



OFFICE OF INSPECTOR GENERAL  
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

# Priority Open Recommendations

# Introduction

On September 28, 2022, HUD OIG issued this inaugural Priority Open Recommendations resource for the Department and other stakeholders to promote the efficiency and effectiveness of HUD programs and operations.

These priority open recommendations fall within several areas we identified in our FY 2022 Top Management Challenges report:

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

We believe these open recommendations, if implemented, will have the greatest impact on helping HUD achieve its mission to create strong, sustainable, inclusive communities and quality affordable homes for all.

We recognize the forward progress HUD has made in many of these areas and HUD's steadfast commitment to improve its programs and operations. We continue to monitor HUD's progress and provide assistance to HUD's leadership as they work towards resolution and implementation of our priority recommendations.

We will periodically update this resource to reflect progress in closing these priority recommendations.

# Priority Open Recommendations



**ELIMINATING  
HAZARDS IN HUD  
ASSISTED  
HOUSING**



**ENSURING  
ACCESS TO  
AFFORDABLE  
HOUSING**



**ADMINISTERING  
DISASTER  
RECOVERY**



**PROTECTING  
THE MORTGAGE  
INSURANCE  
FUND**



**MANAGING  
INFORMATION  
TECHNOLOGY**



**MANAGING  
HUMAN  
CAPITAL**



**FRAUD RISK  
MANAGEMENT**

# Eliminating Hazards in HUD Assisted Housing

HUD is responsible for ensuring that all properties proposed for use in HUD programs be free of hazardous materials, contamination, toxic chemicals and gasses, and radioactive substances where a hazard could affect the health and safety of occupants or conflict with HUD’s intended use of the property. HUD is also responsible for ensuring that HUD-assisted programs and projects comply with HUD’s environmental regulations.

For instance, HUD is responsible for ensuring compliance with the Lead Disclosure Rule and

Lead Safe Housing 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.

While HUD has made progress in these areas, HUD must continue to ensure that HUD-assisted properties are free of such hazards.

HUD OIG has 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 priority recommendations pertaining to Lead and Radon.

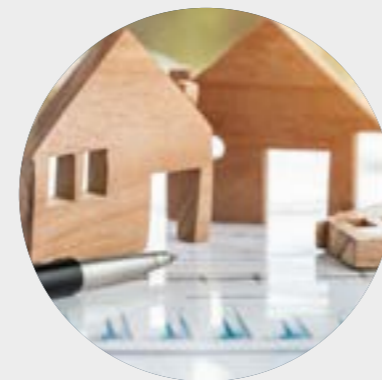
Addressing these recommendations would help HUD protect its beneficiaries from safety hazards.



LAWS & REGULATIONS



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RECENT INVESTIGATIONS

# HUD OIG Priority Recommendations



RADON



## LEAD

HUD is responsible for ensuring compliance with laws and regulations designed to protect renters and home buyers of pre-1978 housing from lead-based paint hazards in housing. HUD continues to experience challenges related to lead-based paint hazards in HUD-assisted housing.

Additionally, HUD does not have sufficient policies, procedures, and controls to ensure that households living in assisted units have a sufficient supply of safe drinking water.

[VIEW REPORT >](#) **HUD Lacked Adequate Oversight of Public Housing Agencies' Compliance With the Lead Safe Housing Rule**

**Recommendation 1A:** Ensure that its staff appropriately determines exemptions from the Lead Safe Housing Rule and documents support of the determinations.

**Status:** HUD has agreed with the recommendation

**Recommendation 1B:** Ensure that its staff determines whether a child under 6 years of age resides in an exempted development. If a child is determined to reside in an exempted development take appropriate actions in accordance with its internal policies.

**Status:** HUD has agreed with the recommendation



## IMPACT

If implemented, HUD would have adequate oversight of public housing agencies' compliance with the Lead Safe Housing Rule and have assurance that people living in assisted housing have a sufficient supply of safe drinking water, all of which would protect children under the age of 6 from lead exposure.

# HUD OIG Priority Recommendations



RADON

## LEAD

HUD is responsible for ensuring compliance with laws and regulations designed to protect renters and home buyers of pre-1978 housing from lead-based paint hazards in housing. HUD continues to experience challenges related to lead-based paint hazards in HUD-assisted housing.

Additionally, HUD does not have sufficient policies, procedures, and controls to ensure that households living in assisted units have a sufficient supply of safe drinking water.

[VIEW REPORT >](#) **HUD Needs To Improve Its Oversight of Lead in the Water of Multifamily Housing Units**

**Recommendation 1A:** Develop and implement an action plan that includes sufficient policies, procedures, and controls that address households living in multifamily housing units having a sufficient supply of safe drinking water [...]

**Status:** HUD has agreed with the recommendation



## IMPACT

If implemented, HUD would have adequate oversight of public housing agencies' compliance with the Lead Safe Housing Rule and have assurance that people living in assisted housing have a sufficient supply of safe drinking water, all of which would protect

# HUD OIG Priority Recommendations



## RADON

HUD-assisted housing must be decent, safe, sanitary, and in good repair. 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. A HUD OIG report 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.

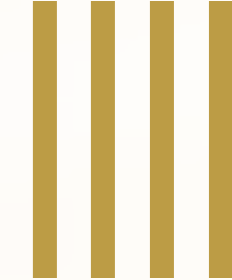
[VIEW REPORT >](#) **HUD Program Offices' Policies and Approaches for Radon**

**Recommendation 1:** Develop and issue a departmentwide policy that 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).

**Status:** HUD has agreed with the recommendation



**IMPACT**  
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.



## Laws, Regulations, Rules, and Guidance

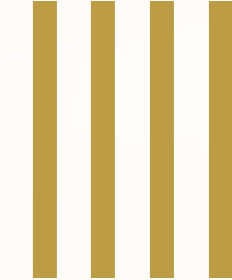
### **National Environmental Policy Act (NEPA)** [42 U.S.C. 4321 et seq.](#)

NEPA requires Federal agencies to assess the environmental effects of their proposed actions prior to making decisions.

### **HUD's Environmental Regulations** – [24 CFR part 50](#) and [24 CFR part 58](#)

24 CFR parts 50 and 58 state that it is HUD policy that all properties proposed for use in HUD programs be free of hazardous materials, contamination, toxic chemicals and gasses, and radioactive substances where a hazard could affect the health and safety of occupants or conflict with HUD's intended use of the property. 24 CFR parts 50 and 58 include requirements for environmental reviews that apply to HUD-assisted projects.





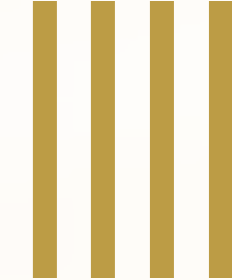
# Laws, Regulations, Rules, and Guidance

## Statutes authorizing lead-based HUD programming include:

- Lead-Based Paint Poisoning Prevention Act ([42 U.S.C. 4821 et seq.](#))
- Residential Lead-Based Paint Hazard Reduction Act of 1992 (Title X of the Housing and Community Development Act of 1992; [42 U.S.C. 4851 et seq.](#))
- Sections 501 and 502 of the Housing and Urban Development Act of 1970 ([12 U.S.C. 1701z-1](#) and [1701z-2](#)).

## Lead Disclosure Rule

The [Lead Disclosure Rule \(24 CFR Part 35, subpart A\)](#) generally requires a seller or lessor of “target housing,” among other requirements, to disclose the presence of any known lead-based paint or lead-based paint hazard, provide available records and reports, and provide information on lead hazard information.



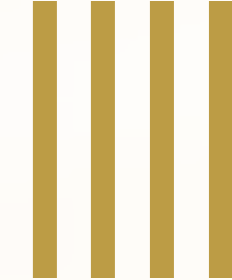
# Laws, Regulations, Rules, and Guidance

## **Lead Safe Housing Rule**

HUD has added an additional layer of lead paint safety, through the [Lead Safe Housing Rule \(24 C.F.R. part 35, subparts B-R\)](#). The Lead Safe Housing Rule “establish[es] procedures to eliminate as far as practicable lead-based paint hazards” when disposing of Federally owned residential property or in Federally assisted residential property; as well as in the disposition of HUD-owned or HUD-assisted housing.

## **The Stewart B. McKinney Homeless Amendments Act**

In 1988, Congress passed [the McKinney Amendments Act](#). Section 1091 of the Act required HUD to develop an effective departmental policy for dealing with radon contamination using EPA guidelines and standards; and, to assist EPA in reducing radon contamination.



## Laws, Regulations, Rules, and Guidance

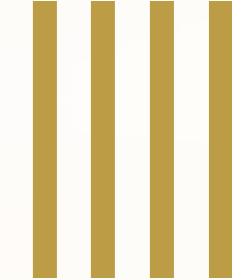
### Radon specific HUD policies include:

#### **Office of Public and Indian Housing** — [Notice PIH 2013-06](#)

The Office of Public and Indian Housing’s (PIH) radon policy strongly encourages PHAs to “proactively plan and complete radon testing and follow-up with mitigation strategies, if possible, especially when excessive radon levels are present.”

#### **Office of Multifamily Programs** — [Notice H 2013-03](#)

The Office of Multifamily Programs (Multifamily)’s radon policy affirmatively requires radon testing and mitigation. In 2016, Multifamily incorporated Notice H 2013-03 into chapter 9 of [the Multifamily Accelerated Processing \(MAP\) Guide](#), which HUD staff and Federal Housing Administration mortgage lenders must follow.



