

TOP MANAGEMENT AND PERFORMANCE CHALLENGES



Facing the
U.S. Department of Housing
and Urban Development



FY 2026

Memorandum

December 17, 2025

To: The Honorable Scott Turner
Secretary, S

From: Brian D. Harrison
Acting Inspector General, G

Subject: Top Management and Performance Challenges Report

Attached to this memorandum is the Office of Inspector General's (OIG) report on the top management and performance challenges facing the U.S. Department of Housing and Urban Development (HUD) as it heads into Fiscal Year 2026. We identified these challenges based on the evidence obtained through our oversight work and our learned assessment of the changes HUD anticipates making to its programs and operations. By statute, this report is required to be included in HUD's Agency Financial Report.

This year's report identifies four challenges that we believe represent the most pressing concerns for HUD:

- Improving Business Operations: Modernizing IT Systems and Streamlining Procurement
- Protecting Taxpayer Funds from Fraud, Waste, and Abuse
- Modernizing the Management of Grant Funds
- Ensuring the Availability of Affordable and Quality Housing

These are not new challenges for HUD, and our work shows that HUD has taken steps to address some of the challenges and continues to develop plans to respond to those that remain. As HUD moves forward with executing its plans and its mission of supporting access to affordable, quality housing, we hope this report will aid HUD in its efforts to improve program effectiveness, enhance business operations, and address the significant challenges it faces.

We look forward to continuing to work with HUD to analyze and respond to these important issues in the year ahead.

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CHALLENGE 1

Improving Business Operations: Modernizing IT Systems and Streamlining Procurement

The functionality and security of HUD’s information technology (IT) systems and streamlined business operations are critical to HUD’s ability to effectively carry out its mission.

HUD relies on many IT systems to operate its programs, track how the program participants spend billions of taxpayer dollars, and protect those funds from fraud, waste, and abuse. In turn, program participants and the American people use HUD systems to access critical housing services and entrust HUD with their personally identifiable information (PII), financial data, and other records. Notwithstanding the paramount importance of these systems, many of them were developed 15 to 30 years ago, are vulnerable to breaches, and do not meet HUD’s mission-critical needs.¹ Confounding this challenge, the systems are expensive to maintain and several need replacement.²

Antiquated technology has been a longstanding challenge for HUD. The challenge has been difficult to address, in part because it is compounded by limited budgetary resources and complicated IT project management and procurement practices.³ In outlining its priorities in the Fiscal Year (FY) 2026 Annual Performance Plan (APP), HUD recognized this issue and, looking to the future, stated that it will undergo “a strategic restructuring” to upgrade its technology and streamline internal operations.⁴

The OIG’s audits and evaluations validate HUD’s focus on addressing its technology and operational needs. As described throughout this report, the OIG’s work has shown that the aging technology is struggling to adapt to the increasingly complex tasks required for HUD’s programs in the 21st century. Persistent cybersecurity threats further exacerbate weaknesses in the systems and HUD has, at times, encountered obstacles in its efforts to incorporate federally mandated requirements and key practices to mitigate the risks of social engineering threats, cyberattacks, and data breaches.⁵ For example, the OIG’s FY 2024 evaluation of HUD’s compliance with the Federal Information Security Modernization Act of 2014 (FISMA) found that although HUD improved some core metrics of its information security

¹ U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG). (2017). [HUD’s Fiscal Years 2017 and 2016 \(Restated\) Consolidated Financial Statements Audit](#).

² HUD OIG. (2021). [HUD IT Modernization Roadmap Evaluation Report](#).

³ See footnote 2.

⁴ HUD. (2025). [HUD Fiscal Year 2026 Annual Performance Plan](#).

⁵ Federally mandated cybersecurity requirements include those issued by the U.S. Office of Management and Budget, such as [OMB Circular A-130](#), which sets policy for federal information system management and security; those issued by the U.S. Department of Homeland Security, such as the [CISA directives](#), which establish operational security requirements and incident reporting procedures; and Executive Orders and memoranda, such as [Executive Order 14028](#), which mandates enhancements to federal cybersecurity programs, including risk-based controls, software supply chain security, and incident response capabilities. Key practices are strategies for strengthening and enhancing agency cybersecurity programs, often based on National Institute of Standards and Technology guidance, such as [SP 800-53](#) related to implementing baseline security controls and [SP 800-37](#) related to risk management.

(InfoSec) program, HUD needed to implement additional cybersecurity measures to protect its network and platforms from breaches.⁶ Another evaluation the OIG conducted assessed security controls in several HUD information systems and applications.⁷ The evaluation identified nine weaknesses related to financial data protection and website security. Still, a different OIG evaluation found that HUD is challenged in determining the amount of PII it has and in automating a process to inventory that information.⁸

As HUD moves forward with modernizing its IT systems, it should consider the extent to which changes to its IT project management practices, including the procurement process, would enhance the technology modernization efforts. Managing IT projects at HUD has been a shared responsibility between the Office of the Chief Information Officer (OCIO), the Office of the Chief Procurement Officer (OCPO), and program offices. OCPO has been primarily responsible for procuring contracts that provide for IT applications, and program offices have shared this responsibility by notifying OCPO of their new and existing IT needs and by providing OCPO with the right information to establish contract requirements. The overlap and interdependence of these responsibilities have resulted in some discord between the teams and have negatively impacted the timing of procurement.

