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HOUSING AND URBAN DEVELOPMENT

HUD Needs to Improve Its Award and Oversight of Lead-Based Paint Hazard Control and Lead Hazard Reduction Demonstration Grants

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Highlights

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What We Audited and Why

We audited the U.S. Department of Housing and Urban Development's (HUD) Office of Lead Hazard Control and Healthy Homes' (OLHCHH) oversight of Lead-Based Paint Hazard Control (LBPHC) and Lead Hazard Reduction Demonstration (LHRD) grant programs. These programs help reduce lead hazards in low-income households, particularly with young children. Between fiscal years 2020 and 2022, OLHCHH awarded more than \$353 million in competitive lead grants to 101 grantees as part of HUD's efforts to address lead hazards in U.S. low-income households. We conducted this audit due to concerns that grantees were not spending grant funds to assist in reducing lead in targeted households. Our objective was to assess how HUD (1) evaluates grantees' capacity to manage grant funds and (2) tracks and monitors grant performance.

What We Found

HUD's Office of Lead Hazard Control and Healthy Homes (OLHCHH) need to improve its oversight of competitive LBPHC and LHRD grants. OLHCHH did not always (1) review grantees' past performance when evaluating capacity to manage competitive lead grant funds, (2) designate poor performing grantees as 'High Risk' after two consecutive quarters of poor performance, and (3) provide timely reviews of quarterly performance reports.

Due to the pandemic's impact on grantees, OLHCHH eased its application review criteria for evaluating grantees' performance history and how grantees are designated as 'High Risk' performers. OLHCHH believed that doing so would minimize any hindrance to grantees' eligibility for competitive lead grants and avoid penalizing grantees still recovering from the pandemic's impact. In addition, OLHCHH contended with competing priorities such as reviewing grant applications and making grant awards, which delayed HUD's reviews of grantees' quarterly performance reports. These oversight weaknesses did not allow for OLHCHH to hold grantees accountable and ensure agreed-upon performance benchmarks were met in reducing lead hazards in targeted U.S. households. From our universe of 101 grantees awarded \$353 million in lead grants, we sampled 17 grantees that were awarded \$63.8 million. Of the 17 sampled grantees, 11 of these grantees were awarded \$44.9 million in lead grant funds that were not designated as 'High Risk'. As of August 2025, these 11 sampled grantees spent \$13.5 million of the \$44.9 million awarded funding in grants to provide lead hazard control services to U.S. households. Two of these sampled grantees have expired grants in which they did not meet agreed-upon performance benchmarks by the respective end of their period of performance of June 30 and July 14, 2025. This resulted in \$3.8 million in unused competitive lead grant funds that expired instead of being used to provide lead hazard control services for at least 132 targeted households.

What We Recommend

We recommend that HUD (1) Provide support to show that the past performance history element was factored during the application review process, (2) improve how grantees are designated as 'High Risk', (3) improve the timing of when reviewing grantees' quarterly performance reports, (4) recapture \$3,775,916 in undisbursed grant funds for the two grantees that were not designated 'High Risk' whose period of performance ended and, (5) take appropriate actions that may include recapturing other undisbursed grant funds that expired on or before December 31, 2025.

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Background and Objectives

Lead poisoning continues to pose a serious public health threat. The Centers for Disease Control and Prevention (CDC) estimated that about 500,000 children in the United States, aged 1 to 5, have elevated blood lead levels for which it recommends intervention. HUD's American Healthy Homes Survey II estimated in 2021 that about 35 million homes contain some lead-based paint (LBP). Specifically, it found that 18.2 million homes have significantly deteriorated LBP, 21.9 million have dust lead hazards, and 2.4 million have soil lead hazards. Since there is no cure for lead poisoning, preventing exposure, particularly among children under age six, is critical. According to the [CDC](#), children less than six years old are at a higher risk of lead exposure. This is because their bodies are rapidly developing and more susceptible to taking in lead if exposed. Young children also tend to put their hands or other objects into their mouths. This is why the most common source of lead exposure in young children is lead dust. Children under the age of six tend to swallow lead dust after placing their lead-contaminated hands or other objects in their mouths.

The U.S. Department of Housing and Urban Development's (HUD) Office of Lead Hazard Control and Healthy Homes (OLHCHH) oversees grant programs designed to reduce lead-based paint hazards and other residential health and safety risks. Two of its major grant programs are the competitive Lead-Based Paint Hazard Control (LBPHC) and the Lead Hazard Reduction Demonstration (LHRD) grants. These competitive grants aim to protect children and families living in privately owned housing, particularly those occupied by low-income families with young children.