## Laws, Regulations, Rules, and Guidance

### **Environmental Review HUD policies include:**

#### **Office of Public and Indian Housing** – [Notice PIH 2016-22-HA](#)

The Office of Public and Indian Housing has multiple programs that are subject to environmental review requirements under 24 CFR Parts 50 and 58. All planned activities at HUD-assisted or to be assisted project sites must receive environmental clearance, unless HUD explicitly states that a funding stream is not subject to environmental review.

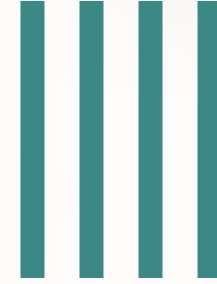
#### **Office of Multifamily Housing** – [MAP Guide](#)

The Office of Multifamily Housing insured projects are subject to the environmental review process. The MAP Guide outlines the policies and procedures that lenders and HUD staff are to follow to meet environmental review responsibilities.

# Related HUD Programs

## [Office of Environment and Energy \(OEE\)](#)

The Office of Environment and Energy (OEE) is responsible for oversight of HUD's compliance with NEPA and the related laws and authorities through the environmental review process that is required for all HUD-assisted programs and projects. The environmental review process ensures that the proposed project does not negatively impact the surrounding environment and that the property site itself will not have an adverse environmental or health effect on end users.



# Related HUD Programs

## [Office of Lead Hazard Control and Healthy Homes \(OLHCHH\)](#)

The Office of Lead Hazard Control and Healthy Homes (OLHCHH) provides funding for state and local government to develop cost-effective ways to reduce lead-based paint hazards. In addition, the office enforces HUD's lead-based paint regulations, provides public outreach and technical assistance, and conducts technical studies to help protect children and their families from health and safety hazards in the home. Specific program funding opportunities related to hazards include:

- Lead Based Paint Hazard Reduction Program ([FR-6600-N-13](#))
- Lead and Healthy Homes Technical Studies (LHHTS) Grant Program Pre- and Full Application ([FR-6600-N-15](#))
- Healthy Homes Production Grant Program ([FR-6600-N-44](#))
- Healthy Homes and Weatherization Cooperation Demonstration ([FR-6600-N-62](#))
- Older Home Modification Grant Program ([FR-6600-N-69](#))

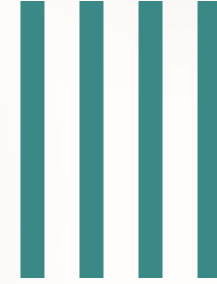


# Related HUD Programs

## [Public and Indian Housing \(PIH\)](#)

The role of the Office of Public and Indian Housing is to ensure safe, decent, and affordable housing; create opportunities for residents' self-sufficiency and economic independence; and assure fiscal integrity by all program participants. Specific program funding opportunities related to hazards include:


- Lead-Based Paint Capital Fund Program (LBPCF) ([FR-6600-N-42](#))
- Housing Related Hazards Capital Fund Program ([FR-6600-N-68](#))





# Ongoing and Completed Oversight Work

## HUD OIG HAZARD OVERSIGHT

- [HUD's Oversight of Lead Based Paint Remediation](#)
- [HUD's Processes for Addressing Cases of Children Residing in Public Housing with Elevated Blood Lead Levels](#)
- [Philadelphia Housing Authority Management of Lead Based Paint in Public Housing](#)
-  [HUD's Program Offices' Policies and Approaches for Radon, 2020-OE-0003 \(April 8, 2021\)](#)
- [Contaminated Sites Pose Potential Health Risks to Residents at HUD-funded Properties, 2019-OE-0003 \(February 14, 2021\)](#)
-  [HUD's Office of Multifamily Housing Programs Did Not Always Follow Mitigation Requirements for Its FHA-Insured Multifamily Projects, 2021-KC-0001 \(October 2, 2020\)](#)





# Ongoing and Completed Oversight Work

## HUD OIG HAZARD OVERSIGHT

[HUD's Oversight of Lead in the Water of Housing Choice Voucher and Public Housing Program Units, 2020-CH-0004 \(August 21, 2020\)](#)



[HUD Oversight of Lead in the Water of Multifamily Housing Units, 2020-CH-0005 \(August 21, 2020\)](#)



[HUD's Oversight of Public Housing Agencies' Compliance With the Lead Safe Housing Rule, 2020-CH-0003 \(March 18, 2020\)](#)

■ [HUD's Oversight of Lead-Based Paint in Public Housing and Housing Choice Voucher Programs, 2018-CH-0002 \(June 14, 2018\)](#)



## Ongoing and Completed Oversight Work

### COMPLETED GAO HUD-RELATED HAZARD OVERSIGHT WORK

- 2022 - GAO Priority Open Recommendations - [GAO-22-105539, Department of Housing and Urban Development | U.S. GAO](#)
- 2021 - GAO Report - [GAO-12-79, Green Building: Federal Initiatives for the Nonfederal Section Could Benefit from More Interagency Collaboration | U.S. GAO](#)
- 2020 - GAO Report - [GAO-21-55, Lead Paint in Housing: HUD Has Not Identified High-Risk Project-Based Rental Assistance Properties | U.S. GAO](#)
- 2019 - GAO Report - [GAO-19-543, Environmental Justice: Federal Efforts Need Better Planning, Coordination, and Methods to Assess Progress | U.S. GAO](#)
- 2018 - GAO Report - [GAO-18-394, Lead Paint in Housing: HUD Should Strengthen Grantee Processes, Compliance Monitoring, and Performance Assessment | U.S. GAO](#)



## Ongoing and Completed Oversight Work

### TOP MANAGEMENT CHALLENGES

Eliminating Hazards in HUD-Assisted Housing was identified by HUD OIG as a Top Management Challenge facing HUD in [FY 2022](#). Our reports focus on HUD's approaches to identifying and mitigating specific hazards, including lead and radon, and HUD's progress in enhancing its process for inspecting physical conditions in HUD-assisted housing.

It is HUD's policy that all property proposed for use in HUD programs must be free of hazardous materials, contamination, toxic chemicals and gasses, and radioactive substances where a hazard could affect the health and safety of occupants or conflict with the intended use of the property.

For instance, HUD is responsible for ensuring compliance with the Lead Disclosure Rule and Lead Safe Housing 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. HUD OIG continues to identify challenges related to lead-based paint hazards in HUD-assisted housing.



## Recent Investigations

The below cases are highlighted as examples of OIGs investigative efforts to combat fraud against these HUD programs.

- [Former Worcester Housing Official Sentenced to 40 Months in Prison for \\$2.3 Million Property Development Fraud Scheme | USAO, Massachusetts | March 28, 2022](#)
- [Property Manager Pleads Guilty For His Role In The Failure To Properly Notify Tenants About Lead Hazards | USAO, Western District of New York | March 9, 2022](#)

# Ensuring Access to Affordable Housing

The Housing Choice Voucher Program provides housing assistance for approximately 2.3 million families, including the elderly and persons with disabilities.

In fiscal year 2022, HUD received more than \$25.7 billion from Congress for the Housing Choice Voucher Program to help low-income families afford decent, safe, and sanitary housing in the private market.

As of November 2020, more than 300,000 HUD Housing Choice Vouchers were unused. When vouchers are not used they become unfunded and each of these equates to a low-income family not being housed.

HUD OIG has issued recommendations related to increased voucher utilization in the Housing Choice Voucher Program.

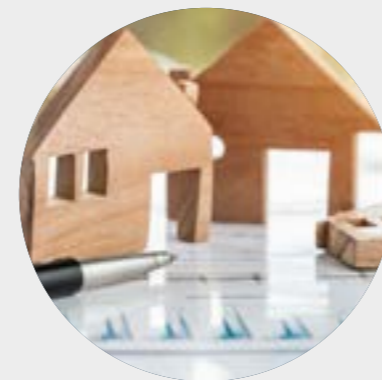
If HUD establishes and implements a mitigation plan to prevent vouchers from becoming unused and unfunded, more eligible families will receive housing assistance.



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# HUD OIG Priority Recommendations



## VOUCHER UTILIZATION

*HUD's Housing Choice Voucher Program allows eligible families to lease safe, decent, and affordable privately owned rental housing. It is estimated that as of November 2020, more than 62 percent of Public Housing Agencies had unused voucher authority.*

**VIEW REPORT >** **HUD Remains Challenged To Serve the Maximum Number of Eligible Families Due to Decreasing Utilization in the Housing Choice Voucher Program**

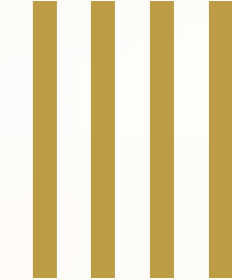
**Recommendation 1B:** Establish and implement a plan for the unused and unfunded vouchers to mitigate or prevent additional vouchers from becoming unused and unfunded [...]

**Status: CLOSED.** [Click for more information >](#)



## IMPACT

If implemented, HUD will ensure that Housing Vouchers are utilized to assist the maximum number of families.

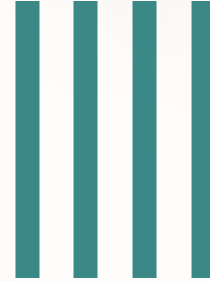


## Laws, Regulations, Rules, and Guidance

The Housing Choice Voucher program is authorized under Section 8(o) of the United States Housing Act of 1937 ([42 U.S.C. 1437f\(o\)](#)). Regulations covering it can generally be found in [24 CFR Part 982-985](#).

HUD maintains a [Housing Choice Voucher guidebook](#) which provides guidance and requirements outlined in multiple publications such as, regulatory requirements, PIH Notices, Federal Register Notices, and other forms of guidance issued by HUD.

# Related HUD Programs



## HOUSING CHOICE VOUCHER PROGRAM

There are several special categories of vouchers offered in addition to typical housing choice vouchers.

