

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Program Office Salaries and Expenses

Office of Inspector General

SALARIES AND EXPENSES

(Dollars in Thousands)

	2022*	2023			2024		
	Actuals	Carry Over	Enacted	Total	Carry Over	President's Budget	Total
Personnel Services:	105,153	-	109,777	109,777	-	115,780	115,780
Non-Personnel Services:							
Travel	785	-	1,421	1,421	-	1,507	1,507
Transportation of Things	2	-	5	5	-	5	5
Rent and Utilities	6,882	-	6,896	6,896	-	6,833	6,833
Printing	5	-	2	2	-	2	2
Other services/Contracts	21,501	-	22,417	22,417	-	24,840	24,840
Training	490	-	530	530	-	561	561
Supplies	271	-	325	325	-	345	345
Furniture and Equipment	4,251	-	4,377	4,377	-	3,877	3,877
Claims and Indemnities	20	-	250	250	-	250	250
Total, Non-Personnel Services	34,207	-	36,223	36,223	-	38,220	38,220
Working Capital Fund	-	-	-	-	-	-	-
Carryover	-	-	-	-	-	-	-
Grand Total	139,360	-	146,000	146,000	-	154,000	154,000
FTEs	518	-	520	520	-	525	525

*Includes 2021 carryover

PROGRAM PURPOSE

The Office of Inspector General (OIG) for the U.S. Department of Housing and Urban Development (HUD), is an independent and objective organization, conducting and supervising audits, evaluations, investigations, and reviews relating to the Department's programs and operations. OIG promotes economy, efficiency, and effectiveness in these programs and operations while also preventing and detecting fraud, waste, abuse, and mismanagement. OIG is committed to keeping the HUD Secretary, the Congress, and its stakeholders fully and currently informed about problems and deficiencies within the programs of the Department and the necessity for and progress of corrective action. Beyond ensuring proper stewardship of Federal funds, through timely and influential oversight, OIG aims to protect HUD's beneficiaries and ensure that HUD's critical programs are efficiently administered to the vulnerable communities and populations who need them most.

The work of the OIG is important to the Department's ability to achieve its strategic goals, as its oversight provides an independent perspective on how HUD's management challenges affect the Department. The OIG aligns staff and work to most efficiently deploy resources to provide comprehensive oversight over HUD's major operations and address the issues and concerns most critical to the Department. Providing impactful oversight, OIG models stewardship of taxpayer resources by enhancing operational efficiency and effectiveness through innovative solutions and leveraging data, technology, and insights from its dedicated workforce.

BUDGET OVERVIEW

The 2024 President’s Budget requests \$154 million for the OIG, which is \$8 million more than the 2023 enacted level.

The Budget seeks the resources necessary for the OIG to continue delivering the impactful investigations, audits, evaluations, and reviews that executive branch and congressional stakeholders require. The Budget would also provide necessary support for congressionally mandated oversight, notably audits of HUD’s financial statements, evaluations of the maturity of HUD’s cybersecurity operations under the Federal Information Security Management Act (FISMA), and the Payment Integrity Information Act (PIIA).

The Budget represents a 5.5 percent increase from the 2023 enacted level to support mission critical personnel, non-personnel mission requirements, and inflationary cost increases. The OIG is continuing to prioritize resources to support the tools and personnel necessary to produce actionable information that increases the effectiveness and success of HUD programs, while rooting out waste, fraud, and abuse that undermine programmatic and stakeholder objectives.

Inspector General Act Budget Requirements

In accordance with the requirements of the Inspector General Act of 1978, as amended, OIG is including the following details:

- OIG’s 2024 Budget request is for \$154 million in support of an estimated 525 full-time equivalents (FTE) with an additional 12 FTE estimated to be supported using supplemental funding (Harvey, Irma, Maria, and other Disaster supplemental appropriations for a total of 537 FTE).
- The amount included in this request to support external training costs is \$561.4 thousand, \$32 thousand above 2023 enacted.
- The amount included in this request to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE) is \$647 thousand, \$34 thousand above 2023 enacted.

Personnel Services (PS)

The Budget assumes total funding of \$115.8 million for PS, \$6 million above 2023 total funding. This funding will support 525 FTEs, five FTEs above the 2023 enacted level. The requested FTE level and PS resources will support OIG’s oversight of critical HUD programs and business functions.

2024 Personnel Services Summary of Changes

(in dollars)

Scenario	2023 PS Obligations <i>(including reimbursable)</i>	2023 Annualization / 2024 COLA Inflation	2023 Benefit Cost Inflation	FTE Increase / Decrease	One Extra Compensable Day	Other PS Adjustments (works comp, PLI, etc.)	Reimbursable Adjustment	2024 Total PS Requirements
2024 Budget	109,777,301	3,781,489	811,633	1,076,341	433,138	-	(100,000)	115,779,901

FY 2023 Enacted FTE	FY 2024 Requested FTE
520.0	525.0

The increase of \$6 million above the 2023 enacted level includes:

- \$1.1 million to support 5 FTEs above the 2023 enacted funding level. These positions would be allocated to oversight that promotes HUD's mission of providing safe and sanitary conditions in HUD-assisted housing. The resulting investigations, audits, and evaluations conducted will advance the IG's initiative to protect HUD beneficiaries from health and safety risks and hazards, and from fraud schemes perpetrated against vulnerable populations. This includes, but is not limited to, oversight of unsafe and unsanitary living conditions, hazards like lead-based paint, and predatory landlords that abuse vulnerable tenants by committing acts of sexual misconduct or executing schemes to exploit tenants financially.
- \$4.6 million in inflationary increases for compensation and benefits, including the budget year 5.2 percent projected COLA (\$2.9 million), annualization of the 2023 COLA inflation (\$900 thousand), and 2024 benefit cost inflation (\$800 thousand).
- \$433 thousand increase in requirements to account for one extra compensable day in 2024.
- \$100 thousand decrease in requirements based on projected increase to reimbursable offsets.