Although HUD has made efforts to consolidate some IT initiatives under the OCIO, the consolidation remains incomplete and the result is that OCIO, OCPO, and program offices are challenged to communicate effectively in a complex and transformative business environment. For example, the OIG's ongoing work shows that OCIO IT managers have trouble understanding program needs and coordinating the timing of and funding for IT investments.⁹ At the same time, program offices lack technology expertise to select and deploy the right IT solutions and some end up creating a patchwork of impractical systems and applications that do not effectively support their efforts to execute HUD's mission.¹⁰

In all, the weaknesses in historical IT project planning and procurement have prevented HUD from retiring or decommissioning legacy systems and timely acquiring new technology solutions. In some instances, this has resulted in expired contracts and discontinued services. Illustrative is our [2021 review](#) showing that for the period of July 2018 through June 2020, 43 IT contracts expired before HUD was able to acquire replacements. As a result, HUD discontinued IT services for 18 of these contracts and the gaps created a strain on HUD operations, including preventing the transmission of required insurance payments and limiting access to needed data during a natural disaster response.

Based on more recent audit work and discussion with senior management officials, the OIG believes that although HUD has prioritized IT modernization, many of the same conditions may persist heading into FY 2026. For instance, an ongoing OIG review has identified significant delays in HUD's efforts to modernize IMS-PIC and eVMS.¹¹ Both systems are essential platforms that HUD's Office of Public and Indian Housing relies on to administer and monitor HUD's largest rental assistance programs. In reflecting on

⁶ HUD OIG. (2024). [Fiscal Year 2024 Federal Information Security Modernization Act](#).

⁷ HUD OIG. (2024). [Fiscal Year 2024 Federal Information Security Modernization Act of 2014 Penetration Test](#).

⁸ HUD OIG. (2024). [HUD Personal Identifiable Information Risk Management in a Zero-Trust Environment](#).

⁹ HUD OIG. (2025). [Public and Indian Housing \(PIH\) Information Technology \(IT\) Modernization Resourcing Evaluation](#) [Work Start Announcement].

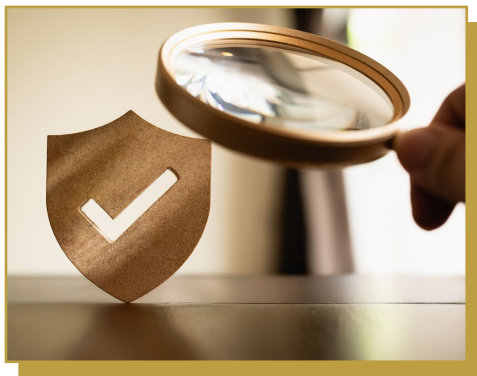
¹⁰ See footnote 9.

¹¹ "IMS-PIC" is the [Inventory Management System/Public and Indian Housing \(PIH\) Information Center](#). "eVMS" is the [Enterprise Voucher Management System](#).

the delays, HUD highlighted project management as one of the root causes, although multiple contract lapses have also affected the timing of the modernization projects.

As discussed above, HUD and the OIG are aligned in noting that HUD's internal operations, coordination, and business processes—including procurement practices—affect the efficacy of its mission and need to be improved. HUD told the OIG that it is working to address recognized risks in its procurement process and has taken steps to identify inefficiencies in communications between OCPO and program offices. Further, OCPO leadership commended the Administration's plan to centralize procurements, including HUD's, at the General Services Administration and forecasted that doing so will inevitably relieve resources for HUD's procurement teams to focus on mitigating the remaining contracting challenges.

Even so, without careful planning and focused improvements to internal operations and business processes, HUD will remain at risk of persistent contracting challenges and struggle with inadequate IT systems that undermine the effectiveness of HUD's programs and expose HUD funds to the risk of fraud, waste, and abuse. Conversely, improving lapses in IT project management will aid HUD in making greater progress toward upgrading its technology and empower HUD to more effectively execute its mission.



CHALLENGE 2

Protecting Taxpayer Funds from Fraud, Waste, and Abuse

Another top challenge and priority for HUD is protecting taxpayer funds from fraud, waste, and abuse. HUD emphasized this as a goal in its FY 2026 APP, stating that it “will increase accountability and transparency” and “improve Departmental stewardship of taxpayer dollars” by enhancing

financial management procedures and focusing on effective internal controls, among other planned actions.¹² As described below, the OIG’s work has highlighted particular aspects of HUD’s program operations where recommended improvements will help HUD address this challenge and better protect taxpayer funds. These aspects are: estimating and preventing improper payments, including to ineligible recipients; avoiding wastefulness in HUD’s mortgage insurance and other program funds; and developing comprehensive fraud risk management frameworks.

Turning to the topic of improper payments, the Payment Integrity Information Act of 2019 (PIIA) requires that HUD estimate improper payments in high-risk programs.¹³ For the last 8 years, HUD has been unable to produce estimates that comply with PIIA for its two largest and highest-risk housing assistance programs—Tenant-Based Rental Assistance (TBRA) and Project-Based Rental Assistance (PBRA).¹⁴ A lack of necessary data, no effective technology platform for collecting supporting documentation, and unsuccessful attempts to manually review information appear to be at the core of HUD’s difficulties with estimating improper payments in TBRA and PBRA. In exploring solutions to this challenge, HUD should consider whether rigorous planning and coordination around IT modernization will aid HUD with correctly identifying the right data and platforms needed to produce PIIA-compliant estimates and better protect taxpayer funds.