### Special Purpose Voucher Programs

- [Emergency Housing Vouchers \(EHV\)](#)
- [Family Unification Program \(FUP\)](#)
- [Foster Youth to Independence \(FYI\) Initiative](#)
- [Mainstream Vouchers](#)
- [Non-Elderly Disabled \(NED\)](#)
- [Tenant Protection Vouchers](#)
- [Veterans Affairs Supportive Housing \(VASH\) Vouchers](#)

### Program Initiatives

- [HCV Homeownership Program](#)
- [RAD Project Based Vouchers](#)
- [Family Self-Sufficiency \(FSS\)](#)
- [HCV Community Choice Demonstration](#)
- [HCV Landlord Resources](#)
- [Portability](#)
- [Preventing and Ending Homelessness](#)
- [Project Based Vouchers](#)
- [Section 8 Management Assessment- SEMAP](#)







# Ongoing and Completed Oversight Work

## HUD OIG HOUSING CHOICE VOUCHER PROGRAM OVERSIGHT

- [Fostering Youth to Independence Initiative](#)
- [HUD's Section 8 Management Assessment Program \(SEMAP\) as a Performance Measure for the Housing Choice Voucher Program](#)
- [Evaluating Public Housing Agency Challenges With the HUD Veterans Affairs Supportive Housing Program, 2022-LA-0801 \(November 30, 2021\)](#)



[HUD Remains Challenged To Serve the Maximum Number of Eligible Families Due to Decreasing Utilization in the Housing Choice Voucher Program, 2021-CH-0001 \(September 15, 2021\)](#)

- [Use of Landlord Incentives in the Housing Choice Voucher Program, 2021-LA-0803 \(January 25, 2021\)](#)
- [Opportunities Exist To Improve HUD's Communication to Renters About Eviction Protections, 2021-NY-0801 \(October 13, 2020\)](#)



## Ongoing and Completed Oversight Work

### HUD OIG OVERSIGHT *(Continued)*

- [HUD Could Improve Its Oversight of Portability in the Housing Choice Voucher Program, 2020-CH-0006 \(September 09, 2020\)](#)
- [Final Civil Action: The Former Executive Director of the Housing Authority of the City of Beeville, TX, Et Al, Settled False Claims Allegations in the Housing Choice Voucher Program, 2018-FW-1808 \(August 21, 2018\)](#)



## Ongoing and Completed Oversight Work

### GAO OVERSIGHT WORK

- 2021- GAO Report touches on HCVP - [GAO-21-183, Federal Low-Income Programs: Use of Data to Verify Eligibility Varies Among Selected Programs and Opportunities Exist to Promote Additional Use | U.S. GAO](#)
- 2020 - GAO Report - [GAO-20-427, Rental Housing: As More Households Rent, the Poorest Face Affordability and Housing Quality Challenges | U.S. GAO](#)
- 2017 - GAO Report - [GAO-18-53, Housing Choice Voucher Program: Limited Indications of Potential Fraud against Participants Identified | U.S. GAO](#)



## Ongoing and Completed Oversight Work

### TOP MANAGEMENT CHALLENGES

Ensuring Access to and Availability of Affordable Housing was identified by HUD OIG as a Top Management Challenge facing HUD in [FY 2021](#) and [FY 2022](#).

Ensuring Access to and Availability of Affordable Housing remains a Top Management Challenge in part because there are several reasons for housing choice voucher underutilization, some of which are even outside HUD's control.

Improving Rental Assistance is one of HUD's [Strategic Objectives for FY2022-FY2023](#). The Agency Priority Goal sets September 30, 2023 as the date to reach a 96% occupancy in the Public and Multifamily Housing programs and a budget utilization rate of 100% in the Housing Choice Voucher program.

This priority recommendation is one step HUD could take to address this challenge and meet their strategic objective.



## Recent Investigations

The below cases are highlighted as examples of OIGs investigative efforts to combat fraud against these HUD programs.

- [Newark Landlords Agree to Pay \\$430,000 to Settle Allegations of Collecting Excess Rent in Sparrow Run | USAO, Delaware | May 2, 2022](#)
- [Landlord to Pay \\$90,000 under the False Claims Act for Violating HUD Rules by Renting Subsidized Section 8 Apartment to Relative | USAO, Eastern District of Pennsylvania | July 1, 2021](#)
- [Landlord to Pay \\$128,000 under the False Claims Act for Allegedly Renting Subsidized Section 8 Apartment to a Family Member | USAO Eastern District of Pennsylvania, March 8, 2021](#)
- [Case Manager and Property Agent Plead Guilty to Stealing Federal Funds Designated to Help Homeless Veterans | USAO Northern District of Georgia | January 21, 2021](#)
- [Chelsea Landlord Agrees to Settle False Claims Act Allegations | USAO Massachusetts | March 06, 2020](#)
- [Former Stuart Housing Authority Employee Pleads Guilty to Theft of Government Funds | USAO, Southern District of Florida | April 03, 2019](#)



# Administering Disaster Recovery

Communities across the country devastated by natural disasters rely on HUD disaster recovery grants to address unmet housing needs and prepare for future disasters.

HUD is one of the largest distributors of disaster recovery funding. From 2001 to 2021 Congress has appropriated \$92.8 billion to HUD to provide for disaster recovery. HUD OIG and GAO have issued multiple oversight reports with recommendations to ensure HUD's disaster recovery funding reaches vulnerable communities quickly.

A major challenge for HUD grantees is that there are no standard regulations that explain how to apply for or use HUD's Disaster Recovery funding. Instead, requirements for each natural

disaster are issued through separate federal register notices.

HUD OIG has issued recommendations that HUD codify the CDBG-DR program through regulations, or, if necessary, seek legislative authority to do so, to standardize the process and simplify the requirements for grantees. In response, HUD has consistently maintained that it does not have the statutory authority to codify the program requirements through the regulatory process.

HUD has taken multiple meaningful steps, within its stated limitations, to address the underlying challenges for grantees, to include publicly maintaining that it needs statutory authority to codify the CDBG-DR program and seeking that authority

from Congress; and expressly supporting Congressional authorization of the program in its Fiscal Year 2023 Congressional Budget Justification. Accordingly, we are not identifying any recommendations related to codification as priority open recommendations in this report.

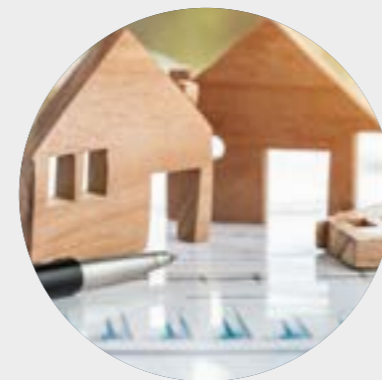
Beyond the challenges caused by lack of a codified program, grantees also struggle to efficiently distribute disaster recovery funds, resulting in slow spending. We have included a priority open recommendation related to improving oversight and monitoring of slow spending. Addressing this recommendation will help HUD and its grantees administer disaster grants in a timely manner and improve outcomes for communities.



**LAWS & REGULATIONS**



**RELATED HUD PROGRAMS**



**HUD OIG PRIORITY RECOMMENDATIONS**

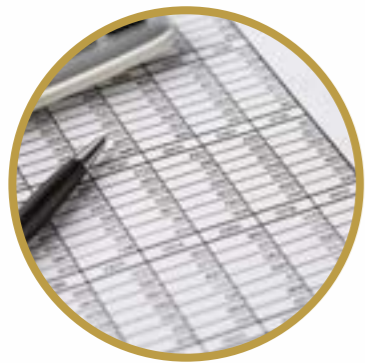


**ONGOING & COMPLETED OVERSIGHT WORK**



**RECENT INVESTIGATIONS**

# HUD OIG Priority Recommendations



  
SOURCE LINK

## ■ SLOW SPENDING

*HUD plays a vital role in the long-term recovery efforts following a disaster by addressing unmet needs in communities after initial emergency disaster relief efforts have ended. HUD must continue to address challenges to ensure that disaster grant funds reach those communities in a timely manner.*

[VIEW REPORT >](#) **Opportunities Exist To Improve CPD's Oversight of and Monitoring Tools for Slow-Spending Grantees**

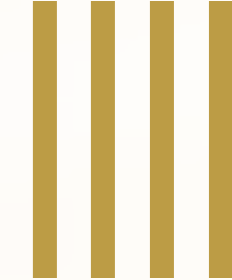
**Recommendation 1B:** Update its policies and procedures for tracking expenditures related to slow-spending grantees, including steps for assisting the grantees to expedite spending [...]

**Status:** HUD has disagreed with the recommendation



## IMPACT

If implemented, HUD will be better able to ensure that funding is being fully utilized and grantees are providing needed services in a timely manner.



## Laws, Regulations, Rules, and Guidance

From 2001 to 2021, Congress appropriated \$92.8 billion to HUD to provide for disaster recovery.

Although the CDBG program requirements ([24 CFR part 570](#)) provide a framework, HUD's disaster recovery grant funds (CDBG-DR and CDBG-MIT) are not provided under a codified program in the Code of Federal Regulations.

Instead, each time Congress enacts a supplemental appropriation to address disaster recovery, HUD issues additional program requirements and waivers in multiple Federal Register notices.

More than 80 Federal Register notices have been issued since funding 9/11 disaster recovery efforts in 2001.

HUD maintains a catalogue of disaster-related supplemental appropriations and Federal Register Notices on its [website](#).



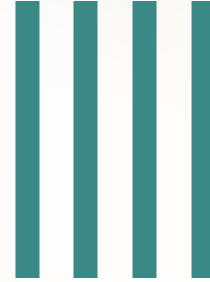
## Related HUD Programs

Congress appropriates supplemental funding for the Community Development Block Grant (CDBG) program specifically for Disaster Recovery (CDBG-DR) to help rebuild affected areas and provide crucial funding for the recovery process.