The outlined personnel services resources and FTE will support the OIG's mission across the spectrum of HUD activities and programs. This includes areas where the OIG is shifting and the prioritization of its oversight resources towards HUD programs and operations identified in the OIG's Top Management Challenges report. Specifically, the OIG will dedicate resources to address the areas of greatest concern:

- Ensuring access to and availability of affordable housing
- Mitigating counterparty risks in mortgage programs
- Eliminating hazards in HUD-assisted housing
- Managing human capital
- Increasing efficiency in procurement
- Improving IT modernization and cybersecurity
- Sustaining progress in financial management
- Administering disaster recovery
- Grants management
- Fraud risk management

Additional details outlining priorities for OIG's personnel are in the Organizational Initiatives section of this document.

Workforce Planning: The OIG is using its priority oversight and strategic planning processes to determine the optimal mix of skillsets within the 525 FTE total, taking advantages of staffing opportunities to increase some aptitudes and talents to address emerging or more predominant HUD challenges. The OIG continuously calibrates the human capital resources within the differing oversight groups to ensure consistent and appropriate coverage of all program areas by the appropriate personnel. This has resulted in cadres of experienced oversight professionals whose work is dedicated to key Department programs and operations, while maintaining the flexibility to address emerging issues and focus on the Inspector General's initiatives to protect HUD beneficiaries.

Additionally, the OIG seeks to enhance all oversight functions by continuing to add specialized support services and skill sets to our teams. This includes science and technology skillsets like digital forensics analysts and data scientists who can increase the speed and quality with which we identify the best oversight objectives or investigative leads and then execute field work to complete those engagements. Equally, to continue building a deep base of knowledge within the OIG, the office plans to recruit individuals with housing finance, financial market, and direct HUD program

experience. By increasing its talent base in these areas, the OIG will be better positioned to oversee the Department's vast and complex programs, including the intersectionality between HUD and the broader housing industry, grantees, and other HUD partners. As mission support is a critical component of operational success, the OIG has prioritized building a foundation of talent within the Office of Information Technology to ensure sufficient cybersecurity and infrastructure expertise to foster continuity in long-term IT infrastructure planning.

Overall, the 2024 Budget FTE level provides for minimal new personnel investment while supporting the current service needs of the OIG and allows for sufficient positioning of the office's resources to successfully carry out its mission.

OIG FTE FROM OTHER FUNDING SOURCES

Appropriation Type	2022 FTE	2023 FTE	2024 FTE
All Disaster Supplemental Funding	13.1	13.0	11.7
CARES Act	12.4	2.5	-

Non-Personnel Services (NPS)

The OIG's 2024 non-personnel services (NPS) requirements, including the cost of the consolidated financial statement audit, are \$38.2 million or \$2 million more than 2023 enacted level. The total increase represents a combination of adjustments to the base and new investments.

2024 Budget (in dollars)			
NPS Category	Adjustments to Base	New Investment (+)	Total Change
Travel	71,058	14,348	85,407
Transportation of Things	-	-	-
Rent and Utilities	(62,878)	-	(62,878)
Printing	-	-	-
Other Services/Contracts	1,223,598	1,200,000	2,423,598
Training	26,478	5,347	31,825
Supplies	16,250	3,281	19,531
Furniture and Equipment	-	-	-
Claims and Indemnities	-	-	-
Total	1,274,506	1,222,976	2,497,483

- **Other Services / Contracts:** The 2024 adjustments to the base in the other services category represent the cost to support current services based on the most recent cost information available to the OIG with some investments in information security.

Adjustments to Base: +\$1.2 million

- **IT operations:** Requirements associated with IT operations are the largest increase in this category. The cost to support OIG IT infrastructure is increasing by \$2 million over 2023 requirements. Most of the increased expenditures are associated with OIG's business operations support needs. OIG's primary business operations support service was recompeted and awarded in late 2022. As part of that process, the contract was converted to a firm fixed price model which increased the overall annual cost. This was done as a risk mitigation action to diminish the budget risk from unexpected contractor cost overruns and have the possibility to strain resources, crowding out other necessary spending. Additionally, OIG requires increased services to support systems development, network engineering, and other critical IT needs.

The OIG is also projecting higher annual costs to support its cloud computing infrastructure.

- **Non-IT operations:** The remaining adjustments to base are a combination of requirements that represent a total net decrease of \$764 thousand. OIG is expecting reduced space services costs based on decreased GSA forced move requirements in 2024 compared to enacted 2023. Projected costs associated with Bureau of the Fiscal Service (BFS) support and strategic assessment and planning services are also declining from 2023 levels. These decreases are balanced against an expected increase in the cost of the financial statement audits, CIGIE related expenses, personnel background investigation shared services, and other minor contracts.