The LBPHC and LHRD programs are authorized by Section 1011 of the Residential Lead-Based Paint Hazard Reduction Act of 1992 (Public Law 102-550). The LBPHC program is available to a broad range of jurisdictions including urban, suburban, or rural communities, whereas the LHRD program targets urban areas with a high concentration of older rental housing, specifically those with at least 3,500 pre-1940 occupied rental units. These competitive grant programs support a range of activities including lead inspections, hazard control work, temporary relocation, and local capacity-building.

Within OLHCHH, the Lead and Healthy Homes Program Division manages the LBPHC and LHRD grant programs. The division is responsible for the grant administration, including developing and publishing Notices of Funding Opportunity (NOFOs), reviewing and scoring applications, monitoring grantee compliance and performance, maintaining official grant files, and providing training and technical assistance to grantees and subrecipients.

As part of the grant award process, the division evaluates each applicant's capacity to manage grant funds through a structured review process. This process includes training for reviewers, threshold and eligibility checks, and the evaluation of the applicant's past performance, organizational structure, financial and staffing resources, and proposed partnerships. Review teams score applications based on rating factors such as capacity, need, and proposed budget that are outlined in the NOFO and HUD's Application Review Guide. The review team documents the results using scoring sheets, technical review forms, and quality control reviews before funding recommendations are finalized.

From fiscal years 2020 to 2022, HUD awarded 101 competitive LBPHC and LHRD grants totaling more than \$353 million to grantees. The chart below shows the total number of grants awarded and the total dollar amounts.

Fiscal year	LBPHC amount awarded (\$) number of grants	LHRD amount awarded (\$) number of grants	Combined amount awarded (\$) combined number of grants
2020	\$27,678,119 11	\$118,864,747 33	\$146,542,866 44
2021	30,572,656 12	51,919,530 16	82,492,186 28
2022	47,119,904 13	77,086,416 16	124,206,320 29
Totals	105,370,679 36	247,870,693 65	353,241,372 101

Following award decisions, OLHCHH tracks and monitors each grantee’s progress toward meeting individually agreed-upon performance benchmarks designed to achieve program goals of reducing lead in low-income households. OLHCHH uses the Healthy Homes Grant Management System (HHGMS¹) to track agreed-upon performance benchmarks that include the number of units assessed and made safe from lead exposure in the household. This system helps OLHCHH determine which grantees to provide technical assistance or corrective action guidance as needed on a quarterly basis. Grantees are required to submit quarterly performance reports (QPRs) 30 days after the end of each quarter into HHGMS for OLHCHH to track and monitor performances. OLHCHH aims to complete the reviews of the submitted QPRs within 15 days. As part of the review, OLHCHH assesses a score to each grantee based on quarterly accomplishments versus agreed-upon performance benchmarks. Using a 100-point scoring system, OLHCHH assigns color designations of green, yellow, or red according to the scoring range as shown in the chart below.

Type of performer	Scoring range	Color designation
High	90-100	Green
Standard	71-89	Yellow
Poor	0-70	Red

After reviewing QPRs, OLHCHH sends assessment letters to grantees about their grant performance. For those considered poor performers, OLHCHH’s assessment letters will include corrective actions that may help with the grantees’ performance. The timeframe for when OLHCHH submits these letters to grantees varies among the completion of each submitted QPR. OLHCHH’s oversight may include more one-to-one monitoring, technical assistance, and training to help grantees raise their scores and meet agreed-upon performance benchmarks. If scores do not improve after two consecutive quarters designated as “poor” performer, OLHCHH can formally designate grantees as ‘High Risk’ and provide additional oversight measures that include bi-weekly check-ins and monthly communication with the grantees. Grantees can request Amendments to work plans and budgets from OLHCHH to address performance issues. OLHCHH will attempt to assist grantees in meeting agreed-upon performance benchmarks. Terminating the grant and recapturing unused funds is OLHCHH’s last resort when other options to help the grantee have failed.

Our objective was to assess how HUD (1) evaluates grantees’ capacity to manage grant funds and (2) tracks and monitors grantee performance.

¹ HHGMS is a grants management system using the Salesforce platform to provide application processing, document management, grant tracking, and quarterly progress reporting for the OLHCHH and grantees.

Results of Audit

Improvements Are Needed in HUD's LBPHC and LHRD Grant Award Process

HUD's OLHCHH needs to improve its grant award process for competitive LBPHC and LHRD grants. OLHCHH did not always review past performance in its evaluation of grantees' capacity when awarding fiscal years 2021 and 2022 grants. In response to the impact of the pandemic on grantees, OLHCHH relaxed its application review criteria by not evaluating grantees' performance history. OLHCHH believed that enforcing past performance history would impact the grantees' eligibility for future lead grant funding. As a result, OLHCHH did not make fully informed awarding decisions about the grantees' capacity to meet agreed-upon performance benchmarks in addressing lead issues in targeted U.S. households.