CDBG-DR funds must be used for necessary expenses related to disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization in the “most impacted and distressed” areas caused by the declared disaster, and meet a CDBG national objective (ex., benefiting low- and moderate-income persons).

CDBG-Mitigation (CDBG-MIT) allows eligible grantees to use the assistance in areas impacted by recent disasters to carry out strategic and high-impact activities to mitigate disaster risks and reduce future losses.

CDBG-MIT defines mitigation as activities that increase resilience to disasters and reduce or eliminate the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship by lessening the impact of future disasters. For more information, visit [HUD's website](#).





# Ongoing and Completed Oversight Work

## HUD OIG DISASTER OVERSIGHT

- [Community Development Block Grant- Disaster Recovery LMI Requirements](#)
- [Community Development Block Grant- Disaster Recovery Program Timing](#)
- [Disaster Preparedness of Federal Agencies](#)
- [Puerto Rico Community Development Block Grant - Disaster Recovery \(DR\) program, Home Repair, Reconstruction or Relocation \(R3\) Program](#)
-  [Opportunities Exist To Improve CPD's Oversight of and Monitoring Tools for Slow-Spending Grantees, 2022-AT-0001 \(January 5, 2022\)](#)
- [The City of Houston, Houston, TX, Faced Challenges in Administering Its Hurricane Harvey Program and Risked Losing Its Funding, 2022-FW-1001 \(January 04, 2022\)](#)



## Ongoing and Completed Oversight Work

### HUD OIG DISASTER OVERSIGHT *(Continued)*

- [Harris County Community Services Department, Houston, TX, Was Inefficient and Ineffective in Operating Its Hurricane Harvey Program, 2021-FW-1001 \(June 02, 2021\)](#)
- [Review of HUD's Disbursement of Grant Funds Appropriated for Disaster Recovery and Mitigation Activities in Puerto Rico, 2019SU0089451 \(April 20, 2021\)](#)
- [HUD's Office of Block Grant Assistance Had Not Codified the Community Development Block Grant Disaster Recovery Program, 2018-FW-0002 \(July 23, 2018\)](#)



## Ongoing and Completed Oversight Work

### DISASTER GAO OVERSIGHT WORK

- 2021- GAO Report - [GAO-22-104039, Disaster Recovery: Additional Actions Needed to Identify and Address Potential Recovery Barriers | U.S. GAO](#)
- 2022 - GAO Testimony - [GAO-22-105548, Disaster Recovery: Better Data Are Needed to Ensure Equitable Delivery of HUD Block Grant Funds to Vulnerable Populations | U.S. GAO](#)
- 2019 - GAO Report - [GAO-19-232, Disaster Recovery: Better Monitoring of Block Grant Funds Is Needed | U.S. GAO](#)



## Ongoing and Completed Oversight Work

### HUD OIG TESTIMONY

HUD OIG officials are routinely asked to testify on HUD's disaster recovery programs, including at congressional oversight hearings held by House and Senate committees with jurisdiction over HUD's disaster recovery programs.

“Ensuring Equitable Delivery of Disaster Benefits to Vulnerable Communities and Peoples: An Examination of Key GAO Findings,” Testimony by Deputy Inspector General Begg before the U.S. House of Representatives Committee on Financial Services Subcommittee on Oversight and Investigations ([January 19, 2022](#)).

“CDBG Disaster Recovery: States, Cities, and Denials of Funding,” Testimony by Deputy Inspector General Begg before the U.S. House of Representatives Committee on Financial Services Subcommittee on Oversight and Investigations ([July 15, 2021](#)).

Additional testimony by HUD OIG officials can be found on [HUD OIG's website](#).



## Ongoing and Completed Oversight Work

### TOP MANAGEMENT CHALLENGES

HUD OIG has identified [Administering Disaster Recovery Assistance](#) as a Top Management Challenge for HUD for more than a decade.

Although HUD has made progress in assisting communities recovering from disasters, it continues to face challenges in administering and overseeing disaster recovery grants.

HUD OIG's Top Management Challenges report discusses the need to codify the CDBG disaster programs, address concerns of those who seek to obtain disaster recovery assistance from HUD programs, ensuring grantees develop and follow adequate procurement processes, conduct effective subrecipient monitoring, and address slow spending grantees.



## Recent Investigations

The below cases are highlighted as examples of OIGs investigative efforts to combat fraud against these HUD programs.

- [Former Prattsville Town Supervisor Pleads Guilty to Fraud | Office of Inspector General, Department of Housing and Urban Development | July 18, 2022](#)
- [Former State Senator Sentenced For Making False Statement | USAO, Eastern District of Louisiana | July 14, 2020](#)
- [Sandy Contractor Gets 10 Years in Prison for Theft, Money Laundering | JerseyShoreOnline | April 01, 2019](#)

# Protecting the Mortgage Insurance Fund

HUD's Federal Housing Administration provides over \$1.3 trillion in mortgage insurance for single family homes, multifamily properties, and healthcare facilities. HUD-approved lenders who originate FHA-insured loans are responsible for ensuring that borrowers with delinquent Federal tax debt and delinquent child support are not approved for FHA-insured loans. They are also responsible for ensuring that borrowers who reside in flood hazard zones are not approved for FHA-insured loans without the required flood insurance.

However, from fiscal years 2016 to 2018, the FHA insured more

than 65,000 loans, at nearly \$15 billion, to ineligible borrowers. Further, in 2020, the FHA had over 31,000 loans valued at a minimum of \$4.5 billion in its insurance portfolio that lacked the required flood insurance.

HUD OIG issued six recommendations that will protect the mortgage insurance fund, related to:

- Borrower compliance with flood insurance requirements throughout the life of the loan;
- Prospective borrowers with unresolved delinquent

Federal non-tax debt, Federal tax debt, or delinquent FHA-insured mortgages; and

- Conveyance and pre-foreclosure claim costs for loans where lenders failed to meet servicing, foreclosure, and conveyance deadlines.

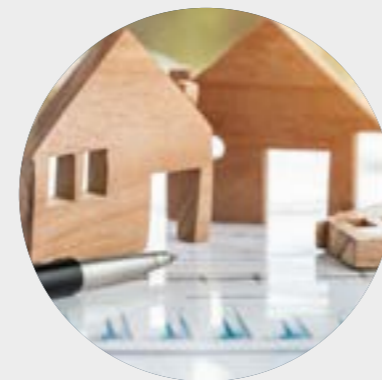
If HUD implements these recommendations it will reduce the risk of flood hazards to FHA homeowners and the mortgage insurance fund, reduce the approval of loans to ineligible borrowers, and reduce claim payments for unnecessary interest and holding costs.



**LAWS & REGULATIONS**



**RELATED HUD PROGRAMS**



**HUD OIG PRIORITY RECOMMENDATIONS**



**ONGOING & COMPLETED OVERSIGHT WORK**



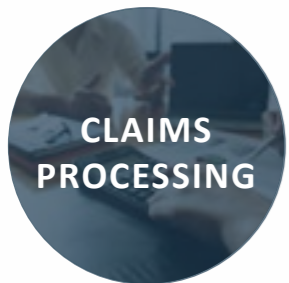
**RECENT INVESTIGATIONS**



# HUD OIG Priority Recommendations



ELIGIBILITY



CLAIMS PROCESSING



## FLOOD INSURANCE

FHA insured at least 3,870 loans that closed in 2019, totaling \$940 million, which were not eligible for insurance because they were made for properties in special flood hazard areas without the required National Flood Insurance Program coverage. Further, in calendar year 2020, FHA had at least 31,500 loans in its insurance portfolio that did not maintain required flood insurance throughout the year, with a projected total value of at least \$4.5 billion. This included loans that had private insurance that did not meet HUD requirements, coverage that did not meet the minimum required amount, or no coverage during the calendar year. While HUD recently made progress in addressing requirements for new loans, it did not have adequate controls to detect loans that did not maintain the required flood insurance throughout the life of the mortgage.

[VIEW REPORT >](#) **Approximately 31,500 FHA-Insured Loans Did Not Maintain the Required Flood Insurance Coverage in 2020**

**Recommendation 1B:** 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.

**Status: CLOSED.** [Click for more information >](#)



## IMPACT

If implemented, HUD will reduce the risk of flood hazards to FHA homeowners and better ensure that borrowers maintain the required flood insurance coverage.

# HUD OIG Priority Recommendations

FLOOD INSURANCE



CLAIMS PROCESSING



SOURCE LINK

## ELIGIBILITY

HUD-approved lenders who originate FHA-insured loans perform the necessary eligibility screenings and make decisions on HUD's behalf. FHA insured more than 56,000 loans, worth \$13 billion, in FY 2018 to ineligible borrowers with delinquent Federal tax debt, and an estimated 9,507 loans, worth \$1.9 billion in 2016 to ineligible borrowers with delinquent Federal debt or who were subject to Federal administrative offset for delinquent child support. Additionally, HUD's Credit Alert Verification Reporting System (CAIVRS) did not contain information on all FHA default, foreclosure, and claim activity and would incorrectly return accept codes for more than 260,000 ineligible borrowers if they sought a new loan.

[VIEW REPORT >](#) **FHA Insured \$1.9 Billion in Loans to Borrowers Barred by Federal Requirements**

**Recommendation 1A:** Develop a method for using the Do Not Pay portal during the underwriting process to identify delinquent child support and delinquent Federal debt to prevent future FHA loans to ineligible borrowers to put \$1.9 billion to better use.