New Investment: +\$1.2 million

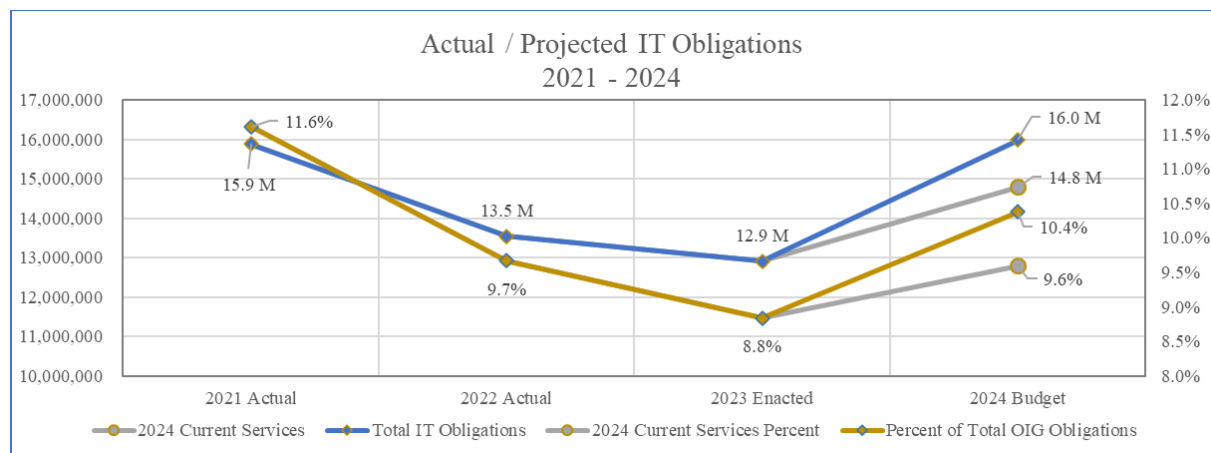
- **Security Operations Center:** This new investment would support access to the services of a Security Operations Center (SOC). Currently, the OIG is out of compliance with OMB M-19-02, which requires Agencies to complete SOC maturation, consolidation, and migration to SOC as a service (SOCaaS), allowing the OIG to better defend against unauthorized activity within our computer networks. The OIG operates an IT network independently from HUD and will need to procure monitoring services separate from HUD's contract to meet this requirement. The additional funding will allow OIG to invest in the DOJ SOCaaS, which is the most cost-effective solution to procure 24/7 security monitoring of the HUD OIG network. SOC related requirements will be reassessed for cost effectiveness going forward after the initial investment in 2024 with expected annual costs to continue at the same initial investment level of \$1.2 million.
- **Furniture and Equipment:** The OIG expects a net decrease of \$500 thousand in equipment spending category requirements in 2024. This is due to reduced GSA forced moves and other space projects expected to take place during 2024. Additionally, the OIG projects IT operational equipment needs to decline due to reduced hardware needs. These decreases are balanced against increases in GSA leased vehicle costs and other equipment needs such as ammunition or body vests for investigative personnel.
- **Travel:** The OIG projects inflationary costs for travel to equal \$71 thousand in 2024, with an additional 14 thousand in new spending to support additional FTEs above the 2023 enacted level. The OIG has fully returned to pre-pandemic travel volume for many personnel and mission activities. Beginning in April 2023, OIG employees will be in our office space three days per week and will conduct regular travel for in-person engagement. The OIG will balance in-person engagements with virtual meetings to enhance employee engagement and collaboration.
- **Rent and Utilities:** OIG continues to seek efficiencies and to strategically align our real estate portfolio with our oversight priorities. Overall, U.S. General Services Administration rent requirements and other costs covered in this spending category have a net reduction of \$63 thousand. Part of this approach includes HUD OIG partnering with other OIGs to share space where possible.
- **Training:** The OIG projects inflationary costs for training of \$26 thousand in 2024, with an additional \$5 thousand in new investment to support additional FTEs above the 2023 enacted level. This requirement supports all law enforcement, oversight, support, and leadership development training needs for the OIG.
- **Supplies:** The OIG projects inflationary costs for supplies of \$16 thousand in 2024, with an additional \$3 thousand in new investment to support additional FTEs above the 2023 enacted level.

Financial Statement Audits

The OIG currently utilizes two contracts to support required audits of HUD, specifically the consolidated financial statement audit and the component audits of Ginnie Mae and the Federal Housing Administration (FHA). The 2023 projected total cost to support the financial statement audit is \$6.1 million (included in contractual costs identified in the NPS section of this CJ). The OIG plans to recomplete the financial audit contract as one unified procurement during 2023 with the winning bidder performing the 2024 financial statement audit. Our current projection for the total cost to support the 2024 audit is \$6.2 million or \$100 thousand more than the 2023 enacted level.

Information Technology (IT)

The 2024 Budget provides necessary funding to support adjustments to the base associated with the OIG’s IT current services and investment in mandated cyber security services. This includes the necessary costs of business operations services, cyclical replacement of IT assets, network infrastructure, and other equipment as part of normal operations and maintenance activities. Overall, the OIG plans to expend a lower percentage of our appropriation on IT current services than in both 2021 and 2022.



The OIG has made a concerted effort to bring all IT systems in compliance with Cybersecurity and Infrastructure Security Agency (CISA) requirements over the previous few fiscal years, with this effort continuing into 2024. Some examples include:

- Planning to implement Trusted Internet Connection (TIC) compliant internet connections at both the primary and disaster recovery data centers.
- Actively procuring technology that will allow for 72-hour Packet Transfer capabilities.
- Investing in the Department of Homeland Security (DHS) Continuous Diagnostic and Mitigation program which allows the OIG to procure additional information security services and equipment with cost sharing through DHS.
- Purchasing HCI Data-At-Rest Encryption technology which provides additional server capability with built in information security features required by CISA.

Beyond cybersecurity, the OIG continues to invest in management information systems that create efficiencies and maximize the oversight capabilities of mission personnel, while providing OIG leadership with better insight with which to direct the Agency. For example:

- SAS is allowing the OIG's data analytics teams to take huge data sets that can be dissected to identify potential criminal activity or grantees that need additional oversight – this information allows for more productive and efficient oversight engagements, saving time and resources.
- The eCase Oversight Project Tracking Information Management System (OPTIMUS) replaced the OIG's previous outdated and under-functioned system. OPTIMUS is a cohesive oversight workload management system that integrates data from all non-investigative OIG components, allowing for more efficient oversight and resource input analysis.
- The Research and Analysis Portal replaces an array of systems with a new tool supporting cross-agency legal, investigatory, and other data gathering needs. Additionally, the acquisition into a combined product decreased overall costs and improved functionality.
- Modernization of the OIG's Records Management System has allowed for more thorough and quicker responses to congressional requests, improved responsiveness to FOIA requests, enhanced accessibility, and better overall central management of records.