In addition to estimating improper payments, PIIA requires HUD to comply with the Do Not Pay (DNP) Initiative—but HUD disclosed to the OIG, and a 2025 OIG audit confirmed, that HUD did not do so.¹⁵ The DNP is a U.S. Department of the Treasury’s (Treasury) tool that allows HUD to run automated, instant verification checks to prevent issuing payments to recipients who are not eligible to receive them.¹⁶ The OIG’s audit showed that HUD’s program offices did not consistently use the DNP to check eligibility, and HUD ended up paying at least \$212 million to more than 10 entities that had expired accounts on

¹² See footnote 4.

¹³ 31 U.S.C. § 3301 et seq. Payment Information Act of 2019- Public Law 116-117-3351-Definitions. Improper payments are those that should not have been made or that were made in incorrect amounts. See [31 U.S.C. § 3351](#).

¹⁴ HUD OIG. (2025). [HUD Did Not Comply With the Payment Integrity Information Act of 2019](#). TBRA and PBRA accounted for two-thirds, or approximately \$50 billion, of HUD’s annual program expenditures in FY 2024. HUD. (2024). [The Department of Housing and Urban Development FY 2024 Agency Financial Report](#). Consolidated Statement of Net Cost and Note 20: Suborganization Program Costs. In 2016, the last year when HUD produced an estimate that complied with PIIA, HUD reported approximately \$1.7 billion in improper payments for these programs. HUD OIG. (2024). [HUD Did Not Comply With the Payment Integrity Information Act of 2019](#).

¹⁵ HUD OIG. (2025). [HUD Did Not Comply With the Payment Integrity Information Act of 2019](#).

¹⁶ See footnote 15.

SAM.gov. Further, HUD missed opportunities to use the DNP to better identify payments that program participants should not have made in several HUD programs, including TBRA and PBRA, the two programs that had been susceptible to significant improper payments in prior years.

The second aspect of operations where HUD can make improvements to protect taxpayer funds involves the Mutual Mortgage Insurance Fund (MMI Fund). Specifically, one OIG audit found that HUD unnecessarily paid from the MMI Fund the leftover principal balance, accrued interest, and holding costs for an estimated 239,000 properties for which lenders missed foreclosure and conveyance deadlines.¹⁷ Over a 5-year period, delays by these lenders cost HUD and the MMI Fund an estimated \$141.9 million in unreasonable and unnecessary interest and an estimated \$2.09 billion in unreasonable and unnecessary holding costs. In a different audit, the OIG found that HUD paid an estimated \$413 million in unnecessary interest and other costs after lenders failed to timely complete servicing actions for defaulted loans.¹⁸ These audits support HUD identifying actions it will take to safeguard the MMI Fund from paying for unnecessary and preventable costs.

Within its audit portfolio, the OIG also assessed HUD's Open Obligations Review to ascertain whether HUD timely deobligated the funds it identified as no longer needed.¹⁹ The review showed that HUD had not deobligated 835 administrative obligations totaling \$38.5 million and 101 program obligations totaling just under \$2 million. Although these amounts represent a small percentage of HUD's total open obligations, an important aspect of safeguarding taxpayer dollars is promptly deobligating unneeded funds to use for other HUD programs or services or to return to the Treasury.

Finally, the OIG found that HUD could also safeguard its funds by making certain that program participants timely spend the dollars and achieve intended outcomes. Illustrative is an OIG audit showing the City of New Orleans (New Orleans) to be significantly delayed in spending disaster recovery funds it received from HUD.²⁰ Based on the audit, the OIG concluded that New Orleans had disproportionately spent more of the funds on planning and administration than on the design and construction of its planned projects. Further, the activities that New Orleans had completed did not reduce the risk of flooding in many cases and exposed some homeowners to more flooding and physical and financial burdens.

Having described above the improvements HUD can make, the OIG recognizes that the challenge of protecting taxpayer funds is complicated by fraud schemes intentionally perpetrated against many HUD programs. For instance, the OIG's investigations identified schemes whereby loan officers, real estate agents, title companies, and others involved in mortgage origination falsify documents and cause HUD's Federal Housing Administration (FHA) to insure single family and multifamily mortgage loans for

¹⁷ HUD OIG. (2026). [*FHA Paid Claims for an Estimated 239,000 Properties That Servicers Did Not Foreclose Upon or Convey on Time.*](#)

¹⁸ HUD OIG. (2018). [*HUD Paid an Estimated \\$413 Million for Unnecessary Preforeclosure Claim Interest and Other Costs Due to Lender Servicing Delays.*](#)

¹⁹ HUD OIG. (2025). [*Audit Memorandum 2025-FO-0802 HUD Open Obligations Review Results.*](#)

²⁰ HUD OIG. (2024). [*After More Than 6 Years, The City of New Orleans' National Disaster Resilience Project Activities Had Made Little Impact on Resilience.*](#)

ineligible borrowers.²¹ The OIG also uncovered schemes that manipulate the short sale process, creating illegitimate sales and claims to the MMI Fund, as well as those that involve equity-skimming fraud, which occurs when property owners or managers convert for personal use the funds that HUD provided for the operation and upkeep of their properties.²² Still, additional investigations uncovered embezzlement schemes at Public Housing Agencies (PHA), fraud related to Housing Assistance Payments (HAP) contracts, and theft from the elderly.²³ All of these schemes misuse taxpayer dollars for personal gain and put at risk HUD's ability to effectively operate its programs.