Status: HUD has agreed with the recommendation

[VIEW REPORT >](#) **FHA Insured at Least \$13 Billion in Loans to Ineligible Borrowers With Delinquent Federal Tax Debt**

**Recommendation 1A:** Require lenders to obtain the borrowers' consent to verify the existence of delinquent Federal taxes with the IRS during loan origination and deny any applicant with delinquent Federal tax debt and no payment plan or a noncompliant payment plan or an applicant refusing to provide consent from receiving FHA insurance to put at least \$6.1 billion to better use by avoiding potential future costs to the FHA insurance fund.

Status: HUD has agreed with the recommendation

[VIEW REPORT >](#) **The Data in CAIVRS Did Not Agree With the Data in FHA's Default and Claims Systems**

**Recommendation 1B:** Update selection rules for CAIVRS to provide for complete reporting of all ineligible borrowers to put \$9.5 million to better use.

Status: HUD has agreed with the recommendation



## IMPACT

If implemented, HUD will reduce the approval of loans to ineligible borrowers.

# HUD OIG Priority Recommendations

FLOOD INSURANCE

ELIGIBILITY



## CLAIMS PROCESSING

HUD OIG audited HUD to determine whether it paid servicers' claims for properties that did not foreclose or convey on time. We initiated this audit due to concerns that HUD overpaid servicers' claims for FHA insurance benefits. Our audit 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.

[VIEW REPORT >](#) **FHA Paid Claims for an Estimated 239,000 Properties That Servicers Did Not Foreclose Upon or Convey on Time**

**Recommendation 1A:** Issue a change to regulations at 24 CFR Part 203, which would avoid unnecessary costs to the FHA insurance fund, allowing an estimated \$2.23 billion to be put to better use. These changes include (1) a maximum period for filing insurance claims and (2) disallowance of expenses incurred beyond established timeframes.

**Status:** HUD has agreed with the recommendation

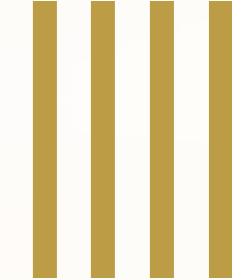
[VIEW REPORT >](#) **HUD Paid an Estimated \$413 Million for Unnecessary Preforeclosure Claim Interest and Other Costs Due to Lender Servicing Delays**

**Recommendation 1A:** Implement a change to regulations at 24 CFR Part 203 to require curtailment of preforeclosure interest and other costs that are caused by lender servicing delays, resulting in \$413,513,975 in funds to be put to better use. This should include updating or seeking statutory authority to update HUD's regulations as necessary and coordinating with HUD's Office of Finance and Budget, well before any changes go through departmental clearance, to ensure that planned curtailment requirements can be consistently enforced through the claims process.

**Status:** HUD has agreed with the recommendation



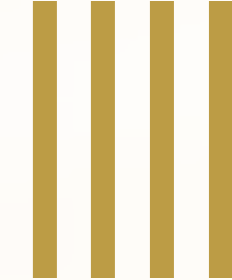
**IMPACT**  
Implementation will improve HUD's ability to manage and oversee its Single Family portfolio, help protect the FHA insurance fund, and clarify requirements for lenders.



# Laws, Regulations, Rules, and Guidance

## Flood Insurance

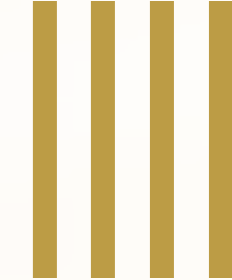
The Flood Disaster Protection Act of 1973 ([42 U.S.C. 4001 et seq.](#)) made the purchase of flood insurance mandatory for federally insured loans in special flood hazard areas (SFHA). HUD provides lenders with guidance related to flood insurance in its handbooks. For forward mortgages (a mortgage loan to purchase or refinance a principal residence), [HUD Handbook 4000.1](#) requires that properties in SFHA's maintain flood insurance, with the amount to be the lesser of two calculations: (1) the outstanding balance of the loan, less land value or (2) the maximum amount of NFIP available for property improvements. For home equity conversion mortgages (HECM)(an FHA reverse mortgage program to withdraw a portion of the home's equity), [HUD Handbook 4235.1](#) requires that properties in SFHAs maintain flood insurance, with the amount to be the handbook allowed for the lesser of two calculations: (1) the outstanding balance of the mortgage or (2) the maximum amount of NFIP insurance available with respect to the property.



## Laws, Regulations, Rules, and Guidance

### Eligibility (related to delinquent debt)

The Debt Collection Improvement Act in [31 U.S.C. 3720B](#) prohibits a person from obtaining any Federal financial assistance in the form of a loan or loan insurance or guarantee if the person has an outstanding debt with any Federal agency, which is in a delinquent status, until such delinquency is resolved. Further, OMB has prescribed in [OMB Circular A-129, Policies for Federal Credit Programs and Non-Tax Receivables](#), that agencies must deny Federally insured loans to individuals who are delinquent on Federal tax or non-tax debts or are subject to administrative offset to collect delinquent child support payments. The circular encourages Federal credit agencies to prescreen all applicants through databases, such as the Department of Housing and Urban Development's Credit Alert Verification Reporting System (CAIVRS) and Treasury's Do Not Pay List to identify delinquencies in Federal debt. Finally, [HUD Handbook 4000.1](#) part II.A.1 establishes that borrowers are ineligible if they have unresolved delinquent Federal non-tax debt, Federal tax debt, or a delinquent FHA-insured mortgage.



# Laws, Regulations, Rules, and Guidance

## Claims Processing

In accordance with the [National Housing Act of 1934](#), HUD established guidance for loss mitigation and various claim types available for FHA-insured Single Family Mortgages through the Code of Federal Regulations ([24 CFR Part 203, Subpart B](#)) as well as through its FHA Single Family Housing Policy Handbook and various mortgagee letters. For conveyance claims, there are timeframes to commence foreclosure ([24 CFR 203.355\(a\)](#)), convey properties to HUD ([24 CFR 203.359\(b\)](#)), and file the claim ([24 CFR 203.365\(a\)](#)). For pre-foreclosure claims, there are timeframes to initiate the pre-foreclosure sale process ([24 CFR 203.355\(a\)](#)); complete the sale ([24 CFR 203.355\(g\)](#)); and file the insurance claim ([24 CFR 203.365\(a\)](#)). While regulations permit the disallowance of some interest and holding costs when lenders miss certain deadlines ([24 CFR 203.402](#)), they do not protect HUD in all cases where lenders miss deadlines and incur additional costs during the delays. Additionally, the regulations do not establish a maximum period for filing claims.

## Related HUD Programs

HUD's [Federal Housing Administration \(FHA\)](#) was created under the [National Housing Act of 1934](#) and is one of the largest mortgage insurers in the world, providing over \$1.3 trillion in mortgage insurance on mortgages for Single Family homes, Multifamily properties, and Healthcare facilities. FHA primarily operates from self-generated income obtained through mortgage insurance premiums collected from borrowers via lenders. When an FHA-insured loan defaults and the lender submits a claim, HUD pays a claim to the lender.

FHA manages a variety of [mortgage insurance programs](#), including Mortgage Insurance for One- to Four-Family Homes (Section 203(b)), Home Equity Conversion Mortgages (HECM) (Section 255), Manufactured Homes Loan Insurance (Title I), Multifamily Rental Housing for Moderate-Income Families (Section 221(d)(3) and (4)), and New Construction or Substantial Rehabilitation of Nursing Homes, Intermediate Care Facilities, Board and Care Homes, and Assisted Living Facilities (Section 232).


HUD maintains Handbooks, Mortgagee Letters, Housing Notices, and other policy documents at [HUDCLIPS](#).





# Ongoing and Completed Oversight Work

## HUD OIG OVERSIGHT

- [COVID-19 Loss Mitigation](#)
- [External Loss Mitigation](#)
- [Temporary Endorsement Policy Related to COVID-19 Forbearance Activity](#)
- [HUD Communication to Homeowners Regarding COVID-19 Policies](#)
- [Multifamily Tracking of Principals/Controlling Participants with Poor Performance History and Multiple Properties](#)
-  [Approximately 31,500 FHA-Insured Loans Did Not Maintain the Required Flood Insurance Coverage in 2020, 2022-KC-0002 \(March 22, 2022\)](#)
- [COVID-19 Forbearance Data in HUD's Single Family Default Monitoring Generally Agreed with Information Maintained by Loan Servicers](#)
- [Key Considerations From Prior Audits of the Single-Family Default Monitoring System and the Partial Claim Loss Mitigation Option, 2021-KC-0801 \(March 12, 2021\)](#)





# Ongoing and Completed Oversight Work

## HUD OIG OVERSIGHT *(Continued)*

■ [FHA Insured \\$940 Million in Loans for Properties in Flood Zones Without the Required Flood Insurance, 2021-KC-0002 \(January 5, 2021\)](#)



[FHA Insured at Least \\$13 Billion in Loans to Ineligible Borrowers With Delinquent Federal Tax Debt, 2019-KC-0003 \(September 30, 2019\)](#)



[HUD Paid an Estimated \\$413 Million for Unnecessary Preforeclosure Claim Interest and Other Costs Due to Lender Servicing Delays, 2018-LA-0007 \(September 27, 2018\)](#)



[FHA Insured \\$1.9 Billion in Loans to Borrowers Barred by Federal Requirements, 2018-KC-0001 \(March 26, 2018\)](#)



[FHA Paid Claims for an Estimated 239,000 Properties That Servicers Did Not Foreclose Upon or Convey on Time, 2017-KC-0001 \(October 14, 2016\)](#)



[The Data in CAIVRS Did Not Agree With the Data in FHA's Default and Claims Systems, 2014-KC-0002 \(July 2, 2014\)](#)



## Ongoing and Completed Oversight Work

### COMPLETED GAO OVERSIGHT WORK

- 2020 - GAO Report - [GAO-20-396, National Flood Insurance Program: FEMA Can Improve Community Oversight and Data Sharing | U.S. GAO](#)
- 2019 - GAO Report - [GAO-19-517, Federal Housing Administration: Improved Procedures and Assessment Could Increase Efficiency of Foreclosed Property Conveyances | U.S. GAO](#)
- 2019 - GAO Report - [GAO-19-353, FISCAL EXPOSURES, Federal Insurance and Other Activities That Transfer Risk or Losses to the Government | U.S. GAO](#)
- 2018 - GAO Report - [GAO-19-38, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, Better Guidance and Performance Measures Would Help Strengthen Enforcement Efforts | U.S. GAO](#)



## Ongoing and Completed Oversight Work

### TOP MANAGEMENT CHALLENGES

Lender Approval of Ineligible Loans was identified by HUD OIG as a Top Management Challenge facing HUD in [FY 2022](#), including loans on properties without required flood insurance coverage and loans to ineligible borrowers who had delinquent Federal debt. FHA's Mortgage Insurance Programs Continue to Lack Sufficient Safeguards was identified as a Top Management Challenge in [FY 2021](#), which included loans to ineligible borrowers who had delinquent Federal debt.