KEY OPERATIONAL INITIATIVES

IG Priorities to Protect Vulnerable Populations from Unsafe and Hazardous Conditions

Under the leadership of Inspector General Oliver Davis, the OIG is dedicating oversight resources to focus on protecting the most vulnerable of HUD beneficiaries. The OIG will use both the personnel and non-personnel requirements outlined in this Budget to initiate more audits, investigations, and reviews into the communities where OIG has identified an increased risk that public housing agencies (PHA), contract administrators, and landlords are not in compliance with HUD's requirements of providing safe living conditions in housing units receiving HUD rental assistance. Additionally, the OIG has received allegations of unscrupulous individuals and entities seeking to exploit HUD beneficiaries through financial fraud schemes or through sexual misconduct.

The Inspector General's vision calls for holistic reviews of programs and operations at the national, regional, and local level, and taking a targeted, data-driven, and risk-based approach to deploying oversight resources. The goal of these efforts is to assist HUD in identifying ways to increase compliance by PHAs and landlords with HUD's requirements designed to provide decent, safe, and sanitary housing to beneficiaries. OIG also intends to identify ways HUD can enhance its monitoring capabilities to better ensure PHAs and landlords are following HUD requirements going forward, and improve the experiences for HUD's stakeholders. Finally, the OIG will work with Federal, State, and local law enforcement partners, including outreach and education to HUD communities and beneficiaries, to root out participants engaged in fraud schemes that abuse vulnerable HUD beneficiaries. Additional staffing resources will provide the appropriate capacity to help the OIG to do additional oversight over these critical programs and the entities and individuals who implement them. Below are descriptions of the Inspector General's priorities and our work to address them.

Identifying and Mitigating Lead Hazards: The OIG is dedicating oversight capacity to tackle lead-based hazards, which is one of the greatest housing-related threats to children in the United States. There are approximately half a million children in the United States, ages 1-5, with blood lead levels above the level at which the Centers for Disease Control and Prevention recommend that public health actions be initiated.

OIG is identifying and mitigating lead hazards through a multi-pronged oversight approach. First, OIG is assessing whether HUD and its partners have the authorities, capacity, and capabilities needed to effectively carry out the responsibilities to provide housing that is lead-safe. Second, OIG is promoting accountability for HUD in carrying out its program responsibilities and oversight of its program participants. Third, OIG is enhancing compliance with and enforcement of Federal lead

hazard laws. The OIG is confident that dedicating resources to drive compliance up at the national and local levels will correlate directly with a decrease in lead poisonings for HUD-assisted families. This has resulted in OIG dedicating oversight resources to address systemic weaknesses, an iterative approach at the PHA level to drive compliance up and identify and investigate individuals who defraud or undermine HUD's lead programs and endanger the health and safety of HUD beneficiaries.

This multi-pronged approach has yielded results and can be expanded with additional investments. OIG audit work has revealed significant challenges in HUD's programs. OIG has found that HUD did not have adequate oversight of public housing agencies' compliance with the Lead Safe Housing Rule, including appropriately determining when units are exempted from the rule. A recent Management Alert highlighted that HUD does not require PHAs and other property owners to document or maintain evidence to support those determinations, a significant gap that limits HUD's ability to oversee lead-based paint hazards. OIG also found that HUD had limited requirements for multifamily properties concerning lead in the drinking water, and did not require property owners or agents to take action to address the potential for lead in the drinking water. Through addressing these and similar issues identified by OIG oversight, HUD and its partners make a positive impact on the vulnerable communities they serve.

In addition to these systemic gaps, investigative efforts have uncovered serious misconduct that left HUD-assisted families at risk. An OIG investigation found that since at least 2013 the New York City Housing Authority had extensively violated EPA's lead abatement regulations when conducting hundreds of abatements a year. This investigation has become a model that the OIG is expanding across the country and has yielded results. An OIG investigation resulted in a contractor in Indiana being sentenced to 16 months in Federal prison for failing to follow Federal lead paint laws and obstructing justice. While performing work at HUD-funded renovations sites, including a residence inhabited by a child with elevated blood lead levels, the defendant's company performed work that resulted in lead-based paint chips being scattered throughout the properties and not being cleaned up timely or properly. After being subpoenaed by a grand jury investigating this matter, the contractor falsified documents to conceal that his employees had not received proper training on lead-safe work practices.¹ The OIG will continue to investigate PHAs, landlords, contractors, and inspectors who knowingly fail to perform maintenance or lead hazards reduction work safely, putting HUD's beneficiaries at risk.

Additional, iterative, risk-based audit work is underway to determine whether large PHAs in Pennsylvania, Ohio, and California adequately managed lead-based paint hazards in their public housing units. The audits will focus on whether PHAs are properly disclosing lead hazards to tenants, properly conducting annual assessments, acting appropriately following confirmed cases of elevated blood lead levels in children, and documenting the PHAs lead hazard mitigation and other work. With commensurate resources, the OIG can expand this approach and continue implementing similar audits for at-risk HUD-assisted housing across the country.

Improving Living Conditions in Assisted Housing Units: The OIG is also examining how problems identified during physical inspections of HUD-assisted housing units are being addressed. The OIG is currently auditing HUD's process for overseeing corrective actions taken by property owners, both PHAs and landlords, to address inspection findings and particularly those identified as emergency health and safety concerns. Additionally, the OIG is auditing the process by which HUD program offices oversee PHA and landlord remediation of problems found during inspections. The OIG plans

¹ [Southern District of Indiana | Richmond Contractor Sentenced to over 1 Year for Violating Federal Lead Paint Laws and Obstructing Justice | United States Department of Justice](#)

to initiate additional reviews of PHAs and landlords to assess their compliance with HUD's requirements to maintain housing units in safe and sanitary conditions.

In addition, the OIG will continue to dedicate the resources of the Office of Investigation to identify PHAs, landlords, and property managers who are failing to uphold their responsibilities to provide safe and sanitary living condition in HUD-assisted housing. To further these efforts, the OIG has expanded outreach to housing advocates, community groups, and environmental justice organizations to identify additional allegations of fraud, waste, and abuse that exposes HUD beneficiaries to dangerous hazards in their homes. Additionally, OIG regularly develops fraud bulletins and other public service announcements to help educate and protect HUD's stakeholders from common fraud schemes², and use a data-driven approach to applying limited oversight resources to where the greatest threats exist.