One important step HUD can take to better protect its programs and taxpayer funds from fraud, waste, and abuse is developing and utilizing comprehensive fraud risk management frameworks. In 2022, the OIG applied government-wide standards and found that HUD was in the early stages of developing a fraud risk management program and needed to perform an agency-wide fraud risk assessment and better integrate anti-fraud practices into its programs.²⁴ Recently, the OIG learned that some HUD program offices have made progress toward completing fraud risk assessments and response plans; however, most are still in the early stages of these endeavors at a time when HUD's personnel levels have significantly declined. Amidst these circumstances, proactive fraud risk management practices are imperative to HUD's ability to ensure that the taxpayer dollars it and its program participants spend on critical housing needs are safe from fraud, waste, and abuse.

²¹ U.S. Attorney's Office (USAO), Northern District of California. (2024, November 26). [Three Bay Area Real Estate Professionals Sentenced To Federal Prison For Their Roles In \\$55 Million Mortgage Fraud Conspiracy](#) [Press Release]; USAO, District of Connecticut. (2024, January 8). [New York Men Sentenced for Mortgage Fraud Scheme Involving Hartford Apartment Buildings](#) [Press Release].

²² USAO, Eastern District of Texas. (2024, December 3). [Self-proclaimed "Short Sale Queen" and associates indicted in federal mortgage fraud scheme](#) [Press Release]; Office of Public Affairs, U.S. Department of Justice. (2024, October 8). [Bob Dean Jr. and Affiliated Corporate Entities Agree to \\$8.2M Consent Judgment to Resolve Allegations of Financial Misconduct Stemming from Evacuation of Nursing Homes During Hurricane Ida](#) [Press Release].

²³ USAO, Northern District of Indiana. (2024, May 16). [Former Executive Director of South Bend Housing Authority Sentenced to 108 Months in Prison](#) [Press Release]; HUD OIG. (2022). [Landlord Overcharging Section 8 Tenant Fraud Scheme](#) [OIG Fraud Bulletin]; USAO, Southern District of Alabama. (2025, January 10). [Low-Income Housing Employee Sentenced For Stealing Rent Money](#) [Press Release]; USAO, District of Massachusetts. (2025, May 22). [Colombian National Charged With Voter Fraud; Federal Benefit Fraud; And Identity Theft Offenses](#) [Press Release].

²⁴ HUD OIG. (2022). [Improvements are Needed in HUD's Fraud Risk Management Program](#). A series of OIG audits found that even large, sophisticated recipients of HUD funding—like the Puerto Rico Department of Housing, the New York City Housing Authority, and ESG-CV grantees—lack comprehensive processes for identifying and addressing exposure to fraud. HUD OIG. (2023). [The Puerto Rico Department of Housing Should Enhance Its Fraud Risk Management Practices](#); HUD OIG. (2025). [The New York City Housing Authority Should Enhance Its Fraud Risk Management Practices](#); HUD OIG. (2024). [The City and County of Honolulu Should Improve Its Fraud Risk Management Practices for Its ESG CARES Act Program](#); HUD OIG. (2024). [Housing and Community Development Should Improve Its Fraud Risk Management Practices for Its ESG CARES Act Program](#).



CHALLENGE 3

Modernizing the Management of Grant Funds

Each year, HUD awards billions of dollars in grants to state and local governments and private organizations for a multitude of projects related to rental assistance, economic development, and disaster recovery. In turn, the grant recipients rely on subgrantees, or subrecipients, to

responsibly spend the awarded funds and successfully carry out grant activities. One ongoing challenge that HUD faces is monitoring how its grantees and subgrantees execute grant programs, spend grant funds, and ensure that the funds are safe from fraud and mismanagement. Like other challenges, HUD's ability to improve its grant management practices is dependent, at least in part, on collecting and analyzing the right information and data and timely upgrading its technology to do so.

HUD recognized this challenge in its FY 2026 APP and affirmed its commitment to address it by modernizing the management of grant programs, to include migrating the programs to "a Department-wide system that supports grants through the entire grants lifecycle."²⁵ In addition, HUD shared with the OIG its plan to begin collecting financial data from subgrantees to build a repository of information that should enable HUD to better analyze and monitor grantee and subgrantee spending. HUD envisions this repository to be a significant accomplishment in HUD's effort to modernize grant management practices. The OIG looks forward to learning more about how HUD intends to leverage the collected data to protect grant funds from fraud and waste, particularly because the OIG's work supports HUD's focus on increasing access to accurate and complete grantee and subgrantee information. For example, a recent OIG audit found that some grantees did not always report data related to subawards as required by the Federal Funding Accountability and Transparency Act (FFATA).²⁶ The audit showed that these grantees lacked knowledge of the FFATA reporting requirements, and unreported subawards limited stakeholders' and HUD's ability to fully evaluate whether grantees properly used federal funds. Through other work, the OIG also learned that recipients of HUD's Emergency Solutions Grants – Coronavirus Aid, Relief, and Economic Security Act (ESG-CV) viewed the pandemic, including its impact on staffing capacity, as having limited their ability to effectively monitor subgrantees' spending.²⁷ In total, these findings highlight the importance of HUD securing access to the right information and conducting its own oversight of subgrantees to timely correct monitoring deficiencies and identify potential mismanagement of grants.