Lengthy Foreclosure and Conveyance Processes was also identified by HUD OIG as a Top Management Challenge facing HUD in [FY 2022](#) and [FY 2021](#), and the reports explain that HUD had paid unnecessary conveyance and pre-foreclosure claim costs for expenses incurred after lenders miss deadlines. As discussed in the [FY 2022](#) report, HUD was waiting for its Office of General Counsel to complete the rulemaking process to create a maximum claim period and planned to amend regulations to require curtailment of expenses caused by lender delays.

These priority recommendations cover some of the steps HUD can take to address these challenges and meet their strategic objective.



## Recent Investigations

The below cases are highlighted as examples of OIGs investigative efforts to combat fraud against these HUD programs.

- [California Mortgage Lender Agrees to Pay More Than \\$1 Million to Resolve Fraud Allegations | USAO, Eastern District of Washington | June 22, 2022](#)
- [Salem Man Found Guilty on All Counts in Decade-Long Mortgage Fraud Scheme | USAO, Massachusetts | June 1, 2022](#)
- [Mortgage Loan Officer Charged With Bank Fraud and Aggravated Identity Theft, | USAO, Middle District of Florida | May 23, 2022](#)
- [Baltimore Business Owner Pleads Guilty to Conspiracy to Commit Wire Fraud in Relation to the Sale of Two Baltimore Properties | USAO, Maryland | May 20, 2022](#)
- [Union County Man Admits Committing Wire Fraud and Making False Reports and Statements to and for HUD | USAO, New Jersey | April 19, 2022](#)
- [Mortgage Short Sale Negotiator Sentenced for Defrauding Mortgage Lenders, USAO, Massachusetts | March 30, 2022](#)



# Recent Investigations

## Fraud Bulletins

- [Loan Modification and Foreclosure Rescue Schemes | HUD OIG Fraud Bulletin | March 2022](#)
- [Reverse Mortgages | HUD OIG Fraud Bulletin | March 2022](#)

# Managing Information Technology

HUD and its stakeholders increasingly rely on HUD’s information technology systems, which maintain at least a billion records containing personally identifiable information and facilitate thousands of transactions daily.

HUD OIG has made several priority recommendations through its oversight work to assist HUD in addressing existing cybersecurity issues to achieve an effective information security

program and protect its data. These include:

- defining and improving how it addresses supply chain risk;
- ensuring accountability over its web applications;
- fully implementing its Security Operation Center; and
- ensuring a comprehensive credentialed vulnerability scan program.

If HUD implements these recommendations, it will advance its progress in reaching its goal of strengthening its information technology, cybersecurity, and data management systems and continue towards adapting and implementing a secure and modernized IT environment.



LAWS & REGULATIONS



RELATED HUD PROGRAMS



HUD OIG PRIORITY RECOMMENDATIONS



ONGOING & COMPLETED OVERSIGHT WORK

# HUD OIG Priority Recommendations



\*HUD OIG has determined the reports containing the recommendations are not appropriate for public release. In some cases the recommendations have been summarized.



## CYBERSECURITY

*As HUD and its stakeholders increasingly rely on technology to accomplish HUD's mission, operating an efficient and secure IT environment is more important than ever. HUD must continue to focus its efforts on addressing known cybersecurity issues and achieving an effective information security program.*

[VIEW REPORT >](#) **Fiscal Year 2021 Federal Information Security Modernization Act Evaluation**

**Recommendation 6, 7, 8:** Define and communicate [Supply Chain Risk Management] strategy, policy, procedures, controls, roles and responsibilities to evaluate, monitor, and address supply chain risk.\*

**Status:** HUD has agreed with the recommendation

[VIEW REPORT >](#) **HUD Web Application Security Evaluation\***

**Recommendation 3:** Enforce the requirement for all HUD web applications and services to be approved by the CIO and ensure OCIO reviews and approves all IT contracts and services agreements dealing with creation or support of web applications or services.\*

**Status:** CLOSED. [Click for more information >](#)



## IMPACT

An effective information security program will allow HUD to support the goal of strengthening information technology, cybersecurity, and data management by continually adapting to and implementing a secure and modern IT system environment.

# HUD OIG Priority Recommendations



## ■ CYBERSECURITY

*As HUD and its stakeholders increasingly rely on technology to accomplish HUD's mission, operating an efficient and secure IT environment is more important than ever. HUD must continue to focus its efforts on addressing known cybersecurity issues and achieving an effective information security program.*

[VIEW REPORT >](#) **HUD Fiscal Year 2019 Federal Information Security Modernization Act of 2014 Evaluation Report**

**Recommendation 7:** Implement and formally document a comprehensive credentialed vulnerability scan program of all network components and applications, including web applications, in accordance with HUD risk management decisions. Ensure resources for all configuration management activities are allocated in a risk-based manner.\*

**Status:** HUD has agreed with the recommendation

\*HUD OIG has determined the reports containing the recommendations are not appropriate for public release. In some cases the recommendations have been summarized.



## IMPACT

An effective information security program will allow HUD to support the goal of strengthening information technology, cybersecurity, and data management by continually adapting to and implementing a secure and modern IT system environment.



# HUD OIG Priority Recommendations



\*HUD OIG has determined the reports containing the recommendations are not appropriate for public release. In some cases the recommendations have been summarized.

## CYBERSECURITY

*As HUD and its stakeholders increasingly rely on technology to accomplish HUD's mission, operating an efficient and secure IT environment is more important than ever. HUD must continue to focus its efforts on addressing known cybersecurity issues and achieving an effective information security program.*

[VIEW REPORT >](#) **HUD Fiscal Year 2018 Federal Information Security Modernization Act of 2014 Evaluation Report**

**Recommendation 8:** Implement and formally document a comprehensive credentialed vulnerability scan program of all network components and applications, including web applications, in accordance with HUD risk management decisions. Ensure resources for all configuration management activities are allocated in a risk-based manner.\*

**Status:** HUD has agreed with the recommendation

[VIEW REPORT >](#) **HUD Fiscal Year 2019 Federal Information Security Modernization Act of 2014 Evaluation Report**

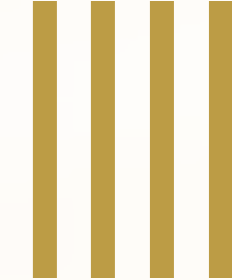
**Recommendation 16:** Fully implement the capability for the HUD [Security Operation Center] to monitor all inbound and outbound traffic and all HUD network devices.\*

**Status:** HUD has agreed with the recommendation



## IMPACT

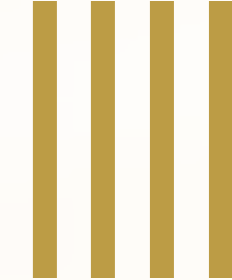
An effective information security program will allow HUD to support the goal of strengthening information technology, cybersecurity, and data management by continually adapting to and implementing a secure and modern IT system environment.



## Laws, Regulations, Rules, and Guidance

The Federal Information Security Management Act (FISMA) of 2002, as amended by the Federal Information Security Modernization Act of 2014, ([44 U.S.C. Chapter 35](#)), establishes IT responsibilities for agency heads, including:

- providing information security protections commensurate with the risk and magnitude of potential harm to information collected or maintained by or on behalf of the agency and information systems used or operated by or for an agency;
- ensuring compliance with the requirements of FISMA as well as policies and guidance from the Office of Management and Budget, Department of Homeland Security, and National Institute of Standards and Technology;
- ensuring that information security management processes are integrated with agency strategic and operational planning processes;
- ensuring that senior agency officials provide information security for the information and information systems that support the operations and assets under their control; and
- ensuring that all personnel are held accountable for complying with the agencywide information security program.



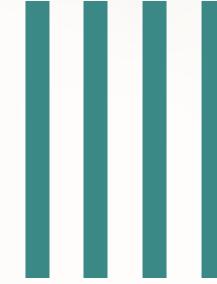
## Laws, Regulations, Rules, and Guidance

The Federal IT Acquisition Reform Act improves management of IT in part by providing for enhanced authority for a Department's Chief Information Officers and requiring the CIO to give documented approval of an IT purchase. [Pub. L. No. 113-291](#), December 19, 2014.

The Clinger Cohen Act directs Federal agencies to focus more on the results achieved through IT investments and streamlined the Federal IT procurement process, detailing how agencies approach the selection and management of IT projects. [Pub. L. No. 104-106](#), February 10, 1996.

