



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

# Sale of Section 184 Properties on Tribal Trust and Other Restricted Lands

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT,  
OFFICE OF NATIVE AMERICAN PROGRAMS | 2023-LA-0001

October 13, 2022

**Date:** October 13, 2022

**To:** Heidi J. Frechette  
Deputy Assistant Secretary for Native American Programs, PN

**From:** *//signed//*  
Kilah S. White  
Assistant Inspector General for Audit, GA

**Subject:** HUD Appropriately Marketed and Sold Section 184 Properties on Restricted Lands; However, Its Systems and Internal Controls Had Weaknesses

Attached are the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of HUD's Section 184 program.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, appendix 8M, requires that OIG post its reports on the OIG website. Accordingly, this report will be posted at <https://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call Tanya Schulze, Audit Director, at (213) 534-2471.

## Highlights

### HUD APPROPRIATELY MARKETED AND SOLD SECTION 184 PROPERTIES ON RESTRICTED LANDS; HOWEVER, ITS SYSTEMS AND INTERNAL CONTROLS HAD WEAKNESSES | 2023-LA-0001

#### What We Audited and Why

We audited the U.S. Department of Housing and Urban Development (HUD), Office of Native American Programs' sale of defaulted loan notes and real estate-owned (REO) properties on tribal trust and other restricted lands. We performed this audit as a result of congressional interest in the Section 184 program and work performed during prior HUD, Office of Inspector General, audits. The objective of our audit was to determine whether HUD appropriately marketed, sold, and tracked defaulted loan notes and REO Section 184 tribal trust land properties.

#### What We Found

HUD appropriately marketed and sold Section 184 properties on restricted lands. However, its systems and controls for managing its portfolio of defaulted loan notes and REO Section 184 tribal trust land properties had weaknesses. This condition occurred because HUD prioritized its limited resources to focus on processing and guaranteeing new loans rather than defaulted loan notes and REO properties on trust land. As a result, HUD may continue to experience delays in selling defaulted loan notes and REO properties. These weaknesses could lead to unnecessarily vacant, abandoned, and blighted properties on trust lands, which could have a negative impact on the Loan Guarantee Fund.

#### What We Recommend

We recommend that the Deputy Assistant Secretary for Native American Programs (1) consider conducting an analysis of staffing resources needed to manage the REO and notes sales on tribal trust properties program and adjust staffing accordingly; (2) revise HUD's internal policies and procedures to include detailed written policies and procedures for the marketing, preservation, and sale of defaulted loan notes and REO properties on tribal trust and other restricted lands; and (3) work with the Office of the Chief Information Officer to develop an electronic solution, such as a new module in Native Advantage or one similar to the Federal Housing Administration's P260 tracking system, to track the sale of defaulted loan notes and REO properties on tribal trust and other restricted lands. While the solution is being developed, HUD should put controls into place to ensure that manual systems used to track defaulted loans and REO properties are complete and accurate.

# Table of Contents

<b>Background and Objective .....</b>	<b>5</b>
<b>Results of Audit.....</b>	<b>7</b>
Finding: HUD Appropriately Marketed and Sold Section 184 Properties on Restricted Lands; However, Its Systems and Internal Controls Had Weaknesses.....	7
<b>Scope and Methodology .....</b>	<b>11</b>
<b>Follow-up on Prior Audits .....</b>	<b>13</b>
<b>Appendixes .....</b>	<b>16</b>
Appendix A - Auditee Comments and OIG’s Evaluation.....	16
Appendix B - Criteria .....	17

## Background and Objective

Under the provisions of Section 184 of the Housing and Community Development Act of 1992 and as amended by the Native American Housing Assistance and Self-Determination Act of 1996, the U.S. Department of Housing and Urban Development (HUD) was authorized to guarantee loans made by private lenders to Native Americans, Indian housing authorities or tribally designated housing entities (TDHE), and tribes. Much of the land in Indian Country is held in trust by the United States Government for the benefit of a particular tribe or individual Native Americans and has restrictions. These restricted lands are referred to as tribal trust land, allotted trust land, or restricted fee land.<sup>1</sup> As a result, Native American families have historically had limited access to private mortgage capital. The Section 184 Indian Home Loan Guarantee program was designed for American Indian and Alaska Native families, Alaska villages, tribes, or TDHEs. Section 184 home mortgage loans may be used, both on and off native lands, for new construction, rehabilitation, purchase of an existing home, or refinance.