HUD has faced similar obstacles with data in its ability to monitor disaster recovery grants, which it awards to recipients primarily through the Community Development Block Grant Disaster Recovery (CDBG-DR) program. For instance, an OIG audit identified opportunities for HUD to collect more data

²⁵ See footnote 4.

²⁶ HUD OIG. (2025). [HUD's Subaward Data on USASpending.gov Were Not Complete nor Accurate](#).

²⁷ HUD OIG. (2022). [Emergency Solutions Grants CARES Act Implementation Challenges](#); HUD OIG. (2024). [HUD Grantees Need to Enhance Monitoring of ESG CARES Act Subrecipients](#); HUD OIG. (2021). [Lessons Learned and Key Considerations From Prior Audits and Evaluations of the CDBG Disaster Recovery Program](#); HUD OIG. (2023). [The State of Georgia Did Not Adequately Monitor Its Harvey, Irma, and Maria Grants' Activities and Subrecipients](#).

about activities for which grantees had used HUD’s disaster recovery funds to satisfy matching requirements of other federal, state, or local programs—often referred to as match activities.²⁸ This audit followed prior OIG work that found match activities to be particularly vulnerable to misuse and fraud, the risks of which significantly increase if HUD does not access and use more data.

Furthermore, because disaster recovery grants provide for long-term initiatives, such as rebuilding homes and entire communities after presidentially declared disasters, some grantees and subgrantees take decades to complete projects and spend the funds. The OIG’s audits have shown that CDBG-DR grantees struggle to monitor subgrantees’ disaster recovery progress and review their expenditures, and many lack experience and familiarity with block grant rules and do not have sufficient staffing to directly administer the programs. One OIG audit found that as of 2024, grantees who received 2016 grants through HUD’s National Disaster Resilience (NDR) program were delayed in completing their projects even though HUD extended spending and project completion deadlines.²⁹ These grantees faced obstacles in making timely disbursement due to, at least in part, a lack of adequate policies and procedures for timely expenditures and staffing and capacity issues. This audit also identified weaknesses in HUD’s monitoring of some NDR grantees, namely how HUD completed two significant monitoring checklists that had been designed to serve as HUD’s tools for reviewing data about the grantees’ performance.

Without comprehensive access to and utilization of data on grantees’ and subgrantees’ spending, billions of dollars in HUD grants are susceptible to mismanagement and, like other HUD funds, vulnerable to fraud schemes. For instance, the OIG’s investigations uncovered evidence of public corruption fraud by government officials, contractors, and employees of grantees who engage in bribery, kickbacks, embezzlement, bid-rigging, and other misallocation of grant funds intended for program administration.³⁰ The investigations also showed that individuals and organizations engage in procurement fraud by manipulating contract and award processes, or stealing and misusing HUD grant funds, for personal gain.³¹ Often, these schemes involve steering contracts to entities with whom the fraudsters have a financial conflict of interest or in exchange for bribes or kickback payments. The disaster recovery grants are also susceptible to fraud by homeowners who falsely claim or misrepresent their vacation home or second home as the primary residence to improperly qualify for CDBG-DR funds.³²

Although HUD relies on grantees and subgrantees to administer its grants and operate the programs they support, HUD remains responsible for ensuring that taxpayer dollars that fund the grants are safeguarded from fraud, waste, and mismanagement. In addition to obtaining the necessary financial data to oversee grantees and subgrantees, HUD can improve its grant management practices by making

²⁸ HUD OIG. (2025). [*Opportunities Exist for CPD To Improve Collection of Disaster Recovery Grantee Data for Non-Federal Match Activities*](#).

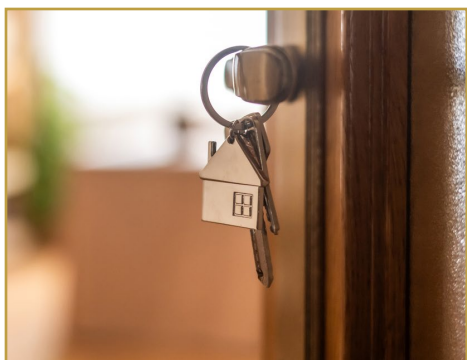
²⁹ HUD OIG. (2024). [*Grantees Were Delayed in Completing National Disaster Resilience Program Activities, but Remain On Track to Accomplish Goals*](#).

³⁰ USAO, District of Virgin Islands. (2024, June 13.) [*Virgin Islands Government Officials Charged In \\$4 Million Dollar HUD Fraud Scheme*](#) [Press Release].

³¹ USAO, Southern District of New York. (2024, February 6.) [*70 Current And Former NYCHA Employees Charged With Bribery And Extortion Offenses*](#) [Press Release].