OLHCHH Did Not Always Consider Grantees' Past Performance

For 11 sampled LHRD and LBPHC grantees not designated as 'High-Risk' performers, we reviewed grant applications, evaluations, and scorings. For nine of the 11 sampled grantees², OLHCHH did not consider past performance history when assessing and scoring grantees' capacity to manage the competitive grant during the grant application review and award process. OLHCHH awarded these nine sampled grantees grants for fiscal years 2021 or 2022. Federal regulations at [2 CFR 200.206 \(b\)\(2\)\(iii\)](#) states that as part of the risk assessment of grantees' ability to manage the awarded grants, OLHCHH should consider factors that include grantees' performance history in managing previous and current Federal awards.

The chart below shows the nine sampled grantees whose past performance history was not considered when assessing and scoring their capacity as applicants.

² For the remaining two sampled lead grantees, OLHCHH considered past performance history when awarding fiscal year 2020 competitive lead grants.

Fiscal year	Grantee	End of period of performance	Grant amount	Amount spent as of August 2025
2021	Grantee 3	9/1/2026	\$5,000,000	\$1,638,754
2021	Grantee 4	1/1/2026	2,927,350	1,009,298
2022	Grantee 8	12/1/2026	3,971,441	920,692
2022	Grantee 9	12/1/2026	2,675,483	1,168,737
2022	Grantee 10	12/1/2026	8,000,000	1,689,052
2022	Grantee 5	12/1/2026	4,055,827	409,951
2022	Grantee 6	12/1/2026	2,757,668	645,458
2022	Grantee 7	12/1/2026	3,420,348	1,053,316
2022	Grantee 11	12/1/2026	4,000,000	637,630
Totals			36,808,117	9,172,889

OLHCHH believed that assessing the grantees' performance history in the face of the pandemic's impact would have negatively affected eligibility for future grant funding. Specifically, grantees' operations and coordination with health departments were hampered due to shutdowns or the need to redirect staffing to pandemic-related tasks. As a result, OLHCHH relaxed its grant application review process by not considering the applicants' past performance history when awarding the 2021 and 2022 grants. Specifically, OLHCHH waived the past performance history element stated in the fiscal years 2021 and 2022 NOFOs during the application review process. OLHCHH continued this practice for the fiscal years 2023 and 2024 competitive lead grants based on finding ongoing pandemic-related business disruptions among its grantee jurisdictions that it presumed would be present among non-grantee applicant jurisdictions.

Grantee With Continuing Poor Performance Still Awarded Competitive Lead Grant

In October 2024, OLHCHH awarded a fiscal year 2024 competitive lead grant for \$7 million to one of the nine grantees that had seven consecutive quarters of being classified as a poor performer in managing its other fiscal year 2022 \$8 million grant. For its 2022 grant, the grantee agreed to provide lead hazard control services to 350 targeted households. However, the grantee has struggled to meet the agreed-upon performance benchmarks due to difficulties in finding qualified staff and contractors to perform the services. In addition, the grantee experienced rising costs in material and labor that had hampered providing lead hazard control services to targeted U.S. households.

Similar to fiscal years 2021 and 2022 competitive lead grants, OLHCHH did not use the grantee's past performance as a factor in evaluating capacity to manage its fiscal year 2024 competitive grant. The grantee's continuing poor performance in managing its fiscal year 2022 grant raises concerns as to whether the grantee can meet the agreed-upon performance benchmarks for both grants.

By not assessing the grantees' past performance in the grant application evaluation process, OLHCHH did not fully make informed awarding decisions about the grantees' capacity to meet agreed-upon performance benchmarks and achieve the overall goals of the program. Applying past performance

history criteria in future NOFOs ensures that (1) past performance history is considered as part of the grant application review and award process and (2) OLHCHH awards lead grant funds to grantees that have the capacity to manage these funds, meet performance benchmark goals, and help HUD meet its program goals of reducing lead hazards in targeted U.S. households.

OLHCHH Reinstates Past Performance Element in New NOFOs

On June 30, 2025, OLHCHH issued the 2025 NOFO for the fiscal year 2025 competitive lead grants. In the NOFO, OLHCHH included potential grantees' past performance as part of the review criteria element of the grant application evaluation process. OLHCHH reinstating the performance history element in the 2025 NOFO ensures that informed decisions are made about grantees' capacity to meet agreed-upon performance benchmarks that help reduce lead hazards in targeted U.S. households.