## Related HUD Programs

In support of its mission, HUD operates many large-scale programs designed to serve the public. The information systems supporting these programs maintained at least a billion records containing personally identifiable information (PII) and facilitated thousands of transactions with business partners and private individuals daily. HUD is responsible for managing and safeguarding the PII of individuals that it collects, uses, stores, and disseminates. HUD maintains over 200 IT systems, which allows HUD to properly function and provide essential services to the American public.





## Ongoing and Completed Oversight Work

### HUD OIG CYBERSECURITY OVERSIGHT

- [Fiscal Year 2022 Federal Information Security Modernization Act of 2014 Evaluation](#)
- [HUD's Robotics Process Automation Activities Evaluation](#)

Many OIG audits and evaluations reporting on HUD's IT cybersecurity program and vulnerabilities are not appropriate for public release. Summaries of key reports, findings, and recommendations can be found in our [Top Management Challenges report](#), along with HUD's progress in developing an effective information security program.

While HUD has made progress in managing and overseeing its IT program through modernization efforts and addressing recommendations, HUD is challenged by longstanding issues that harm IT program effectiveness. HUD needs to improve how it manages its IT resources and more effectively complete its initiatives. Historically, not all IT resources have been under the CIO's authority. HUD continues to rely heavily on contract support for its operational and modernization efforts. HUD's information security program, while showing improvements, remains at a "consistently implemented" maturity level, below what is considered to be effective.



## Ongoing and Completed Oversight Work

### HUD OIG CYBERSECURITY OVERSIGHT *(Continued)*

In November 2021, we reported how during FY 2019-2021 the CIO had centralized key IT functions and positions and realigned them under OCIO management. There had also been improved collaboration between OCIO and program offices, and OCIO hired key personnel to execute its strategy, and advanced privacy program governance. While HUD has made progress with its IT program, it continues to face challenges.



## Ongoing and Completed Oversight Work

### COMPLETED CYBERSECURITY GAO OVERSIGHT

- 2014 - GAO Report - [GAO-15-56, Information Technology: HUD Can Take Additional Actions to Improve Its Governance | U.S. GAO](#)
- 2019 - GAO Report - [GAO-20-129, Information Technology: Agencies Need to Fully Implement Key Workforce Planning Activities | U.S. GAO](#)
- 2018 - GAO Report - [GAO-18-93, Federal Chief Information Officers: Critical Actions Needed to Address Shortcomings and Challenges in Implementing Responsibilities | U.S. GAO](#)

# Managing Human Capital

Recruitment, retention, and hiring qualified employees has been a challenge across the Federal Government, including within HUD. The Department reported a decline in staffing of approximately 20 percent during the period from 2012 through 2019, making the efficient management of its hiring process all the more important.

HUD OIG conducted oversight work that identified opportunities for HUD to build efficiencies and improve its

hiring process. HUD concurred with and has taken action to resolve nine of the eleven OIG recommendations, and we have identified one of the remaining two recommendations as a priority open recommendation.

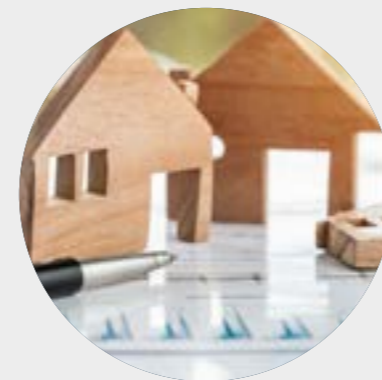
If HUD implements this recommendation, it will help to address knowledge loss, which has previously hampered HUD's effectiveness, and strengthen the efficiency of its hiring process.



LAWS & REGULATIONS



RELATED HUD PROGRAMS



HUD OIG PRIORITY RECOMMENDATIONS



ONGOING & COMPLETED OVERSIGHT WORK



# HUD OIG Priority Recommendations



## HIRING

Over the past 10 years, HUD's programs and responsibilities have increased, while its staffing levels have generally declined. HUD started to see a net gain in staffing in FY 20 and FY 21 – and has represented that it is on track to see a net increase in staffing in FY 22 as well. The effects of HUD's difficulties in managing human capital impact many of HUD's mission-related challenges.

[VIEW REPORT >](#) **Opportunities Exist To Improve the U.S. Department of Housing and Urban Development's Hiring Process**

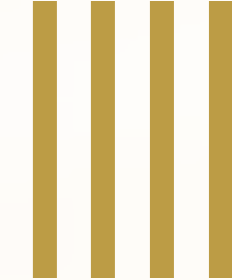
**Recommendation 6:** Create and implement a knowledge management strategy, such as developing standard operating procedures, reference sheets, and program office fact sheets.

**Status:** CLOSED. [Click for more information >](#)



## IMPACT

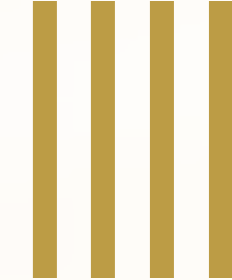
If implemented, this will help HUD address knowledge loss and improve the efficiency of the hiring process by increasing understanding of all stakeholders.



## Laws, Regulations, Rules, and Guidance

The laws governing HUD's human capital management are primarily found within Title 5 of the U.S. Code and implementing regulations and guidance issued by the Office of Personnel Management.

In 2017, the Office of Personnel Management, in partnership with the Chief Human Capital Officers Council Subcommittee for Hiring and Succession Planning, produced the "[End-to-End Hiring Roadmap](#)" to help Federal agencies address challenges they face in attracting and recruiting qualified individuals. The Roadmap explains five components of hiring: workforce planning, recruitment, hiring process, security and suitability, and orientation.



## Laws, Regulations, Rules, and Guidance

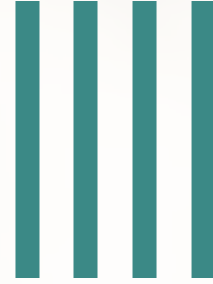
### HUD's Strategic Plans

One of the strategies of Objective 11 from [HUD's Strategic Plan for 2018-2022](#), which was in operation at the time the recommendation was issued, was: Improve the hiring and human capital functions, to reduce average time-to-hire and improve the quality of hires, to ensure HUD attracts, trains, and retains an efficient workforce with an accountability structure that accomplishes our mission.

Objective 5a from [HUD's Strategic Plan for 2022-2026](#) is: Enable the HUD workforce through hiring, training, opportunities for growth, and promoting a more engaged and inclusive work environment.

## Related HUD Programs

[HUD's Office of the Chief Human Capital Officer \(OCHCO\)](#) is responsible for developing and implementing policies and procedures associated with human capital management of the Department. The Chief Human Capital Officer also advises the Secretary and senior management on all human resource matters as well as setting the workforce development strategy for the agency. OCHCO is comprised of five offices: the Executive Office, the Office of Human Capital Services, the Office of Business Management and Administration, the Office of the Chief Performance Officer, and the Office of Talent Development and Workforce Planning.





# Ongoing and Completed Oversight Work

## HUD OIG HUMAN CAPITAL MANAGEMENT OVERSIGHT

- [HUD's Transitioning of Offices From Mandatory to Maximum Telework During the COVID-19 Pandemic, 2022-CH-0002 \(February 15, 2022\)](#)
- [HUD's Processes for Managing IT Acquisitions, 2020-OE-0004 \(November 17, 2021\)](#)



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



## Ongoing and Completed Oversight Work

### GAO REPORTS

- 2020 - GAO Report - [GAO-20-129, Information Technology: Agencies Need to Fully Implement Key Workforce Planning Activities | U.S. GAO](#)
- 2019 - GAO Report - [GAO-19-191, Ginnie Mae: Risk Management and Staffing-Related Challenges Need to Be Addressed, U.S. GAO](#)
- 2016 - GAO Report - [GAO-16-497, HUD: Actions Needed to Incorporate Key Practices into Management Functions and Program Oversight | U.S. GAO](#)



# Ongoing and Completed Oversight Work

## TOP MANAGEMENT CHALLENGES

Managing Human Capital was identified by HUD OIG as a Top Management Challenge for HUD for [FY 2022](#).

Recruitment, retention, and hiring qualified employees has been a growing concern for the Federal Government across its agencies. In February 2021, [the Council of the Inspectors General on Integrity and Efficiency](#) included human capital management as a frequently reported challenge facing multiple agencies, affecting “the ability of Federal agencies to meet their performance goals and execute their missions efficiently.”

HUD is challenged by some of the same problems that other Federal agencies face. Our Top Management Challenges Report discusses HUD’s progress and challenges with recruitment and retention, improving time-to-hire through hiring efficiencies, and staffing capacity.

# Fraud Risk Management

Fraud Risk Management is a challenge throughout the Federal Government. Beyond the monetary loss to taxpayers, fraud against HUD programs reduces HUD’s ability to meet the needs of vulnerable communities with critical housing needs.

HUD OIG oversight work identified systemic challenges HUD faces in completing its testing and mitigation requirements for programs susceptible to significant improper and

unknown payments. Further, the influx of pandemic-relief funds increases fraud risk, posing a significant strain on HUD staff, its operating systems, and state and local entities tasked with implementing these programs.

HUD OIG has issued recommendations concerning the development of program specific fraud risk assessments and risk profiles for HUD’s pandemic relief and other Community Planning and Development programs, to assist

HUD in identifying and reducing improper payments.

If HUD implements the open recommendations related to the development of program-specific fraud risk assessments and risk profiles for its programs, it will improve its fraud risk management practices, reduce the risk of fraud against its programs, and reduce reputational risk to the Department.