³² USAO, Southern District of Texas. (2024, June 12.) [*Houstonian admits to Hurricane Harvey house fraud*](#); USAO, Southern District of West Virginia. (2025, April 16.) [*Mississippi Firm to Pay \\$1,207,600 to Resolve Disaster Recovery Claims*](#) [Press Release].

certain that the entities conducting business on its behalf have adequate anti-fraud controls. At a time when HUD's staffing levels are declining, strong fraud risk management frameworks and assessments, and comprehensive IT solutions that collect grantee and subgrantee spending data, are imperative to HUD's ability to modernize its grant management practices and safeguard the funds.



CHALLENGE 4

Ensuring the Availability of Affordable and Quality Housing

Part of HUD's mission is to create and maintain affordable, quality housing for all Americans. The housing that HUD funds and insures must be decent, safe, sanitary, and in good repair, and it must comply with environmental laws and regulations. Most of HUD's housing stock is more than 50 years old and in

need of significant capital improvement. The aging stock, in addition to other factors such as economic pressures and changing communities, has created a shortage of public housing that is affordable and safe from hazards.³³ The continuing deterioration of the stock exacerbates this shortage, and the rise in homelessness compounds the issue.³⁴

HUD's challenge is to ensure that its program participants maximize the use of the existing housing supply and improve and optimize its quantity and quality. This is not a new challenge for HUD. But, as described below, HUD is advancing a new playbook to respond to it. As HUD acts on its new strategy, the OIG's work can aid HUD in making certain that it protects access to affordable and safe housing and safeguards from fraud, waste, and abuse the taxpayer dollars that fund it.

Optimizing the Use of HUD's Limited Stock of Affordable Housing

The first two priorities in HUD's FY 2026 APP highlight HUD's commitment to meet affordable housing needs by: modernizing housing information systems to improve the timeliness and accuracy of HUD data; updating the Emergency Solutions Grant (ESG) program to provide short- and medium-term housing assistance; shifting toward state-based rental assistance grants; and supporting state and local governments and community organizations in partnering with the private sector.³⁵

As HUD implements its plan and transforms its strategy for finding solutions to the affordable housing shortage, several observations the OIG gained through its work may benefit HUD. Specifically, the OIG has found that program participants on whom HUD relies to administer its public housing programs, like PHAs and Continuum of Care (CoC) grantees, do not always ensure that they use all the resources that HUD entrusted to them. In some circumstances, weaknesses in technology—whether outdated IT systems or a lack of accurate data—limit HUD's insight into program participants' deficient performance. For instance, one OIG audit showed that due to limitations in the Section Eight Management Assessment Program (SEMAP), HUD did not always know when PHAs had problems assisting the

³³ As of May 2025, HUD's public housing inventory decreased from 1.2 million units to fewer than 900,000. HUD OIG. [Assessing the Occupancy of Public Housing Units](#) [Work Start Announcement].

³⁴ In December 2024, the number of people experiencing homelessness on a single night was the highest ever recorded. U.S. Department of Housing and Urban Development. (2024). [2024 Annual Homelessness Assessment Report to Congress, Part 1: Point-in-Time Estimates of Homelessness](#).

³⁵ See footnote 4.

greatest number of eligible families with obtaining affordable and quality housing at the correct cost.³⁶ Another OIG audit found that between 2017 and 2020, HUD had recaptured nearly \$257 million from CoC grantees because they were not able to spend their funds to address homelessness before their respective grant terms ended.³⁷ Still, a different audit showed that some PHAs did not timely lease affordable vacant units and allowed their occupancy rates to fall below the optimal level HUD established.³⁸

Echoing earlier sections of this report, a factor that compounds HUD's challenge of ensuring that program participants are fiscally responsible in their delivery of affordable housing is the prevalence of financial fraud schemes and other illegal practices by housing providers. For instance, the OIG's investigations identified landlords who exploit HUD and the economically vulnerable individuals they serve by overcharging rent or housing fees and by sexually harassing or abusing them.³⁹ The OIG and HUD should continue to partner with the U.S. Department of Justice (DOJ) to hold these providers accountable.⁴⁰

As HUD moves forward with implementing its new strategy for addressing America's affordable housing needs, HUD should make certain that it and program participants maximize the value of federal funds available for these efforts. The right technological solutions and other tools will help HUD ensure that the existing and new participants take all the steps necessary to maintain, and even grow, the affordable housing supply and the American people's access to it.⁴¹

Addressing Health and Safety Hazards in HUD Housing

HUD is responsible for ensuring that taxpayer dollars are spent on properties that are functionally adequate, operable, and free of health and safety hazards.⁴² The aging and continuously deteriorating housing stock requires HUD and program participants to be vigilant about property conditions and ensure that taxpayer funds are not misspent on units that exacerbate the existing shortage of quality housing and endanger the American people.

HUD has made progress in addressing health and safety concerns in public housing. But HUD continues to face obstacles in its effort to effectively monitor the physical conditions of properties and ensure that hazards, particularly those caused by lead, are timely identified and resolved. The OIG's work described

³⁶ HUD OIG. (2023). [HUD Could Improve Its Process for Evaluating the Performance of Public Housing Agencies' Housing Choice Voucher Programs](#). The audit showed that this occurred because PHAs used SEMAP to remotely self-report and self-certify information about their voucher use, and HUD did not have the right measures in SEMAP to identify PHAs that struggled to use all the available vouchers.