Conclusion

The application review process is an important part of determining whether applicants have the knowledge, skills, and capacity to assist HUD in addressing lead hazards in the United States. Without considering the applicants' past performance, OLHCHH risks awarding competitive lead grant funds to applicants not prepared to meet program goals. This was evident during our review when we identified that OLHCHH did not always consider the applicants' past performance history when reviewing grant applications. This resulted in OLHCHH awarding \$36.8 million in fiscal years 2021 and 2022 competitive lead grants to nine sampled grantees without consideration of past performance in managing these grants. OLHCHH believed that the practice was in response to addressing the impact of the pandemic on the grantees' operation. OLHCHH believed that this impact would affect grantees' eligibility for future grants. However, the practice risked awarding funds to applicants that may not have the capacity to meet the agreed-upon performance benchmarks to address lead hazards. On June 30, 2025, OLHCHH reinstated the performance history element, starting with the 2025 NOFO, to ensure past performance is factored as part of applicants' capacity to manage these competitive lead grants. OLHCHH's action helps ensure that grantees with the required capacity can meet agreed-upon performance benchmarks to reduce lead hazards in targeted U.S. households.

Recommendations

We recommend HUD's Director of Office of Lead Hazard Control Healthy Homes

- 1A. Provide support to show that the performance history element was factored as part of the grantees' capacity to manage the grants awarded through the 2025 NOFO.

Management Response

OLHCHH agreed with the finding and recommendation. OLHCHH plans to implement the recommendation with an anticipated target date of February 27, 2026. OLHCHH also provided proposed technical edits for consideration.

Management's response included a corrective action plan with their full comments in Appendix B.

OIG Evaluation of Management Response

We appreciate OLHCHH's general agreement with the recommendation. We considered OLHCHH's technical edits and made the appropriate changes to the report. These changes did not impact the overall audit results or recommendations. We look forward to working with OLHCHH through the audit resolution process to ensure they implement the corrective action needed to address recommendation 1A.

Improvements Are Needed to HUD's Oversight of LBPHC and LHRD Grantees' Performance

HUD's OLHCHH needs to improve oversight of the LBPHC and LHRD grants. HUD did not always (1) designate poor performing grantees as 'High Risk' after two consecutive quarters of poor performance and (2) provide timely reviews of quarterly performance reports (QPR). In response to the impact of the pandemic on grantees, OLHCHH suspended its quarterly scoring of grantees until April 2022, and once scoring resumed, applied the 'High Risk' designations selectively to avoid penalizing grantees believed to still be recovering from the pandemic's impact. Reviews of QPRs were delayed due to the lack of an established target of when reviews should be completed and of controls to monitor adherence to that target in an SOP or other formal guidance. As a result, OLHCHH did not always hold grantees accountable for meeting its performance benchmarks, resulting in awarded funds potentially going unused instead of reducing lead hazards in target households to have healthy and safe homes.

OLHCHH Did Not Always Designate Consistently Poor Performing Grantees as 'High Risk'

We sampled 17 LBPHC and LHRD grants to assess how OLHCHH was tracking and monitoring grantees' performance during the period of 2021 through 2024. For 11 of the 17³ sampled grants, we found that OLHCHH did not always designate grantees as 'High Risk' when there were two consecutive quarters of poor performance. HUD's Standard Operating Procedures (SOP) states that a 'High Risk' designation is recommended after the grantee has two consecutive quarters with a quarterly score below 70. OLHCHH considers grantees that receive a quarterly score below 70 as poor performers. The chart below shows the 11 sampled grantees with scores and color designations (see Background and Objectives section) for quarters from 2021 to 2024⁴.

Grantee	2021				2022				2023				2024		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Grantee 1	100	100	30	38	31	25	37	36	50	100	82	73	62	59	64
Grantee 2	100	52	18	18	11	22	22	28	32	33	100	82	77	36	43
Grantee 3						100	30	46	64	74	73	58	50	44	44
Grantee 4							24	26	26	85	76	57	48	45	44
Grantee 5									100	70	70	39	37	36	33
Grantee 6									85	9	2	1	1	6	4
Grantee 7									100	100	30	7	11	10	19
Grantee 8									40	70	63	55	50	52	51
Grantee 9									70	70	38	52	52	50	51
Grantee 10									70	70	34	70	54	48	37
Grantee 11									100	78	30	33	31	33	46

³ As of the third quarter of 2024, OLHCHH properly classified the designation for the remaining six sampled grantees.

⁴ Darkened quarters indicate that the grantee either (1) was not awarded a grant or (2) had not started lead hazard control services.

In July 2020, OLHCHH suspended its quarterly scoring during the pandemic to accommodate grantees' impacted by the pandemic. OLHCHH explained that once scoring resumed on April 1, 2022, it used the 'High Risk' designations on a case-by-case basis to avoid penalizing grantees that were still recovering from the business disruptive effects of the pandemic. Consistently designating poor performing grantees as 'High Risk' when warranted allows OLHCHH to (1) provide additional oversight, assistance, and resources that help grantees to achieve the agreed-upon performance benchmarks and minimizes future instances of grantees reaching 'High Risk' designation and (2) determine whether to recapture competitive lead grant funds. These actions would assist grantees in getting back on track in meeting agreed-upon performance benchmarks that help HUD reduce lead paint hazards in targeted U.S. households.