Additional information about the OIG's recent and ongoing work can be found below.

Protecting Vulnerable Tenants from Abuse: The OIG has identified several significant instances of landlords engaging in fraud or abuse of vulnerable tenants, and is committing resources to ferreting out other instances of this conduct in HUD's programs. Abuse can occur through physical violence, sexual harassment and misconduct, or through financial fraud schemes that steal money from low-income households. Increasing the OIG's capacity to investigate these schemes has been an integral part of our oversight strategy.

Together with the Department of Justice and our other law enforcement partners, HUD OIG recently obtained the largest settlement of its kind against a landlord who sexually abused HUD-assisted tenants and potential tenants. The settlement will go towards compensating the people who suffered as a result of the landlord's actions.³ Having adequately trained personnel dedicated to undertaking these taxing investigations will make a direct, meaningful impact on the lives of HUD's beneficiaries and provide a deterrent effect to others.

Another area where OIG has observed landlords preying upon vulnerable HUD-assisted tenants is by charging them more for rent or utility fees than they do other tenants.⁴ Under HUD rules, HUD's low-income Section 8 voucher holders are required to pay up to 30 percent of their income, which can represent a substantial amount for families given their limited means. However, under HUD rules, landlords cannot bilk both HUD and the tenant by charging them more for rent than they do other non-HUD-assisted renters. They rely on the fact that the tenants are in need of housing, do not always have alternative options, and that HUD's local partners at Public Housing Authorities will pay the remainder of the rent.

OIG investigations and other oversight can and will positively change the lives of those in need, who depend on access to and the effectiveness of HUD assistance. OIG's ability to affect positive change is dependent on resources. OIG staffing resources and non-personnel support are at the heart of OIG's initiatives to fight fraud and abuse that negatively affects HUD programs and beneficiaries. The personnel and non-personnel requirements outlined in this request support this important operational initiative and allow the OIG to continue building on recent successes.

² More information can be found at: <https://www.hudoig.gov/fraud/notices-alerts/public-program-participants>

³ <https://www.hudoig.gov/newsroom/press-release/justice-department-obtains-45-million-settlement-new-jersey-landlord-resolve>

⁴ <https://www.hudoig.gov/newsroom/press-release/newark-landlords-agree-pay-430000-settle-allegations-collecting-excess-rent>
<https://www.justice.gov/usao-ma/pr/holyoke-landlord-agrees-15000-settlement-false-claims-act-violations>

Comprehensive Oversight of HUD's Key Functions

Over the past several years, the OIG has repositioned staff to provide more comprehensive oversight over critical programs and operations of HUD, including expanding oversight into areas of HUD operations where the historic oversight footprint was not commensurate with the importance of the program to HUD and the public. To ensure that OIG's oversight is influential and most impactful for HUD and its stakeholders, the OIG has aligned its oversight planning and key reports to the priorities established in HUD's strategic plan. The OIG has reoriented oversight teams from being primarily regionally based to a model that allows dedicated audit and evaluation teams develop and leverage deeper program expertise. Further, OIG's teams of investigators, who for operational efficiency maintain primarily regional coverage, can leverage the focused audit and evaluation teams through cross-component collaboration and planning.

This approach has led to significant results for OIG. Last fiscal year, OIG audits found over \$7 billion in funds that could be put to better use, almost \$12 million in questioned costs, and saw over \$18 million in collections. Similarly, investigations resulted in over \$40 million in restitutions and judgments, with over \$10 million total recoveries and receivables ordered to HUD programs. While OIG measures success also in the positive impact on HUD's beneficiaries, from the taxpayer's perspective the return on investment in OIG is clear.

To ensure comprehensive oversight of HUD's key functions, OIG work addresses what it has independently determined to be the top management and performance challenges facing the Department. Each challenge is tied to HUD's strategic plan and is informed by past OIG oversight findings, the views of Department leadership, the work of the office's oversight partners such as GAO, and input from key external stakeholders. For 2023, OIG has determined HUD's Top Management Challenges to be:

- Ensuring access to and availability of affordable housing
- Mitigating counterparty risks in mortgage programs
- Eliminating hazards in HUD-assisted housing
- Managing human capital
- Increasing efficiency in procurement
- Improving IT modernization and cybersecurity
- Sustaining progress in financial management
- Administering disaster recovery
- Grants management
- Fraud risk management

Additionally, OIG recently issued its first [Priority Open Recommendations Resource](#) identifying the OIG recommendations that, if closed, would have the largest positive impact on HUD's programs and the communities and individuals served. The report focuses the attention of the Department, the Congress, and the public on key weaknesses that would yield large, tangible benefits if addressed. The report has already had an impact, as the Department took action to close three recommendations related to contaminated sites upon being informed which recommendations were to be on the priority list, and recently closed a fourth priority open recommendation that HUD enforce the requirement for all HUD web applications and services to be approved and authorized by OCIO.

OIG will continue to work with the Department to expeditiously address these priority recommendations and to keep the Congress and the public informed about the Department's progress in doing so.

OIG auditors, evaluators, and investigators orient their work toward addressing a top management challenge within the HUD programs or geographical areas they are responsible for. This multistage

process has resulted in OIG providing deliberate, targeted oversight over the most critical of HUD's programs and resulted in actionable recommendations that provide a roadmap for HUD and its stakeholders to achieve program improvements. It has also ensured that OIG's investigative work will yield the greatest deterrent possible, and provide accountability where the taxpayer or HUD beneficiaries are most at risk.