³⁷ HUD OIG. (2022). [HUD Could Improve Its Tracking and Monitoring of Continuum of Care Grantee Spending Levels](#).

³⁸ HUD OIG. (Announced March 2023). [Assessing the Occupancy of Public Housing Units](#) [Work Start Announcement].

³⁹ HUD OIG. (2024). [Landlord Overcharging Section 8 Tenant Fraud Scheme](#) [Work Start Announcement]; HUD OIG. (2023). [Sexual Harassment in Housing is ILLEGAL. Fair Housing is your RIGHT](#); USAO, Eastern District of Virginia. (2024, December 18). [Hampton landlord who racially harassed and evicted tenants sentenced to 17 years in prison](#) [Press Release].

⁴⁰ Office of Public Affairs, U.S. Department of Justice. (2025, February 13). [Justice Department Secures \\$360,000 Settlement in Sexual Harassment Lawsuit Against New Mexico Property Manager and Apartment Complex](#) [Press Release]; Office of Public Affairs, U.S. Department of Justice. (2024, November 19). [Justice Department Sues Kentucky Rental Property Manager and Owners for Sexual Harassment](#) [Press Release].

⁴¹ See footnote 4.

⁴² 24 C.F.R. § 5.703(a).

below illustrates HUD's challenges in this regard, and HUD should consider looking to this work as it acts on its FY 2026 APP priorities and utilizes new strategies to expand access to affordable, quality housing.

Of primary significance is the OIG's work showing that HUD's ability to effectively monitor the physical conditions of properties is dependent on timely inspections and access to complete and accurate data, certifications, and other information related to providers' compliance with HUD's inspection standards..⁴³ One OIG audit found that HUD's Real Estate Assessment Center (REAC), which oversees the inspections process, did not have adequate policies, procedures, and controls to ensure that public housing properties, including those designated as high priority, were inspected timely..⁴⁴ According to the audit, it appeared that the IT system HUD uses to track inspections did not have the capability to alert program offices when a property needed a future inspection..⁴⁵ Two additional OIG audits found that the [Boston Housing Authority](#) and the [Columbus Metropolitan Housing Authority](#) did not have sufficient oversight of the thoroughness of housing inspections and did not have adequate controls to ensure that providers took appropriate actions to address unit deficiencies. As a result, the two housing authorities did not always ensure that the Housing Choice Voucher (HCV) units met HUD's quality standards and did not stop payments to owners who failed to correct deficiencies in unit conditions.

Also, evidence supports HUD improving its oversight of units converted to Project-Based Vouchers (PBV) and Project-Based Rental Assistance (PBRA) under the Rental Assistance Demonstration (RAD) program..⁴⁶ Two audits found that HUD performed limited monitoring of the physical conditions of RAD PBV and PBRA projects because HUD did not have a system to collect and maintain information about the physical and financial condition of the PBV projects and did not have staffing capacity to perform oversight of the PBRA projects. Finally, based on a different audit, the OIG recommended that HUD's Office of Multifamily Housing develop policies and procedures for the intake, monitoring, and tracking of health and safety complaints, as well as a process to ensure that complaints are resolved in a timely manner..⁴⁷

Moving ahead, key issues that HUD will need to address are timeliness of inspections, access to accurate information on unit conditions, and ability to monitor and hold accountable program participants who fail to fulfill their obligations to provide decent, safe, and sanitary housing. The OIG's work has shown that gaps in these areas can be particularly troubling as HUD addresses the presence of lead hazards in its housing stock. Lead exposure can have devastating effects on the health of HUD's tenants, especially children for whom even low levels of lead in the blood can carry life-altering consequences. Although HUD established guidelines and regulations to hold program participants accountable for failing to

⁴³ On May 11, 2023, HUD published the final rule "Economic Growth Regulatory Relief and Consumer Protection Act: Implementation of National Standards for the Physical Inspection of Real Estate" to align expectations of housing quality and consolidate inspection standards across HUD programs. See 88 Fed. Reg. 30442 (2023).

⁴⁴ HUD OIG. (2023). [Improvements Are Needed To Ensure That Public Housing Properties Are Inspected in a Timely Manner](#).

⁴⁵ HUD OIG. (2023). [Improvements Are Needed To Ensure That Public Housing Properties Are Inspected in a Timely Manner](#). HUD notified the OIG in July 2025 that although it has planned for and proposed the needed improvements, all developments and enhancements of this system are on hold pending leadership decisions.

⁴⁶ HUD OIG. (2025). [HUD's Office of Public and Indian Housing Needs to Improve Its Oversight of Non-FHA-Insured PBV Projects Converted Under RAD](#); HUD OIG. (2024). [HUD's Office of Multifamily Needs To Improve Its Oversight of PBRA and FHA-Insured PBV Properties Converted Under RAD](#).