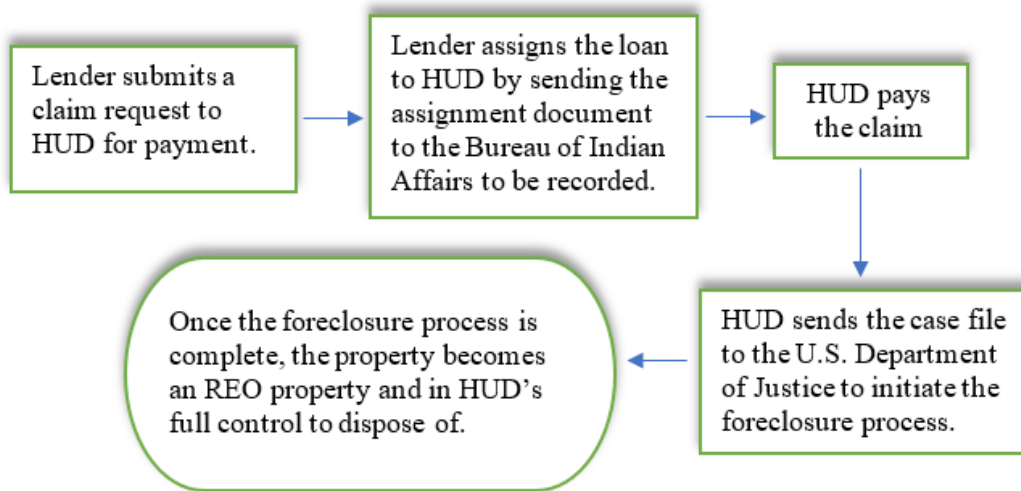
The Office of Loan Guarantee (OLG) within the Office of Native American Programs (ONAP) guarantees Section 184 loans and is responsible for monitoring, quality control, loan underwriting, and program training. HUD uses the Section 184 Loan Guarantee Fund to fulfill obligations of the HUD Secretary with respect to the loans guaranteed under this program. The fund receives annual appropriations to cover the cost of the program and amounts for claims, notes, mortgages, and contracts. Under the Section 184 direct guarantee program, like the Federal Housing Administration's (FHA) direct endorsement program, approved lenders may underwrite and close loans before OLG issues the loan guarantee certificate. During the period January 1, 2018, through December 31, 2020, OLG guaranteed 8,412 loans worth more than \$1.6 billion. Of that total, 618 loans, or 7.35 percent, were for tribal trust properties worth more than \$109 million.

When a lender assigns a defaulted loan, HUD becomes responsible for the marketing and sale of that property. The real estate-owned (REO) process for properties located on tribal trust or other restricted land is different from the Federal Housing Administration's (FHA) REO process. In general, the OLG REO process takes longer than the typical REO process that an FHA or conventional lender would go through. The REO process that OLG must go through (see the flow chart below) can take 2 years or longer to complete. Once HUD has full control of the property, it is allowed to sell the property only to a tribal member, tribe, or TDHE.

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<sup>1</sup> Tribal trust lands are held in trust for the tribe by the Federal Government. The U.S. Department of the Interior, through the Bureau of Indian Affairs, administers the Federal Government's trust responsibilities. Allotted trust land is held in trust by the Federal Government for individual Native Americans. Fee land owned by the tribe within the Indian area may fall under the jurisdiction of the tribe and tribal courts. Loans on restricted fee land are subject to tribal law.

### REO process for Section 184 loans on restricted land



This foreclosure process contributed to a backlog of defaulted loans for HUD. As of December 2020,<sup>2</sup>

- HUD had paid claims on 59 defaulted tribal trust and other restricted land properties for which HUD had not sent the case files to the U.S. Department of Justice (DOJ) to begin the foreclosure process.
- HUD had paid claims on 37 defaulted tribal trust and other restricted land properties and submitted the case files for these claims to DOJ, which was going through the foreclosure process.
- DOJ had completed the foreclosure process on 10 properties, and these properties were available for sale. HUD paid claims totaling \$659,484 for these 10 properties.