As of August 2025, the 11 sampled grantees spent \$13.5 million of the \$44.9 million in awarded grants, or 30 percent, providing lead hazard control services to targeted households. However, two of the 11 grants expired. These two sampled grantees spent a combined \$4.3 million out of the awarded \$8.1 million, or 53 percent of the grants. These funds allowed these grantees to provide lead hazard control services to at least 243 out of 375, or 64 percent, of targeted households. However, the grantees' failure to spend the funds to meet the performance benchmarks by the deadlines resulted in a total of \$3.8 million in potential lost funding. The chart below shows details of the two grantees with expired grants.

Grantee	End of grant period of performance	Awarded amount	Disbursed amount	Remaining amount	Services to be completed	Services provided Services not provided
			As of August 2025			As of August 2025
Grantee 2	6/30/2025	\$5,000,000	\$2,024,503	\$2,975,497	175	102 73
Grantee 1	7/14/2025	3,100,000	2,299,581	800,419	200	141 59
Total		8,100,000	4,324,084	3,775,916	375	243 132

OLHCHH Did Not Always Provide Timely QPR Reviews

For the 11 sampled poor performing grantees, we reviewed submitted QPRs for the quarter period of July 1 to September 30, 2024. Our review found that OLHCHH did not always conduct timely reviews of submitted QPRs for 10 of the 11 sampled grantees. Specifically, OLHCHH's delays in reviewing QPRs from the sampled quarter period ranged from 23 to 162 days. Although OLHCHH mentioned a target of 15 days for completing QPR reviews, they did not document this as a standard in a written policy. In addition, there were no controls established to monitor adherence to the target. The chart below provides information on the 10 sampled grantees and the length of OLHCHH's QPRs.

Grantee	Quarter Period: July 1 to September 30, 2024			Number of days exceeding 15-day target for OLHCHH QPR review
	Date grantee submitted QPR to OLHCHH	Date of OLHCHH's QPR assessment letter to grantee	Number of days OLHCHH took to review QPR	
	(A)	(B)	C = (B minus A)	
Grantee 10	10/30/2024	4/25/2025	177	162
Grantee 3	10/30/2024	4/24/2025	176	161
Grantee 9	10/31/2024	2/25/2025	117	102
Grantee 8	11/1/2024	1/22/2025	82	67
Grantee 2	10/30/2024	1/19/2025	81	66
Grantee 1	10/30/2024	1/19/2025	81	66
Grantee 11	10/30/2024	12/18/2024	49	34
Grantee 6	10/31/2024	12/17/2024	47	32
Grantee 7	10/30/2024	12/12/2024	43	28
Grantee 4	11/6/2024	12/14/2024	38	23

The delays in reviewing QPRs also delayed implementation of corrective actions by the grantees designed to assist in meeting agreed-upon performance benchmarks related to reducing lead-based problems in targeted households. These corrective actions could include technical assistance, training, and revisions to performance benchmarks. In addition, these delays may impact OLHCHH's ability to have up to date information on grantee's performance history that can be considered during future competitive lead grant application reviews. Further, OLHCHH could use the information to consider administrative actions to recapture funds from poor performing grantees. HUD mentioned that recapturing funds are a last resort after all other options to assist the grantees have been exhausted.

OLHCHH explained that it experienced competing priorities that delayed the review of grantees' QPRs. These competing priorities included grant application reviews and attention towards awarding the grants to ensure the funds get out to grantees. OLHCHH has acknowledged the delays but expressed that there is continued on-going assistance and guidance provided to the grantees. As of July 2025, OLHCHH experienced a reduction in full time staffing from 56 to 41, or 27 percent loss rate, that will likely result in adjustments in how it manages and oversees lead grants. In response to these changes, OLHCHH is considering the use of AI-driven data analysis to help with monitoring of grantees for fraud, waste, and abuse of lead grant funds.

Grantees' Insights on Its Challenges in Meeting Performance Benchmarks

The 11 sampled grantees provided insights into the challenges of meeting agreed-upon performance benchmarks and HUD's support in managing these grants. The grantees reported various reasons

beyond the pandemic's impact that contributed to the sampled grantees' inability to meet agreed-upon performance benchmarks. The chart below describes the top three reported issues faced by these grantees.