⁴⁷ HUD OIG. (2021). [HUD's Office of Multifamily Housing Programs' Complaint Process Did Not Ensure That Health and Safety Complaints Were Resolved in a Timely Manner](#).

minimize and eliminate lead hazards that exist in their properties, several OIG audits showed that HUD was not always aware when PHAs received notice of children having elevated blood lead levels, encountered problems conducting timely visual assessments of lead-based paint, had inadequate reevaluations following abatement, made unsupported “lead-free” determinations, or provided inconsistent and inaccurate lead disclosures to tenants.⁴⁸

The OIG’s investigations also identified fraud by housing providers who failed to properly protect HUD tenants from lead or other health hazards. The fraud schemes involved landlords and contractors who failed to properly disclose lead-based paint to prospective renters, and falsely certified that they had performed maintenance work, that it was done in a safe manner, or that they made critical repairs to units.⁴⁹

Altogether, HUD’s challenges with monitoring property conditions and managing hazards exacerbate the shortage of affordable and safe housing and can endanger HUD tenants. The OIG’s work supports HUD continuing to prioritize and improve its oversight of the public housing stock and maximize the quantity and quality of the properties on which HUD spends taxpayer funds.

⁴⁸ 24 C.F.R Part 35; 42 U.S.C. § 63A; HUD OIG. (2024). [*Timing of PHAs’ Lead-Based Paint Visual Assessments*](#); HUD OIG. (2024). [*The Housing Authority of the City of Los Angeles Did Not Adequately Manage Lead-Based Paint in Its Public Housing Units*](#); HUD OIG. (2024). [*The Cuyahoga Metropolitan Housing Authority, Cleveland, OH, Did Not Have Adequate Oversight of Lead-Based Paint in Its Public Housing*](#); HUD OIG. (2023). [*The Philadelphia Housing Authority Needs To Improve Oversight Of Lead-Based Paint In Its Public Housing*](#); HUD OIG. (2024). [*The Columbus Metropolitan Housing Authority, Columbus, OH, Did Not Always Comply With HUD’s Requirements for Its Housing Choice Voucher Program Units*](#); HUD OIG. (2024). [*The Boston Housing Authority Did Not Always Comply With HUD’s Requirements for Its Housing Choice Voucher Program Units*](#).

⁴⁹ USAO, Southern District of New York. (2024, December 13). [*Justice Department Obtains Consent Decree Against Multiple Defendants to Abate Lead Paint and Improve Housing Conditions Across Thousands of New York Apartments*](#) [Press Release]; USAO, Western District of New York. (2023, November 13). [*Property Owner Sentenced for Lying About Lead Hazards*](#) [Press Release]; HUD OIG. (2024, February 13). [*Apex Waukegan LLC and Integra Affordable Management LLC Fined for Breach of Contract*](#) [Press Release]; USAO, Southern District of Indiana. (2022, December 21). [*Richmond Contractor Sentenced to over 1 Year for Violating Federal Lead Paint Laws and Obstructing Justice*](#) [Press Release]; USAO, District of Montana. (2025, April 15). [*Helena Real Estate Agent Convicted of Felony and Fined \\$150,000 for Failing to Provide Lead-Based Paint Disclosures for Veterans Residing in Fort Harrison Rental Housing*](#) [Press Release].

Appendix – HUD’s Response

HUD is committed to furthering its mission of fostering strong communities by supporting access to quality, affordable housing, expanding the housing supply, and unlocking homeownership opportunities for the American people. HUD continues to pursue long term solutions that support rural, tribal, and urban communities and the families who call them home.

While HUD has made significant progress in streamlining business processes to protect taxpayer funds, reduce homelessness and remove regulatory barriers to affordable housing, additional oversight and work remain. As reflected in the HUD OIG Report on Top Management Challenges (TMC) for fiscal year 2026 (FY26), HUD faces challenges related to business modernization and streamlining for procurement, IT systems, grants management, protections against fraud, waste, and abuse, and ensuring the availability of safe and affordable housing. These challenges will inform and guide efforts to strengthen internal processes and refine business practices.

The OIG's report on TMC remains a valuable tool for assessing progress, setting priorities, and identifying areas for improvement. Compared to prior years, the FY 2026 TMC demonstrates meaningful progress, with the number of identified challenges reduced from eight to four. Unlike the FY 2025 TMC, which highlighted eight overlapping challenges, this year's TMC is streamlined to focus on the most important and distinct themes, organized into four categories.

Across its programs and administrative offices, HUD continues to address challenges identified in the FY 2026 TMC. To improve its business operations, HUD launched a strategic restructuring initiative to modernize systems and improve efficiency. HUD is also improving its procurement processes by addressing known risks and reducing communication gaps between the Office of the Chief Procurement Officer and program offices. To protect taxpayer funds, HUD is enhancing its fraud risk management program by building on existing HUD-wide fraud risk assessment processes, which OIG has confirmed aligns with GAO's Greenbook and Framework for Managing Fraud Risks. Additionally, HUD is improving its payment integrity and forensic analytics programs and collaborating with other federal agencies to effectively detect and prevent fraud, waste, and abuse. For grants oversight, HUD is in the process of developing a new HUD-wide system that supports grants through the entire grants lifecycle and is building a centralized repository of financial data from subgrantees. To ensure the availability of safe, quality, and affordable housing, HUD is advancing a new playbook and published new inspection standards to align expectations of housing quality and consolidate inspection standards across HUD programs. These efforts align with HUD's Strategic Plan and reinforce HUD's commitment to effective governance and public trust.

HUD remains steadfast in its proactive and collaborative approach to addressing known challenges through strong leadership, innovation, and mission-focused accountability. HUD will continue its collaboration with OIG to improve audit integrity, enhance mission fulfillment, streamline work processes, and better serve the American taxpayers.