To forgo the foreclosure process, starting in June 2019, HUD attempted to sell the mortgage notes of defaulted tribal trust and other restricted land properties to the tribes or TDHEs at a discounted price. By selling the notes to the properties, HUD was able to transfer interest in the property to the tribe, thereby reducing the time during which these defaulted properties would have to remain in HUD's inventory. The tribe was then able to use the property to benefit its tribal members without waiting years for the foreclosure processes to be completed. Between January 2018 and June 2022, HUD sold eight REO properties and seven defaulted mortgage notes.

Our audit objective was to determine whether HUD appropriately marketed, sold, and tracked defaulted loan notes and REO Section 184 tribal trust land properties.

<sup>2</sup> At our request, HUD provided an updated tracking spreadsheet on June 27, 2022. However, the inventory data in the spreadsheet were not fully updated and incomplete. Therefore, we used the tracking spreadsheet that we had obtained previously from HUD which contained inventory data as of December 2020.

## Results of Audit

### **FINDING: HUD APPROPRIATELY MARKETED AND SOLD SECTION 184 PROPERTIES ON RESTRICTED LANDS; HOWEVER, ITS SYSTEMS AND INTERNAL CONTROLS HAD WEAKNESSES**

HUD appropriately marketed and sold Section 184 properties on restricted lands; however, its systems and internal controls for managing its portfolio of defaulted loan notes and REO Section 184 tribal trust land properties had weaknesses. This condition occurred because HUD prioritized its limited resources to focus on processing and guaranteeing new loans rather than properly managing its defaulted loan notes and REO properties on trust land. As a result, HUD experienced delays in selling defaulted loan notes and REO properties and may continue to do so. These delays could lead to unnecessary vacant, abandoned, and blighted properties on trust lands, which could have a negative impact on the Loan Guarantee Fund.

#### **HUD Appropriately Marketed and Sold Section 184 Mortgage Notes and Loans**

HUD sold eight REO properties and seven mortgage loan notes from January 2018 through June 2022. According to 24 CFR (Code of Federal Regulations) 1005.107(b)(3), these properties can be sold only to a tribal member, tribe, or TDHE. HUD complied with these requirements. HUD marketed and sold two homes to a TDHE and two homes to tribal members. The remaining 11 REO homes and mortgage notes were sold to the tribes.

#### **HUD's System for Tracking the Sale of Defaulted Section 184 Loan Notes and REO Properties Had Weaknesses**

HUD relied on a manual process for tracking the sale of defaulted loan notes and REO properties. Specifically, OLG staff entered data into a notes field in ONAP's Single Family Computerized Homes Underwriting Management System (CHUMS)<sup>3</sup> and manually transferred data from loan files to a tracking spreadsheet. Our review of the loans HUD sold or were available for sale in CHUMS and HUD's tracking spreadsheet revealed that the information contained in both was incomplete and not always accurate.

HUD's policy stated that it would document the sale of the properties in the CHUMS notes field. Using FHA Connection,<sup>4</sup> we pulled the notes field for each of the 15 properties sold. The CHUMS notes field provided some details about the foreclosure process for the properties but did not provide details about the actual sales for 7 of the 15 properties sold. We notified HUD of this discrepancy during the review, and HUD corrected the issue by entering the missing sales data into CHUMS for the seven properties.

The tracking spreadsheet contained information about the property, such as the property address, case number, and tribal affiliation. It also had fields to capture claims and sales information. We reviewed the tracking spreadsheet for completeness and determined that information in the spreadsheet was either missing or not accurate. For example, the tracking spreadsheet was missing foreclosure dates and claim

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<sup>3</sup> OLG uses CHUMS to capture loan information for each of the Section 184 loans that it guarantees.

<sup>4</sup> FHA Connection is a platform used to access information entered into CHUMS.

payment dates and amounts, and two addresses had “NNA” or “000 Credit Only” listed. We requested claim information from HUD to fill in gaps in the data on the tracking spreadsheet. However, HUD was unable to provide this information because the data came from several different sources within HUD records and would require staff to stop other work and focus on our request. This research would have resulted in backlogs in other high-priority areas, such as loan guarantee certificate requests.

