFMIP will only replace two of these systems, resulting in the creation of the new Integrated Core Financial System. It is not clear how this new system will lessen the dependency on and integrate with the other three core financial systems, nor is it clear how completion of this first phase will reduce or eliminate the manual processing necessary to generate HUD's consolidated financial statements. In the meantime, we continue to note the following weaknesses with HUD's financial management systems:

- HUD requires extensive compensating procedures to prepare financial statements and other financial information.

- HUD has limited availability of information to assist management in effectively managing operations on an ongoing basis.

FHA's business has increased dramatically over the past 4 years as a result of the mortgage crisis. FHA's insured portfolio of more than 7.2 million forward and one-half million reverse single-family mortgages is worth well over $1 trillion. The shortcomings of the current information technology (IT) systems and the lack of systems capabilities and automation in critical areas of the business are challenging FHA's ability to respond to changes in the market and to its business processes. In August 2009, FHA completed the IT Strategy and Improvement Plan, which identifies FHA's priorities for IT transformation. The plan identifies 25 initiatives to address specific FHA lines of business needs. Initiatives are prioritized, with the top five being single-family related. The plan also calls for FHA to create a program management office to facilitate coordination and communication, track and report progress, provide support to managers, and support organizational change management activities. HUD has since awarded several contracts under this initiative. However, budget constraints are limiting progress, and roadmaps with notional timelines are still being put forth as opposed to project plans with actual delivery dates.

Another information technology concern is the ability to replace the antiquated infrastructure on which HUD and FHA applications reside in a timely manner. Workloads have dramatically increased and are processing on systems that are 15 to 30 years old, which cannot effectively support the current market conditions and volume of workloads. The use of aging hardware and software can result in poor performance and high maintenance costs. If the IT infrastructure is not modernized, it will become increasingly difficult to maintain operations, make legislative system modifications, and develop or maintain required interfaces to other IT systems, leaving the system environment at risk.

We continue to report weaknesses in internal controls and security regarding HUD's general data processing operations and specific applications. The effect of these weaknesses is that HUD cannot be reasonably assured that system information will remain confidential, safeguarded, and available to those who need it without interruption. Of particular concern is the Integrated Disbursement and Information System (IDIS), which supports HUD's Office of Community Planning and Development's formula grant programs, including the Community Development Block Grant and HOME programs. HUD's design and implementation of IDIS is not in compliance with Federal financial management system requirements. The system arbitrarily liquidates obligations on a "first-in-first-out" basis, irrespective of the budget fiscal year funding source and intentionally decreases the amounts that HUD would be required to return to the U.S. Treasury after the programs' fixed-year appropriations expire. In addition, incompatible functions such as system administration and security administration are not adequately separated, and there is no formal user recertification process to ensure that all users are properly recertified. Moreover, grantees and subgrantees are able to update, change, cancel, reopen, and increase or decrease project funding without review by HUD and self-report on their accomplishments. We have found data integrity issues with the information within IDIS as reported by the grantees and subgrantees, including unsupported contracts, inflated contract amounts, and underreporting of program income.

As part of our annual IT security review mandated by the Federal Information Security Management Act, we found that although HUD continued to make improvements to its security program, challenges remained. HUD did not (1) fully develop and implement a continuous monitoring and configuration management program to include conducting vulnerability scans of its network, (2) require that those with significant information system responsibilities complete applicable training courses, (3) ensure that remote access procedures complied with regulations, (4) ensure that it could identify all users who access HUD systems, and (5) ensure that interconnection security agreements were in place for contractor systems and for those that it owns and operates.

Public and assisted housing program administration. HUD provides housing assistance funds under various grant and subsidy programs to multifamily project owners (both nonprofit and for profit) and PHAs. These intermediaries, in turn, provide housing assistance to benefit primarily low-income households. The Office of Public and Indian Housing provides funding for rent subsidies through its public housing operating subsidies and tenant-based Section 8 rental assistance programs. These programs are administered by more than 4,100 PHAs and provide affordable housing for 1.1 million households through the low-rent public housing program and 2.1 million households through the Housing Choice Voucher program.

