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The New York City Housing Authority Should Enhance Its Fraud Risk Management Practices

WASHINGTON DC— Today, the U.S. Department of Housing and Urban Development (HUD) Office of Inspector General (OIG) issued a report examining how the New York City Housing Authority's (NYCHA) evaluates fraud risk, designs antifraud controls, and responds to known fraud to prevent it in the future. The audit found that NYCHA has several antifraud measures in place but lacks a comprehensive strategy or framework for identifying and responding to fraud risks.

The audit compares NYCHA's antifraud efforts against established best practices to determine how NYCHA can improve its antifraud practices. For example, informal processes to identify and assess fraud schemes should be formalized and repeated, steps which will help NYCHA leadership ensure antifraud controls adapt to meet emerging fraud risks. Additionally, HUD OIG found that NYCHA's antifraud measures were largely reactive. NYCHA will not be positioned to understand how it can best detect and prevent fraud before it occurs without a comprehensive antifraud strategy or framework.

NYCHA is the largest public housing authority in the United States and receives billions in Federal funding each year for rental assistance programs supporting affordable housing for eligible low-income families in the five boroughs of New York City. NYCHA provides housing assistance to more than 500,000 New York residents and receives more than 25 percent of low-income rental assistance that HUD provides across the country.

HUD relies on public housing authorities like NYCHA to have proactive, anti-fraud programs, but HUD has not issued guidance to public housing authorities with expectations for how public housing authorities should implement antifraud programs or assist them to adopt best practices in fraud risk management. The audit urges HUD to assess whether other very large public housing authorities like NYCHA are adequately preventing fraud and to provide technical assistance to strengthen their antifraud controls.

"Corruption and fraud threaten the effectiveness of critical rental assistance programs and can undermine programs designed to help vulnerable residents. NYCHA leadership's continued commitment to improve its anti-fraud controls will help create iterative systems that help identify and prevent fraud schemes before they occur," said Acting Inspector General Stephen M. Begg.

The audit was initiated in February 2024 following bribery and corruption charges against 70 NYCHA superintendents related to their involvement in pay-to-play schemes for maintenance contracts.

HUD OIG recommended that HUD instruct NYCHA to (1) develop a strategy to comprehensively assess and respond to fraud risks across NYCHA and (2) based on that strategy, complete an assessment of fraud risks across NYCHA, create response plans for fraud risks that are identified, and develop procedures to monitor and evaluate the effectiveness of fraud risk management activities. Further, we recommend that HUD (3) assess whether

HUD's other extra-large PHAs[1] have mature fraud risk management programs and develop a strategy to reduce the fraud risk exposure to HUD and (4) work with HUD's Chief Risk Officer to issue a notice to all PHAs explaining that PHAs are responsible for fraud risk management and play a role in fulfilling HUD's requirement to identify and mitigate fraud risks.

Anyone with knowledge of potential fraud, waste, abuse, misconduct, or mismanagement related to HUD programs should contact the HUD OIG Hotline at 1-800-347-3735 or visit, https://www.hudoig.gov/hotline. For media inquiries, contact us at OIGMediaRelations@hudoig.gov.

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[1] Extra Large PHAs are those that manage 10,000 or more units.