The Department will continue to face challenges in administering and monitoring the use of funding under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the American Rescue Plan (ARP) Act, and other dedicated pandemic-related funding. The office has done considerable work to provide timely and targeted oversight to help the Department effectively stand up its program, including through the use of agile work products, lessons learned reports, audits of grantee challenges, and fraud risk inventories and risk assessments. The OIG also examined how well the Department was communicating with FHA-insured homeowners and, with its counterparties, providing pandemic relief. While OIG has exhausted the supplemental appropriation it received to perform oversight of the pandemic, the work in this area is far from over.

While by no means exhaustive, the below snapshot of the OIG oversight portfolio shows that completed, ongoing, and recently announced oversight work has and will make meaningful, positive impacts on the Department's core operations.

Addressing Counterparty Risk/ Protecting HUD's Insurance Funds

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

OIG's audit objective was to determine whether borrowers of FHA-insured loans maintained proper flood insurance coverage. OIG found FHA insured at least 31,500 loans serviced during calendar year 2020 for properties in SFHA flood zones that did not maintain the required flood insurance coverage. OIG found loans that had private flood insurance instead of the required NFIP coverage, NFIP coverage that did not meet the minimum required amount, or no coverage during calendar year 2020. As a result, the FHA insurance fund was potentially exposed to greater risk from at least \$4.5 billion in loans that did not maintain adequate NFIP coverage. OIG recommends that FHA develop a control to detect loans that did not maintain the required flood insurance to avoid potential future costs to the FHA insurance fund from inadequately insured properties, and make any necessary adjustments to the forward mortgage and HECM handbooks.

[HUD Did Not Have Adequate Controls in Place to Track, Monitor, and Issue FHA Refunds Owed to Homeowners](#)

The OIG audited HUD oversight of FHA refunds based on a hotline complaint alleging that HUD was trying to make it difficult for claimants to obtain refunds or discourage them from pursuing the refunds, which are due to eligible homeowners from the unearned portion of the upfront mortgage insurance premium paid. The audit found the allegations from the hotline complaint had some merit. Also, HUD did not have adequate controls in place to ensure that refunds were appropriately tracked, monitored, and issued. For example, HUD did not ensure that the homeowner information for at least 23,579 loans with unpaid refunds totaling approximately \$15.8 million was included in its public listing of unpaid refunds. HUD did not adequately track the status of refunds, and lacked policies and procedures for various stages of the refund process. As a result, HUD could not ensure that it implemented a consistent refund process, and homeowners and third-party tracers were not able to search for all refunds HUD owed, which may have reduced the chance for homeowners for at least 23,579 loans to obtain approximately \$15.8 million in refunds.

[FHA Borrowers Did Not Always Properly Receive COVID-19 Forbearances From Their Loan Servicers](#)

The OIG audited FHA's oversight of this COVID-19 forbearance option. Several media reports and complaints filed with the Consumer Finance Protection Bureau indicated instances when servicers did not properly administer or offer COVID-19 forbearance. The audit found borrowers were not always made aware of their right to a COVID-19 forbearance under the CARES Act. Based on a statistical sample, at least one-third of the nearly 335,000 borrowers who were delinquent on their FHA-insured loans and not on forbearance in November 2020, were either not informed or misinformed about the COVID-19 forbearance. As a result, many of these borrowers experiencing a hardship due to COVID-19 did not benefit from the COVID-19 forbearance. Additionally, servicers did not always properly administer the COVID-19 forbearance. Based on a statistical sample, they improperly administered the forbearance for at least one-sixth of the nearly 815,000 borrowers on forbearance plans in November 2020, with the most common errors being unnecessary document requirements, improper periods for forbearance, and credit reporting. Servicers also performed excessive communication and collection efforts for borrowers who were already in forbearance. As a result, these borrowers experienced additional burdens from improperly administered forbearance.

Ongoing Oversight:

- COVID-19 Loss Mitigation: OIG's audit will determine whether delinquent borrowers of FHA-insured loans received all available options to stay in their homes after COVID-19 forbearance ended. The OIG will review a statistical sample of FHA servicers' actions taken during the COVID-19 pandemic for delinquent borrowers.
- COVID-19 Loss Mitigation: OIG's audit is reviewing a nationwide mortgage servicing company that provides servicing and origination for FHA loans to determine if the servicer provided all available options to borrowers with FHA insured loans to help them stay in their homes after the COVID-19 forbearance ended.
- FHA Appraiser Roster: OIG's audit will review whether Single Family's FHA appraiser roster, which is the list of individuals approved to conduct valuations for FHA-insured properties, is accurate and contains only eligible appraisers. HUD's appraiser roster is the foundation for these valuations and consists of approximately 40,000 different appraiser IDs.
- Temporary Endorsement Policy Related to COVID-19 Forbearance Activity: OIG's audit will determine whether HUD's administration of its temporary endorsement policy related to COVID-19 forbearance was properly followed by mortgagees, review HUD's plan to monitor and enforce the indemnification agreements, and review HUD's decision to end the policy. The temporary policy allowed mortgagees to endorse mortgages that were placed into forbearance prior to endorsement as long as they met certain requirements and executed a two-year partial indemnification agreement.
- Audit Series - Quality Control Programs for Originating and Underwriting FHA Loans: OIG is auditing four large and mid-sized mortgage originators' quality control programs for originating and underwriting loans, including the companies' reviews of rejected mortgage applications. The lenders were selected following a risk assessment using origination, default, monitoring, and complaint data from HUD, HUD OIG, and the Consumer Finance Protection Bureau.

Impactful Investigations:

- [*Salem Man Sentenced to Four Years in Prison for Decade-Long Mortgage Fraud Scheme*](#): A Salem, Massachusetts real estate developer was sentenced to four years in prison in connection with a decade-long mortgage fraud scheme involving at least two dozen loan transactions, totaling \$6.5 million, that resulted in more than \$3.8 million in losses to lenders.