LAWS & REGULATIONS



RELATED HUD PROGRAMS



HUD OIG PRIORITY RECOMMENDATIONS



ONGOING & COMPLETED OVERSIGHT WORK



RECENT INVESTIGATIONS



# HUD OIG Priority Recommendations



IMPROPER PAYMENTS



## ■ PANDEMIC RELIEF

*The influx of funding from the CARES Act may significantly strain HUD systems and staff, as well as the State and local entities tasked with implementing these programs. HUD must overcome challenges in overseeing and monitoring the additional funding to address the heightened risk of fraud.*

[VIEW REPORT >](#) **Fraud Risk Inventory for the CDBG and ESG CARES Act Funds**

**Recommendation 1B:** Complete a program-specific fraud risk assessment and risk profile for the CDBG and ESG programs, with emphasis on CARES Act funding, and replicate this process to create program-specific fraud assessments and risk profiles for other CPD programs.

Status: HUD disagreed with the recommendation



### IMPACT

If implemented, HUD would improve its fraud risk management practices, reduce the risk of fraud against its programs, and reduce reputational risk and loss of trust associated with fraud.

# HUD OIG Priority Recommendations

PANDEMIC RELIEF



## IMPROPER PAYMENTS

HUD faces systemic challenges in completing testing and mitigation requirements for programs that are susceptible to significant improper and unknown payments.

[VIEW REPORT >](#) **HUD Did Not Fully Comply With the Payment Integrity Information Act of 2019**

**Recommendation 1A:** We recommend that the Deputy Chief Financial Officer...For the MF-RAP, PIH-TRA, and CPD-HIM programs, ensure that the program improper payments rate estimates adequately test for and include improper payments of Federal funding that are made by State, local, and other organizations administering these programs and adequately disclose any limitations imposed or encountered when reporting on improper payments, to a degree that fairly informs users of the respective reported information.

**Status: HUD has agreed with the recommendation**

[VIEW REPORT >](#) **HUD Did Not Comply With the Payment Integrity Information Act of 2019**

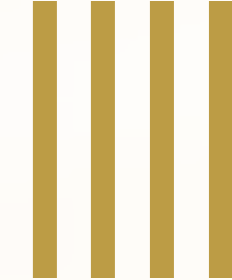
**Recommendation 1A:** We recommend that the Deputy Chief Financial Officer... In collaboration with all involved program offices, develop and implement a sampling methodology that allows for a sample size that reasonably allows for the testing of the complete payment cycle within the PIIA reporting timeframe.

**Status: Pending Management Decision**



## IMPACT

If implemented, HUD would help ensure that the Department conducts sufficient testing to identify improper payments that can occur at multiple levels of funding. This would allow for a more accurate improper payment estimate reported to Congress, OMB, and the public, and the establishment of mitigation plans.

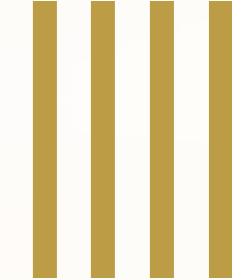


## Laws, Regulations, Rules, and Guidance

The Payment Integrity Information Act of 2019 (PIIA) was enacted to prevent and reduce improper payments and require each agency's Inspector General to perform an annual review of the agency's compliance with PIIA. [Pub. L. No. 116-117 \(Mar. 2, 2020\)](#).

The PIIA requires agencies to identify and review programs and activities they administer that may be susceptible to significant improper payments based on guidance provided by the Office of Management and Budget (OMB).

The PIIA also requires agencies to (1) conduct an evaluation of fraud risks and use a risk-based approach to design and implement financial and administrative control activities to mitigate identified fraud risks; (2) collect and analyze data from reporting mechanisms on detected fraud to monitor fraud trends and use those data and information to continuously improve fraud prevention controls; and (3) use the results of monitoring, evaluation, audits, and investigations to improve fraud prevention, detection, and response.



## Laws, Regulations, Rules, and Guidance

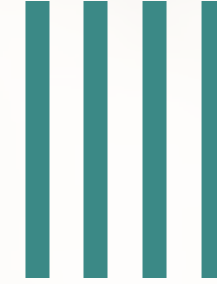
[OMB issued guidance](#) to agencies to achieve compliance with PIIA, notably through OMB Circular A-123. A-123 requires agency to include an evaluation of fraud risks and use a risk-based approach to design and implement financial and administrative control activities to mitigate identified material fraud risks. A-123 appendix C requires agencies to review all programs and activities and identify those that are susceptible to significant improper and unknown payments.

Programs are considered susceptible to significant improper payments if they are likely to have an annual amount of improper payments plus unknown payments above the statutory threshold, which is (1) both 1.5 percent of program outlays and \$10 million of all program or activity payments made during the fiscal year reported or (2) \$100 million (regardless of the improper and unknown payments' percentage of total program outlays).

## Related HUD Programs

[HUD's Office of Chief Financial Officer \(OCFO\)](#) leads the Department's efforts towards the understanding and practice of sound financial management in program development and operations, and in the stewardship of public resources. The OCFO reports directly to and advises the HUD Secretary and program officials on all aspects of financial management matters, including assessing internal controls, identifying and mitigating risks, and promoting fiscal accountability through a strong governance system and agency-wide coordination. The office is responsible for instituting financial integrity, fiscal responsibility, and accountability to comply with Federal Financial Managers' Integrity Act, the Chief Financial Officers Act, the Payment Integrity Information Act, and other laws and regulations.

OCFO collaborates with the Federal Housing Administration Office of the Comptroller, the Ginnie Mae Chief Financial Officer, and the [other programs'](#) budget offices and support divisions. These offices and divisions have delegated responsibilities to comply with financial management and reporting requirements. HUD OCFO collaborates with these offices to develop, implement, and test fiscal controls and procedures; resolve day-to-day issues with transactions; and analyze issues and develop system enhancements.





# Ongoing and Completed Oversight Work

## HUD OIG FRAUD RISK MANAGEMENT OVERSIGHT

- [Fraud Risk Management Assessment and Fraud Risk Identification](#)
- [HUD's Use of, Accounting for, and Reporting on CARES Act Funding, 2021-OE-0006 \(April 26, 2021\)](#)
- [HUD Did Not have Adequate Oversight to Ensure that its Payments to Subsidized Property Owners Were Accurate and Supported when it Suspended Contractor Administrator Review, 2020-FW-0001 \(February 26, 2020\)](#)
- [HUD Paid Rental Subsidies To Benefit Public Housing and Voucher Tenants Reported as Excluded From Federal Programs or Deceased, 2019-KC-0002 \(June 25, 2019\)](#)
- [Fraud Risk Inventory for the CDBG and ESG CARES Act Funds, 2022-FO-0801 \(October 12, 2021\)](#)
- HUD OIG publishes various fraud risk resources, including fraud bulletins for the [Public and Program Participants](#), [Program Administrators](#), and [HUD Staff](#), as well as information on [Common Fraud Schemes](#).
- HUD OIG accepts reports of fraud, waste, abuse, or mismanagement in HUD or HUD-funded programs from HUD employees, contractors, and the public through the [HUD OIG Hotline](#).



## Ongoing and Completed Oversight Work

### COMPLETED GAO FRAUD RISK OVERSIGHT

- May 2021 - GAO Report - [GAO-21-177, Disaster Recovery: HUD Should Take Additional Action to Assess Community Block Grant Fraud Risks | U.S. GAO](#)
- September 2021 - GAO Report - [GAO-21-104542, Additional Risk Assessment Actions Could Improve HUD Oversight of CARES Act Funds | U.S. GAO](#)



## Ongoing and Completed Oversight Work

### TOP MANAGEMENT CHALLENGES

Fraud Risk Management was identified by HUD OIG as a Top Management Challenge for HUD for [FY 2022](#).

HUD is challenged to use all available tools, such as training, outreach, monitoring, and enterprise risk management (ERM), to safeguard its program funds from fraud, especially in light of the billions of dollars to provide housing to those impacted by the pandemic.

The report discusses HUD's challenges in protecting its programs from fraud through risk assessments and improper payment reviews. Notably, OIG has found that HUD can do more to use federally mandated and readily available tools to help manage fraud risk and more quickly identify and recover program funds that have not been spent as intended.





## Recent Investigations

The below cases are highlighted as examples of OIGs investigative efforts to combat fraud against these HUD programs.

- [Real Estate Agent Sentenced for Running Multi-year Mortgage and Real Estate Commission Fraud Schemes | USAO, Northern District of Georgia | January 21, 2022](#)
- [Former City Councilman Adam McFadden Going To Prison For Wire Fraud Conviction And Filing A False Tax Return | USAO, Western District of New York | February 11, 2022](#)
- [U.S. Attorney's Office Announces Settlement Agreement with Santa Fe Boys and Girls Club Over Special Project Grants | USAO, New Mexico | February 24, 2022](#)
- [Essex County Man Sentenced to 108 Months in Prison for Mortgage and Securities Fraud Schemes | USAO, New Jersey | March 10, 2022](#)
- [Woman Previously Convicted in Fraud Scheme Admits to Defrauding the Federal Housing Administration, Business and Unemployment COVID Relief Programs | USAO, Rhode Island | March 02, 2022](#)
- [Former Worcester Housing Official Sentenced to 40 Months in Prison for \\$2.3 Million Property Development Fraud Scheme | USAO, Massachusetts | March 28, 2022](#)
- [California Mortgage Lender Agrees to Pay More Than \\$1 Million to Resolve Fraud Allegations | USAO, Eastern District of Washington | June 22, 2022](#)
- [Wife of Former West Haven City Employee Admits Role in Scheme to Steal COVID Relief Funds | USAO, Connecticut | July 12, 2022](#)