HUD has the challenge of ensuring that adequate funding is available to support the Housing Choice Voucher program. The program continues to face funding shortfalls due to (1) the difficulty in predicting program requirements, (2) the continued decline in tenant incomes due to the job losses or underemployment, thereby driving up voucher costs in many regions of the country, and (3) the average cost of vouchers continuing to increase corresponding with shortages in available rental housing. As a proactive measure, HUD established the shortfall prevention team to ensure that assisted families would not be terminated from the program. HUD provides technical assistance to PHAs to identify cost saving measures to maximize the use of funding and prevent the termination of families receiving rental assistance. We reported deficiencies in HUD's efforts to monitor PHA's fund utilization. We recommended HUD strengthen their methodology for monitoring and estimating the Section 8 accumulated excess reserves and seek Congressional authority to perform budgetary funding offsets. As of June 30, 2011, the estimated excess reserves exceeded $1 billion. HUD needs to aggressively pursue efforts at reducing PHA's excess program funds in order to make scarce funding available to cover shortfalls, minimize losses from errors and mismanagement, and reduce the opportunity for fraud.

The Office of Housing administers a variety of assisted housing programs including parts of the Section 8 program and the Sections 202 and 811 programs. The subsidies provided through these programs are called "project-based" subsidies because they are tied to particular properties. Therefore, tenants who move from such properties may lose their rental assistance. For this fiscal year, HUD requested $9.4 billion for Section 8 project-based rental assistance. The subsidies are paid to property owners mainly through project-based contract administrators (PBCA) who also monitor the project owners' performance. We previously reported that HUD did not obtain the best value for the nearly $300 million spent in 2008 on the PBCA contracts. HUD has been slow in restructuring these contracts and recently was forced to recompete most of the contracts after many of the bidders protested the manner in which HUD evaluated the proposals. The current contracts are not cost effective and do not allow HUD to stop paying for services that it no longer requires of the PBCAs.

HUD has made improvements in the area of erroneous payments, but more are needed. To continue its efforts in the reduction, it needs to enhance its disclosures of administrative errors made by intermediaries in performance reports, improve its methodology documentation, and enhance oversight of controls over monitoring of improper payments. HUD is developing system improvements that should enhance internal controls over subsidy payments.

Oversight can be particularly challenging for PHAs participating in "Moving to Work," which is a demonstration program for PHAs that provides them the opportunity to design and test innovative, locally developed strategies that are designed to use Federal dollars more efficiently, help residents become self-sufficient, and increase housing choices for low-income families. The demonstration program gives PHAs exemptions from many existing public housing rules and more flexibility with how they use their Federal funds. HUD can terminate any participant from the Moving to Work program for defaulting on its agreement. OIG has identified numerous deviations from the Moving to Work agreement by participating PHAs. HUD needs to establish a formal quantified process for terminating participants from the demonstration program for failure to comply with the agreement.

Administering programs directed toward victims of natural disasters. As a result of HUD's continuing role in addressing natural disasters, the Department faces a significant management challenge in monitoring disaster program funds provided to various States, cities, and local governments under its purview. This challenge is particularly pressing for HUD because of limited resources to perform the oversight, the broad nature of HUD projects, and the length of time needed to complete some of these projects. HUD must ensure that the grantees complete their projects in a timely manner and ensure the use of funds for intended purposes. Since HUD disaster assistance may fund a variety of recovery activities, HUD can help communities and neighborhoods that otherwise might not recover due to limited resources. However, oversight of these projects is made more difficult based on the broad nature of HUD projects and due to the fact that some construction projects may take between 5 and 10 years to complete. HUD must be diligent in its oversight duties to ensure that grantees have identified project timelines and are keeping up with them. HUD also must ensure that grantee goals are being met and that expectations are achieved.

In response to disasters, Congress may appropriate additional funding to rebuild the affected areas and provide crucial seed money to start the recovery process. Although disasters occur at various times, funding to assist the affected communities is subject to the availability of supplemental appropriations. Community Development Block Grant disaster recovery funds are made available to States, units of general local governments, Indian tribes, and insular areas designated by the President as disaster areas. These communities must have significant unmet recovery needs and the capacity to carry out a disaster recovery program.

Our disaster oversight audit work has pointed out the need for HUD to be diligent in its oversight efforts of its program grantees. In our recent fiscal year 2011 audit efforts, the Office of Audit provided recommendations for management improvements related to the need for monitoring efforts, to include ensuring that grantees follow HUD rules, establish performance measures, and employ proper project management services.

Keeping up with communities in the recovery process can be taxing for HUD. HUD funding over the past several years has exceeded $29 billion. These active disaster grants nationwide have approximately $26 billion in obligations and $20 billion in disbursements. Of the Gulf Coast funding of $19.6 billion for Hurricanes Katrina, Rita, and Wilma, $16.3 billion, or 83 percent, has been disbursed through September 30, 2011. Although many years have passed since some of the specific disasters have occurred, significant disaster funds remain unexpended. HUD must maintain its oversight efforts to ensure that funds are expended as intended.