HUD stated that one of the obstacles it faced in the management of the Section 184 defaulted loan notes and REO properties was a lack of staff resources. There was only one person administering the REO and defaulted loan note sale program. This person had other responsibilities and was able to spend only part of her time on the program. Because of the lack of staff resources, HUD was unable to spend sufficient time to ensure that the information in both the tracking spreadsheet and CHUMS was complete and accurate. HUD’s use of a manual tracking spreadsheet that required a staff resource-intensive process and the lack of an automated solution further contributed to the lack of staff resources.

Without complete and accurate information, the CHUMS notes field and the tracking spreadsheet were not reliable tools for tracking the sale of defaulted loans and REO properties on trust land. This condition could lead to a property’s being lost in the system and delaying the sale of the property. An automated record-keeping system would provide HUD with the ability to implement internal controls to ensure data quality and run comprehensive, customizable, and timely reports from a single system instead of trying to pull data from multiple sources and paper files. This type of system would reduce the amount of time needed to administer the program, allowing for more time available to manage the defaulted loan notes and REO properties portfolio. At the time of this report, HUD had started implementing a new automated system for loan origination, loan servicing, and claims called Native Advantage<sup>5</sup> to assist with the loan guarantee program.

## **HUD’s Internal Controls for the Marketing and Sale of Defaulted Loan Notes and REO Properties Had Weaknesses**

In June 2019, to aid in a backlog of defaulted loan notes and REO properties, HUD developed its Tribal Trust Property Marketing and Sale policy and procedures. This policy stated that properties with a claim paid before 2019 would be offered to tribes and TDHEs for \$10. Defaulted loan notes and REO properties with a claim paid after 2019 would be sold at a discount from the appraised value. Our review of the policy and procedures found that it did not provide an adequate control for the management, marketing, and sale of defaulted loan notes and REO properties.

For example,

- The policy did not provide details on how HUD would manage, preserve, and protect vacant properties in default and REO properties. The Section 184 Indian Housing Loan Guarantee Program Processing Guidelines stated that in the event of default, the tribe would agree to work with HUD to provide marketing, property management, property maintenance, and property preservation to help minimize the HUD Secretary’s loss. However, HUD’s Tribal Trust Property

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<sup>5</sup> Native Advantage is a new cloud-based platform that will build trust and efficiency through reliable and accurate data, facilitating a modern system for participating Section 184-184A direct guarantee lenders and servicers. Native Advantage will eventually support the full loan life cycle including loan guarantee and claims.



Marketing and Sale policy did not provide detailed steps for staff members to follow in working with the tribes to preserve and safeguard the properties once they became HUD's responsibility. HUD recognized the importance of preserving and protecting vacant properties on trust lands and stated that this was a challenge because of the unique locations of these homes. They were situated on Indian reservations and were subject to the jurisdiction of the Indian tribes as well as the Bureau of Indian Affairs. HUD used the management and marketing contractor that FHA used to perform preservation services for Section 184 REO properties on fee simple land. This included property preservation and protection services consisting of inspecting the property, securing the property, performing cosmetic repairs, and providing on-going maintenance. ONAP asked FHA if the management and marketing contractor would work on properties located on trust lands. FHA declined ONAP's request. HUD attempted to contract with the relevant tribes for property preservation services. However, the procurement regulations made this process difficult. OIG was working with Office of Public and Indian Housing procurement officials to develop a contract for property preservation. Also, during our review, HUD was performing a significant update of its Section 184 regulations. The proposed regulations would require lenders to take appropriate property preservation and protection actions to secure and maintain the property before assigning the loan to HUD.

- HUD's policies and procedures did not provide details on how properties would be marketed to tribal members. HUD cannot sell, transfer, or dispose of the property except to an eligible tribal member, the tribe, or the TDHE. HUD's Tribal Trust Property Marketing and Sale policy discussed how HUD would market and sell properties to the tribes and TDHEs. However, the policy did not provide details on how HUD should "market and sell" properties to individual tribal members. HUD stated that the market for these properties was limited and due to the complex nature of selling these properties, using systems such as the Multiple Listing Service to assist with marketing the properties was not practical. At the time of our review, HUD focused only on selling properties to the tribes and TDHEs and did not have formal procedures for marketing to tribal members.