- [*Real Estate Agent and Her Husband Sentenced for Fraud Using Stolen Personal Identifying Information*](#): A Merrifield, Virginia couple was sentenced for stealing at least nine people's identities and using the stolen personal identifying information (PII) to fraudulently buy a luxury vehicle, lease high-end residences, and obtain loans and credit. The couple even impersonated victims in State court eviction proceedings to prolong their stay in residences they fraudulently leased.
- [*California Mortgage Lender Agrees to Pay More Than \\$1 Million to Resolve Fraud Allegations*](#): A mortgage lender based in Brea, California agreed to pay \$1,037,145 to resolve allegations that it improperly and fraudulently originated government-backed mortgage loans insured by FHA. The settlement resolves allegations that between December 2011 and March 2019, the mortgage lender knowingly underwrote certain FHA mortgages and approved for insurance certain mortgages that did not meet FHA requirements or qualify for insurance, resulting in losses to the United States when the borrowers defaulted on those mortgages. The settlement further resolves allegations that the mortgage lender knowingly failed to perform quality control reviews that it was required to perform.
- [*United States Files Complaint Against Bob Dean Jr. and Affiliated Corporate Entities for Financial Misconduct Stemming from Evacuation of Nursing Homes During Hurricane Ida*](#): The United States filed a complaint under the National Housing Act of 1934 (NHA) against the owner and operator of nursing homes and several affiliated corporate entities for misappropriating and misusing the assets and income of four FHA-insured nursing homes in Louisiana before and after Hurricane Ida's landfall in August 2021. To encourage lenders to make loans to such facilities, FHA mortgage insurance provides lenders with protection against losses that result from borrowers defaulting on their mortgage loans. The United States' complaint alleges that, from 2016 to 2021, the owner required the nursing homes to pay "rent" on an industrial warehouse the owner had acquired supposedly to serve as a hurricane evacuation center. The rent, which totaled more than \$1 million, was paid to one of the owner's corporate entities. Rather than using the funds to prepare the warehouse for a hurricane, the owner funneled much of that money into personal bank accounts. In the days leading up to Hurricane Ida's expected landfall in August 2021, the owner evacuated the residents of the four nursing homes to the warehouse. After residents arrived, sanitation was not maintained, and the nursing homes' staff did not prepare sufficient food, provide wound care, or ensure adequate medical care and support for the residents. As a result, on Sept. 2, 2021, the Louisiana Department of Health removed the residents from the evacuation center and revoked Dean's nursing home licenses. The complaint further alleges that after the residents had been evacuated and the licenses revoked, the owner and related corporate entities continued to misdirect and mispend the nursing homes' assets and income. Specifically, the owner directed a bookkeeper to sweep all of the nursing homes' bank accounts and transfer the millions of dollars of funds to the owner's personal accounts. The United States alleges that the owner did not use these funds to operate or maintain the nursing homes, which at this point were not operating because of the hurricane, and instead used this money to purchase personal goods and services, including antiques, firearms, and cars, and to fund allowances for the owner's family members. The complaint alleges that, in total, the owner misspent and misallocated more than \$4 million of the nursing homes' assets and income.

Fair Housing

[FHEO's Oversight of State and Local Fair Housing Enforcement Agencies](#)

OIG's evaluation reviewed whether FHEO is providing the necessary oversight to ensure that Fair Housing Assistance Program agencies meet performance standards to maintain certification from FHEO. OIG determined that FHEO could provide more guidance related to FHEO's performance

assessment process to improve its oversight of State and local fair housing enforcement agencies participating in FHAP. The FHAP Division has provided guidance that FHEO regional staff responsible for monitoring and overseeing FHAP agency performance (HUD reviewers) does not consistently follow. HUD reviewers expressed a desire for more definitive guidance as to what level of compliance was acceptable and concrete examples of what constituted compliance and noncompliance. Additionally, the evaluation found that regional offices often did not place FHAP agencies with repeat deficiencies on Performance Improvement Plans (PIPs), and FHEO regional directors use different criteria when deciding to issue a PIP.

[HUD and FHAP Agencies Can Better Document Decisions Not To Investigate Fair Housing Complaints](#)

OIG audited HUD's Fair Housing complaint intake data and jurisdictional determinations recorded in the HUD Enforcement Management System (HEMS). OIG assessed HUD's process for complaint inquiries that resulted in fair housing complaints filed and inquiries that were closed during the intake stage. We found that HUD and FHAP agencies adequately documented decisions to convert inquiries to complaints in HEMS. However, we found gaps in documentation for decisions to close inquiries, jurisdictional determinations, and letters properly notifying claimants when HUD lacked jurisdiction to pursue their allegations. OIG recommended that HUD update its handbook chapter and regional intake policies and procedures, and develop a process for overseeing allegations of housing discrimination that FHAP agencies closed during the intake stage to ensure that closure and jurisdictional determinations are consistent with the Fair Housing Act.

Ongoing Oversight:

- **Assessment of FHEO's Fair Housing and Civil Rights Compliance Reviews:** FHEO has authority to conduct compliance reviews to determine whether a recipient of HUD funds was following applicable civil rights laws and implementing regulations. OIG's audit will assess how the Department, through FHEO and its partners, performed compliance reviews.
- **Timeliness of FHEO's Investigations for Title VIII Complaints:** Title VIII of the Civil Rights Act of 1968 requires that HUD complete investigations of each Fair Housing complaint within 100 days of the date it was filed unless it is impracticable to do so. OIG's objective is to assess challenges faced by FHEO in meeting the 100-day investigation requirement.

Impactful Investigations:

- [Justice Department Obtains \\$4.5 Million Settlement from a New Jersey Landlord to Resolve Claims of Sexual Harassment of Tenants](#): A landlord who has owned hundreds of rental units in and around Elizabeth, New Jersey, has agreed to pay \$4.5 million in monetary damages and a civil penalty to resolve a Fair Housing Act lawsuit concerning his sexual harassment of tenants and housing applicants for more than 15 years. This settlement, which still must be approved by the U.S. District Court for the District of New Jersey, is the largest monetary settlement the department has ever obtained in a case alleging sexual harassment in housing. The monetary damages awarded under the proposed consent decree will compensate numerous women and men who were sexually harassed by Centanni.