Top challenge	Description of challenge	Number of responses response percentage
Contractor related challenge	Limited available qualified contractors for lead-related services such as inspection, assessment, and lead-based abatement. Unlike general contractors, contractors working on lead grants need specialized certification to perform the lead abatement or lead safe renovation work. As a result, grantees face a limited pool of contractors who are specialized and certified to perform lead-related services.	8 72%
Cost of supplies	Supply chain disruptions continue to affect the availability and cost of materials needed to provide the lead-related services.	7 63%
Eligible participants related challenges	Difficulty locating qualified households to participate in the program. There were grantees with application and income qualification processes that proved difficult for eligible households to meet. Also, eligible households were hesitant in participating in the lead hazard control program due to health concerns involving the pandemic. As a result, the grantees struggled with getting eligible households to participate in the lead hazard control program.	4 36%

In addition, grantees experienced the following challenges that contributed to struggles in meeting agreed-upon performance benchmarks.

- **Staffing constraints** – Delays in hiring, staff turnover, retirements, and lack of retention incentives disrupted grantee operations. For example, one grantee faced delays in meeting performance benchmarks due to the retirement of two managers. This grantee struggled to rebuild institutional knowledge after the pandemic due to staffing departures.
- **Program resources** - Issues of access to HUD resources or support to help manage the lead programs. For example, one grantee indicated that information on HUD's website needed to be updated, while another grantee indicated that its website needs to be better organized and accessible to new grantee staff.

Grantees' Insights on OLHCHH Support in Addressing its Challenges

According to the 11 sampled grantees, OLHCHH provided support through technical assistance and monitoring reviews, email and phone communications, webinars and training, peer connections and regular check-ins. Specifically, there were grantees who viewed OLHCHH's day-to-day support such as responding to programmatic questions and providing periodic check-ins as helpful in managing lead programs. Seven grantees provided suggestions on how to improve the trainings, technical assistance, and communications related to the lead programs.

- **Training** - Grantees suggested that OLHCHH (1) hold regular webinars that focus on common challenges and best practices, (2) offer interactive formats such as hands-on HHGMS training, and (3) ensure program material is up-to-date, accurate, and clearly aligned with Federal regulations.
- **Technical Assistance** - To better support in meeting performance benchmarks and ensuring compliance, grantees suggested (1) targeted technical support for specific operational and regulatory questions, (2) offer clear guidance on contractor-related issues, and (3) share templates, tools, and examples of successful documents.
- **Communication** - Grantees emphasized that OLHCHH could improve its outreach and engagement by (1) communicating more consistently with grantees to discuss program challenges, expectations, and updated guidance and (2) scheduling regular group check-ins or more networking opportunities to allow for shared learning and discussion.

OLHCHH's Insights on its Support to Grantees to Meet Performance Benchmarks

According to OLHCHH, contractor capacity remains a significant challenge for grantees managing these lead grant programs. Specifically, contractors often prioritize higher paying non-federally funded projects over federally funded projects that posed a challenge for grantees to secure consistent support in providing lead hazard control activities to the targeted U.S. households. In response, OLHCHH launched a capacity-building grant program in 2023 to assist in developing the infrastructure to successfully launch and manage the lead hazard grant program. Specifically, these grants can be used towards training and lead abatement and lead renovation licensing fees for eligible contractors. The overall goal is to help rebuild capacity and a pool of eligible certified professionals needed to provide lead hazard control work.

In addition to addressing contractor shortages, OLHCHH mentioned that it provided other resources to support grantees in meeting agreed-upon performance benchmarks. Some of these resources offered to grantees include

- **Program Management School** – Annual training sessions that covers various aspects of effective grant management like managing subrecipients, contractor relationships, partnership building, and the environmental review process.
- **Peer-to-Peer Training** – Grantees are encouraged to share experiences, challenges, and solutions with others in their geographic region. This peer training helps grantees resolve issues and find new ways to efficiently meet program requirements.

- **Webinars** – Regularly scheduled webinars that allow grantees to ask questions and discuss ongoing challenges, while also sharing successful strategies such as simplifying the collection of required documentation needed to perform the lead hazard control services.

Our audit objective did not focus on OLHCHH’s resources used to assist the grantees in meeting performance benchmarks and program objectives. As a result, we did not evaluate the effectiveness, quality, or quantity of the resources that OLHCHH offered to the grantees.

In addition, grantees have the option to request modifications to the budget and performance benchmarks to address any shortfalls. These modifications are subject to OLHCHH approval. For instance, on June 2, 2025, one grantee mentioned adjusting its performance benchmarks with the belief of meeting the revised performance benchmarks. Another grantee planned to submit a modification to its performance benchmarks to OLHCHH for review.