Management is responsible for designing the policies and procedures to fit an entity's circumstances and building them in as an integral part of the entity's operations.<sup>6</sup> Procedures are part of the agency's internal controls which help management achieve desired results through effective stewardship of public resources. However, limited staff resources required HUD to prioritize its work and resources to focus more on processing and guaranteeing new loans and less on managing, marketing, and selling defaulted loan notes and REO properties on trust land. As a result, HUD did not develop detailed procedures for implementing this new policy. Without detailed procedures, HUD runs the risk of not achieving its objectives for the Section 184 loan notes and REO disposition program. As of December 2020,<sup>7</sup> HUD had 106 defaulted Section 184 loan notes and REO properties located on tribal trust or other restricted land. Of this total, 78 defaulted loan notes and 10 REO properties that were available for sale were qualified to be sold for \$10 under this marketing and sale policy.

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<sup>6</sup> The United States Government Accountability Office's Standards for Internal Control in the Federal Government. (See appendix B.)

<sup>7</sup> See footnote 2 on p. 6.

HUD stated that its policy for selling homes at \$10 was meant to be a temporary program to address the backlog of defaulted Section 184 loan notes and REO properties on restricted land. However, in June 2019, HUD had a backlog of 80 properties. As of December 2020, the backlog had increased to 106 properties. This growth in the number of properties increased the risk to the REO sales program and the Loan Guarantee Fund. As a result, it is important that HUD develop detailed policies and procedures to help manage these risks.

## Conclusion

HUD did not have adequate policies, procedures, and controls in place for marketing, selling, and tracking defaulted loan notes and REO Section 184 tribal trust land properties. Further, HUD did not adequately track the sale of defaulted loans and REO properties. HUD stated that because of resource constraints, it prioritized its resources to focus more on processing and guaranteeing loans and less on managing and selling defaulted loan notes and REO properties. If this situation continues, HUD's delays in selling defaulted loan notes and REO properties could lead to vacant, abandoned, and blighted properties on tribal trust and other restricted lands, which could have a negative impact on the Loan Guarantee Fund. In addition, without an automated tracking system in place to manage the defaulted loan notes and REO properties, HUD will continue to rely on an incomplete and inaccurate inventory of properties, preventing it from having accurate portfolio information for management decision making.

## Recommendations

We recommend that the Deputy Assistant Secretary for Native American Programs

- 1A. Consider conducting an analysis of staffing resources needed to manage the REO and notes sales on tribal trust properties program and adjust staffing accordingly.
- 1B. In conjunction with corrective actions being taken on previous audits,<sup>8</sup> revise ONAP's internal policy and procedures to include detailed written policies and procedures for the marketing, preservation, and sale of defaulted loan notes and REO properties on tribal trust and other restricted lands.
- 1C. Work with the Office of the Chief Information Officer to develop an electronic solution, such as a new module in Native Advantage or one similar to FHA's P260<sup>9</sup> tracking system, to track the sale of defaulted loan notes and REO properties on tribal trust and other restricted lands. While the solution is being developed, HUD should put controls into place to ensure that manual systems used to track defaulted loans and REO properties are complete and accurate.

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<sup>8</sup> Audit Report 2015-LA-0002 and Audit Memorandum 2018-LA-0801

<sup>9</sup> P260 is an internet-based system that serves as the primary system of record for all REO case management transactions for FHA loans.

## Scope and Methodology

We performed our audit work between May 2020 and February 2021. We conducted the fieldwork for this audit remotely from Las Vegas, NV, and San Francisco, CA. Our review covered the tracking of tribal trust defaulted loans and REO properties sold between October 2016 and December 2020.

To accomplish our objective, we

- Reviewed the prior HUD, Office of Inspector General (OIG), evaluation reports (2018-OE-0004 and 2021-OE-0003) on the Section 184 program's information technology systems.
- Reviewed two prior HUD OIG audit reports on the Section 184 program (2015-LA-0002 and 2018-LA-0801).
- Reviewed applicable HUD and U.S. Government Accountability Office (GAO) requirements.
- Interviewed HUD staff to gain an understanding of relevant policies, procedures, and controls.
- Reviewed HUD's written policy and procedures for the sale of Section 184 properties on restricted lands.
- Reviewed tracking spreadsheets for tribal trust properties provided by HUD, including defaulted loans to be sent to DOJ, defaulted loans sent to DOJ, REO properties available for sale, and defaulted loans and REO properties sold.
- Reviewed case data and notes in CHUMS.
- Performed public record property searches using Accurant.<sup>10</sup>

HUD initially provided a tracking spreadsheet with data as of December 2020. At our request, HUD provided an updated tracking spreadsheet with data as of June 2022. This spreadsheet included updated information about properties sold as of June 2022. However, the inventory data in the updated spreadsheet were not updated and incomplete. As a result, we used the June 2022 spreadsheet data for the number of properties sold and the December 2020 spreadsheet data for the number of units in inventory.

HUD's data were of undetermined reliability. Information pertaining to loan defaults, claims, foreclosures, and sales of REO properties or mortgage notes could not be verified because of missing REO sales information in the notes field in CHUMS, incomplete data on HUD's tracking spreadsheet, lack of access to physical case files due to COVID restrictions, and insufficient details about the real estate transactions from public records searches. Due to these limitations, the accuracy and completeness of

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<sup>10</sup> Accurant is an electronic system that uses public records and nonpublic information and provides invaluable fraud detection and identity solutions for the public and private sectors.

HUD's data could not be verified. We relied on information and statements provided by ONAP, OLG, and other HUD headquarters officials. We did not rely on computer-generated data as audit evidence.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Accordingly, we assessed significant internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective.

## Follow-up on Prior Audits

### **HUD Did Not Provide Adequate Oversight of the Section 184 Indian Home Loan Guarantee Program; Audit Report 2015-LA-0002; Issued July 6, 2015**

The following recommendations were still open at the time of this report:

- 1A. Develop and implement written policies and procedures with an emphasis on increased controls toward the monitoring, tracking, underwriting, and evaluating of the Section 184 program. Implementing these controls would reduce the current high level of risk in the program and result in potentially \$76,967,618 in funds to be put to better use.
- 1B. Develop and implement policies and procedures for a standardized monthly delinquency report format that lenders must follow when submitting information to OLG.
- 1C. Develop and implement policies and procedures to deny payments to direct guarantee lenders for claims on loans that have material underwriting deficiencies.
- 1D. Develop and implement policies and procedures to ensure that OLG uses enforcement actions available under 12 U.S.C. [United States Code] 1715z-3a(g) for lenders that do not underwrite loans according to the Section 184 processing guidelines.
- 1H. Ensure that only underwriters that are approved by OLG are underwriting Section 184 loans.
- 1I. Develop and implement written policies and procedures for situations in which the borrower for a Section 184 loan is an Indian housing authority, a tribally designated housing entity, or an Indian tribe.
- 1J. Reconcile the total list of guaranteed Section 184 loans to the complete loan file storage list and identify and locate any missing loan files.

On October 28, 2015, we agreed with HUD's proposed management decisions for these recommendations. The final action target date for completing the corrective actions for recommendations 1A, 1B, 1C, 1D, 1H, and 1I is April 15, 2023, and the date for 1J was April 15, 2022. We will track HUD's resolution of these recommendations through the management decision process prescribed in HUD Handbook 2000.06, REV-4.

### **The Office of Native American Programs Section 184 Program Continues To Operate Without Adequate Oversight 3 Years After the Prior OIG Audit; Audit Memorandum 2018-LA-0801; Issued August 27, 2018**

The following recommendations were still open at the time of this report:

- 1A. Develop and implement internal policies and procedures to ensure that approved underwriters are accurately maintained and kept current in the origination systems for the Section 184 program.
- 1B. Develop a comprehensive plan to continue to seek indemnification statutory authority, including consideration to include indemnification authority language in draft regulations currently being considered. Until statutory authority is obtained, develop and implement internal policies and procedures for the voluntary indemnification process, to include a voluntary indemnification agreement, follow up procedures, and resolution procedures. Procedures should be revised once statutory authority is obtained.
- 1D. Support line item expenditures for the administrative contract expense fund for fiscal years 2015 to 2018. OIG should repay the U.S. Department of the Treasury for any expenditures that cannot be supported.
- 1E. Develop and implement policies and procedures, coordinating with other program offices as needed, to track and make administrative contract expense fund expenditures readily available for review.

On December 21, 2018, we agreed with HUD's proposed management decisions for these recommendations. The final action target date for completing the corrective actions for recommendations 1A and 1B is April 15, 2023. The final action target date for completing the corrective actions for recommendations 1D and 1E was April 15, 2022. We will track HUD's resolution of these recommendations through the management decision process prescribed in HUD Handbook 2000.06, REV-4.