To further support grantees, OLHCHH is planning updates to its oversight in response to its staffing limitations and program needs. These changes include (1) updating its SOP related to how it designates grantees as ‘High Risk’; (2) relying on more remote monitoring; and (3) incorporating Artificial Intelligence (AI)-driven data analysis to detect fraud, waste, and abuse in the lead programs. While OLHCHH stated there is a need for relying on more remote monitoring, no specific details were provided to us during the audit.

Conclusion

HUD’s lead-based programs are crucial for protecting vulnerable populations from lead poisoning and improving their housing quality. While OLHCHH provided leniency to the grantees due to the pandemic’s impact, the lack of ‘High Risk’ designations or not reviewing QPRs timely does not allow for sufficient oversight of the grants and grantees to ensure they are achieving agreed-upon performance benchmarks to mitigate lead-based hazards. These oversight weaknesses limit OLHCHH’s ability to hold grantees accountable and ensure that these Federal funds are used to address HUD’s program goals of reducing lead hazards in targeted U.S. households.

Recommendations

We recommend HUD’s Director of Office of Lead Hazard Control Healthy Homes

- 2A. Reevaluate ‘High Risk’ designation criteria as part of the SOP update and reimplement its updated ‘High Risk’ criteria to reflect how grantees will be designated as ‘High Risk’ within the program. In addition, train OLHCHH staff on the new ‘High Risk’ designation criteria stated in the SOP.
- 2B. Notify grantees of HUD’s updated ‘High Risk’ designation criteria and HUD’s expectations when designated as ‘High Risk.’
- 2C. Provide assistance to the nine identified ‘High Risk’ grantees that will help meet established performance benchmarks to be completed by the end of the respective grants in 2026.
- 2D. Recapture \$3,775,916 in undisbursed grant funds not used to meet agreed-upon performance benchmarks for the two identified ‘High Risk’ grantees whose period of performance ended in June

and July 2025, respectively. In addition, identify those grantees that received 2020 through 2022 LBPHC and LHRD grants with a period of performance that ended on or before December 31, 2025, to determine whether agreed-upon performance benchmarks were met by that date, and take appropriate actions that include recapturing undisbursed grant funds.

2E. Consider grantees' suggestions to improve training sessions, technical assistance, and communication of information that grantees can use to help meet agreed-upon performance benchmarks. In addition, provide documentation to support the guidance OLHCHH plans to share with grantees to ensure agreed-upon performance benchmarks are met.

2F. Reassess, establish, and incorporate a maximum review period of grantee-submitted QPRs into an SOP. Inform staff of the review period to ensure consistency and understanding of HUD's expectations of the time to review grantee-submitted QPRs. In addition, establish formal guidance and implement internal controls to monitor and track the timely review of QPRs.

Management Response

OLHCHH agreed with the finding and recommendations. OLHCHH plans to implement the recommendations during calendar year 2026. OLHCHH also provided proposed technical edits to the finding and recommendations 2C and 2D for consideration.

Management's response included a corrective action plan with target dates for completion. Their full comments are in Appendix B.

OIG Evaluation of Management Response

We appreciate OLHCHH's general agreement with the finding and recommendations. We considered the proposed technical edits and made changes where appropriate. The changes did not impact the audit results or recommendations. We look forward to working with OLHCHH through the audit resolution process to ensure they implement the corrective actions needed to address recommendations 2A through 2F.

Scope and Methodology

We performed our audit work from September 2024 to June 2025. We conducted our fieldwork offsite. Our audit period covered LBPHC and LHRD grants awarded from fiscal years 2020 through 2022.

To accomplish our audit objectives, we

- Reviewed applicable LBPHC and LHRD laws, regulations, NOFA and NOFOs, HUD guidance, and related documentation;
- Interviewed OLHCHH officials;
- Reviewed OLHCHH grant application evaluation documentation;
- Reviewed HUD's oversight, guidance, SOP, and HHGMS reports;
- Reviewed grantees' QPRs and quarterly assessment letters for the period of July 1 through September 30, 2024; and
- Reviewed grantees' questionnaire responses and conducted follow-ups as needed.

We reviewed and analyzed grant financial data from HUD's Financial Data Mart using HUD OIG Integrated Data Analytics Division's (iDAD) PowerBI Lead-Based Paint Grants dashboard. From this data, we identified a universe of 101 LBPHC and LHRD grants awarded between fiscal years 2020 through 2022, totaling \$353.2 million. From this universe, we selected 16 competitive lead grants for review. These competitive lead grants met our nonstatistical targeted sampling criteria that focused on (a) grantees with more than 10 percent of awarded funds recaptured from any year between fiscal years 2016 and 2022 and (b) grants with disbursements below the calculated average disbursement percentage for their respective award years. For each award year, we calculated the average disbursement percentage and identified those grants that fell below the average disbursement percentage, indicating the grantees that may be struggling to spend their lead grant funds.

We added an additional grantee during our audit fieldwork due to recent media attention about its lead grant funding. As a result, we reviewed 17 competitive lead grants managed by 17 grantees.

The sample was nonstatistical, we cannot project the results to the entire lead grant population.

We relied on data in HUD's HHGMS to achieve our audit objectives. We relied on this system to obtain financial and performance data for each of the 17 selected grantees. Although we did not perform a detailed assessment of data reliability, we performed a minimal level of testing and found the data to be adequately reliable for our purposes. For the 11 sampled competitive lead grants that OLHCHH did not designate as 'High Risk,' we traced specific data to multiple documents such as applications, quarterly assessments letters, and HUD assistance award and amendments forms. Our review of those documents supported the adequate reliability of the data for use during the review.

We conducted this 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendixes

Appendix A – Schedule of Funds To Be Put to Better Use

Recommendation Number	Funds to be put to better use
2D	\$3,775,916
Totals	3,775,916

1/ Recommendations that funds be put to better use are estimates of amounts that could be used more efficiently if an Office of Inspector General (OIG) recommendation is implemented. These amounts include reductions in outlays, deobligation of funds, withdrawal of interest, costs not incurred by implementing recommended improvements, avoidance of unnecessary expenditures noted in preaward reviews, and any other savings that are specifically identified. In this instance, if OLHCHH implements our recommendation, the appropriate actions are taken to address \$3.8 million in grant funding that the two identified 'High Risk' grantees did not use before the end of their respective grant's period of performance in June and July 2025 to provide lead hazard control services for at least 132 targeted households. Among the appropriate actions that OLHCHH could take include recapturing the unspent funds in fiscal year 2026 rather than waiting for the automatic closing of those accounts at the end of fiscal year 2027. This action would revert the funds to U.S. Department of Treasury sooner with a financial benefit to the United States government. Once this recommendation is successfully implemented, this will be a one-time benefit.

Appendix B – Management Response



OFFICE OF LEAD HAZARD CONTROL
AND HEALTHY HOMES

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-3000

December 31, 2025

MEMORANDUM FOR Kilah S. White
Assistant Inspector General for Audit & Evaluation
Office of the Inspector General

FROM: *for:* Tara J. Radosevich WARREN FRIEDMAN
Acting Deputy Director
Office of Lead Hazard Control and Healthy Homes

SUBJECT: Review of Draft OIG Report 2026-LA-000X, HUD Needs to Improve Its
Award and Oversight of Lead-Based Paint Hazard Control and Lead
Hazard Reduction Demonstration Grants

Digitally signed by: WARREN FRIEDMAN
DN: CN = WARREN FRIEDMAN C = US O = U.S. Government
OU = Department of Housing and Urban Development, Office
of Healthy Homes and Lead Hazard Control
Date: 2025.12.31 13:58:18 -0500

The Office of Lead Hazard Control and Healthy Homes (OLHCHH) thanks the Office of the Inspector General (OIG) for its efficient coordination with our office on the subject audit, and for the opportunity to review the draft report.

We have provided, separately, our recommended technical edits. Based on the assumption that OIG accepts those edits, the OLHCHH will implement the report's seven recommendations as follows (with the recommendation numbers shown):

- 1A: OLHCHH will provide support to show that the performance history element was factored as part of the grantees' capacity to manage the grants awarded through the 2025 NOFO, by 2/27/2026.
- 2A: OLHCHH will reevaluate and reimplement its 'High Risk' designation in its grants SOP update, and train its staff on the new designation, by 6/30/2026.
- 2B: OLHCHH will notify grantees of its updated 'High Risk' designation criteria and HUD's expectations when designated as 'High Risk,' by 6/30/2026.
- 2C: OLHCHH will assist the nine active identified 'High Risk' grantees to help them meet their performance benchmarks, by 12/1/2026.
- 2D: OLHCHH will take appropriate actions on grants with PoP dates on or before 12/31/2025 that include recapturing undisbursed grant funds, by 3/30/2026.
- 2E:
 - (1) OLHCHH will consider grantees' suggestions on helping them meet their benchmarks, by 6/30/2026.

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- (1) OLHCHH will provide guidance to grantees on ensuring they meet their benchmarks, by 9/30/2026.
- (2) OLHCHH will provide supporting documentation for the guidance, by 9/30/2026.

2F:

- (1) OLHCHH will incorporate a maximum review period of QPRs into an SOP and will implement formal guidance and internal controls on these reviews, by 6/30/2026.
- (2) OLHCHH will inform staff of the review period and provide the guidance to them, by 6/30/2026.

If you have any questions about this, please let me know. If your staff have any questions about this, please have them contact Dr. Warren Friedman, Senior Advisor, OLHCHH, at 202-423-3730, or by email or Teams call or chat.