## **IT [information technology] System Management and Oversight of the Section 184 Indian Home Loan Guarantee Program; Information Brief 2018-OE-0004; Issued August 13, 2018**

The following recommendations were still open at the time of this report:

3. Ensure that the Section 184 program transitions away from dependency on CHUMS.
4. Continue to develop required ONAP-LOS [Loan Origination System] capabilities using cloud environments as appropriate.
5. Coordinate and participate in resolving all open recommendations from evaluation report IT System Management and Oversight of the Section 184 Program (2018-OE-0004).

HUD OIG's Office of Evaluation made five recommendations. HUD concurred with all five recommendations in August 2018 with a suspense of December 11, 2018, to provide OIG with management decisions. HUD OIG has not agreed upon a management decision for recommendation 3 and provided clarification to HUD on the recommendation requirement on September 2, 2021. OIG agreed to management decisions for recommendations 4 and 5 on May 30, 2019. These recommendations remain open pending resolution.

## HUD IT Modernization Roadmap Evaluation Report; Report 2021-OE-0003; Issued June 30, 2021

The following recommendations were still open at the time of this report:

1. HUD OCIO [Office of the Chief Information Officer] should develop an enterprisewide IT modernization strategy that establishes a framework to align with the IT modernization roadmap. The strategy should define the following:
  - a. Roles and responsibilities of key stakeholders throughout the modernization process, including an assigned responsibility to a role within OCIO for maintaining and updating the IT modernization roadmap on a recurring basis.
  - b. Identification and prioritization of modernization initiatives, including initiatives within program offices and enterprise capabilities.
  - c. Coordination process between OCIO and the program offices.
  - d. An overview of each phase of the modernization process, such as the identification of business needs, security considerations, and system or capability implementation.
  - e. How to capture lessons learned, both successes and challenges, to support future modernization initiatives.
2. HUD OCIO should obtain the proper approval and communicate the IT modernization strategy to all appropriate stakeholders, including HUD program offices.

HUD OIG's Office of Evaluation made two recommendations. HUD provided proposed management decisions to HUD OIG on September 24, 2021, and HUD OIG agreed with the proposed management decisions on September 28, 2021. These recommendations remain open pending resolution.

# Appendixes

## APPENDIX A - AUDITEE COMMENTS AND OIG'S EVALUATION

On September 16, 2022, we issued the discussion draft report to the Deputy Assistant Secretary for Native American Programs. On September 27, 2022, the Director of Grants Evaluation, with the approval of the Deputy Assistant Secretary for Native American Programs, chose not to provide formal written comments for inclusion in the final report.



## **APPENDIX B - CRITERIA**

### **GAO's Standards for Internal Control in the Federal Government, Section 1, Paragraph OV1.03**

Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity. Internal controls serve as the first line of defense in safeguarding assets. In short, internal controls helps managers achieve desired results through effective stewardship of public resources.

### **GAO's Standards for Internal Control in the Federal Government, Section 2, Paragraph OV2.02**

...management is responsible for designing the policies and procedures to fit an entity's circumstances and building them in as an integral part of the entity's operations.

### **24 CFR 1005.107, (b) – Leasehold of Trust or Restricted Land as Collateral**

(3) The mortgagee [lender] or HUD shall only pursue liquidation after offering to transfer the account to an eligible tribal member, the Indian tribe, or the Indian housing authority servicing the Indian tribe or the TDHE servicing the Indian tribe. The mortgagee or HUD shall not sell, transfer, or otherwise dispose of or alienate the property except to one of these three entities.

### **Section 184 Indian Housing Loan Guarantee Program Processing Guidelines 2011, Section 1.3, Paragraph G - Alienation Policy**

(2) On tribal trust land and allotted trust land, neither HUD nor a lender may sell a defaulted property to a non-Native American (24 CFR 1005.107(b)).

### **Section 184 Indian Housing Loan Guarantee Program Processing Guidelines 2011, Section 1.5, Paragraph B – Responsibilities of the Tribe**

In the event of default each tribe agrees to work with the Department [HUD] to provide marketing, property management, property maintenance, and property preservation, in order to help minimize the Secretary's loss.