Disaster Recovery and Mitigation

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

OIG assessed CPD's monitoring, and oversight tools related to the progress of grant expenditures and determined the status of grants and impacts of COVID-19 grantee spending. OIG found

opportunities for CPD to improve its oversight and monitoring for slow-spending CDBG-DR grantees. CPD can enhance its (1) monthly CDBG-DR grant financial report, (2) use of DRGR system flags, (3) use of grantee expenditure projections, (4) documentation of quality performance report reviews, and (5) documentation for monitoring reviews. OIG made nine recommendations for CPD to (1) identify, define, and track slow spenders, (2) update policies and procedures to address variances between actual and projected expenditures, and (3) resolve the red flags identified in the report.

Ongoing Oversight:

- **Audit Series: Key Steps in HUD's implementation of its CDBG-DR and CDBG-MIT Programs:** OIG is conducting four audits of key aspects HUD's CDBG-DR and CDBG-MIT programs, including HUD's oversight of [Low- and Moderate-Income Requirement](#), [Grantee Use of Program Income](#), [Program Timing](#), and [Preventing Duplication of Benefits](#).
- **[Assessment of Puerto Rico CDBG-DR Grantee's Fraud Risk Management Practices](#):** OIG is auditing the Puerto Rico Department of Housing's control activities to prevent, detect, and respond to fraud when administering the over \$20 billion in grants it received for the 2017 disasters.
- **[U.S. Virgin Islands Monitoring of 2017 CDBG-DR](#):** OIG is auditing the USVI's Housing Finance Authority's monitoring of its 2017 CDBG Disaster Recovery funds following HUD awarding USVI \$1.14 billion in CDBG-DR funds to address unmet needs following hurricanes Irma and Maria. OIG will determine whether the Authority effectively monitored its CDBG-DR funded activities administered by itself and by subrecipients to ensure the national objectives and performance measures were met.
- **[State of GA Monitoring of CDBG DR Harvey, Irma, and Maria \(HIM\) Grants Activities and Subrecipients](#):** OIG is auditing the State of Georgia's monitoring of its CDBG-DR hurricane Harvey, Irma, and Maria grants' activities and subrecipients. OIG will determine whether the State was effectively monitoring its CDBG-DR HIM grants' activities and subrecipients to ensure that the activities address the unmet long-term recovery needs.

Impactful Investigations:

- **[Former West Haven Employee and State Representative Admits Stealing COVID Relief and Other City Funds](#):** A State Representative who was also employed by the City of West Haven, most recently serving as the Administrative Assistant to the City Council, plead guilty to conspiracy charges stemming from involvement in schemes that resulted in the theft of more than \$1.2 million dollars in COVID relief funds and other funds from the City of West Haven. The individual conspired with others to steal the funds through the submission of fraudulent invoices, and subsequent payment, for COVID relief goods and services that were never provided. The individual agreed to pay restitution of \$1,216,541.80, and plead guilty to three counts of conspiracy to commit wire fraud, an offense that carries a maximum term of imprisonment of 30 years on each count.
- **[Former Prattsville Town Supervisor Sentenced for Grant Fraud](#):** A former Town Supervisor of Prattsville, New York, was sentenced to one year of probation, and ordered to pay a \$5,000 fine and \$24,915 in restitution to the State of New York, for committing wire fraud in connection with a grant extended to Prattsville in the wake of Hurricane Irene.

Grants Management

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

OIG audited HUD's monitoring and tracking of Continuum of Care (CoC) grantees that have been slow to spend their grant funds to determine whether HUD was effectively tracking and monitoring CoC grant spending and to determine the impact of COVID-19 on CoC grantee spending. HUD generally tracked and monitored its grantees; however, it did not prioritize grantees that encountered challenges in spending their CoC grant funds before the grants expired. This condition occurred because HUD did not have written guidance that detailed how field offices should review grantees for spending issues. Between 2017 and 2020 HUD recaptured nearly \$257 million from CoC grantees that had not fully spent their funds. While several factors outside of HUD's control contributed to the spending challenges, improved tracking and monitoring could help ensure that the grantees timely address those factors and mitigate their impact. Without proactive measures, grantee spending challenges will likely continue, leading to unused funds that could otherwise have gone toward addressing homelessness. Our recommendation that HUD implement written procedures to ensure consistency among field offices in reviewing spending could potentially preventing up to an estimated \$47 million in annual CoC recaptures.

[Emergency Solutions Grants CARES Act Implementation Challenges](#)

OIG audited HUD's Emergency Solutions CARES Act (ESG-CV) program to determine what challenges ESG-CV grant recipients faced in implementing the program and using grant funds. OIG surveyed questionnaire to gather feedback and insight directly from the 362 recipients of ESG-CV grants. At the time we initiated this audit in July 2021, ESG-CV grant recipients had spent \$563,178,336 of available \$3.96 billion grant funds. OIG found that ESG-CV grant recipients faced challenges in implementing the program and using grant funds. The grant recipients needed an extension beyond the spending deadline of September 30, 2022, to use a majority or all of their ESG-CV funds, which HUD subsequently provided. The top challenges identified included staff capacity and coordinating with other sources of pandemic-related funding. In addition, a majority of the grant recipients that provided ESG-CV funds to subrecipients stated that the pandemic impacted their ability to effectively monitor their ESG-CV subrecipients. HUD can use the results of our survey questionnaire to potentially improve the continued implementation of the ESG-CV program and to inform its risk assessment of ESG-CV grantees.

[The Los Angeles Homeless Services Authority, Los Angeles, CA, Did Not Always Administer Its Continuum of Care Program in Accordance With HUD Requirements](#)

OIG audited the Los Angeles Homeless Services Authority's CoC program to determine whether the Authority met the goals and objectives of housing and helping the homeless become self-sufficient through its CoC program and administered the program in accordance with HUD requirements. OIG found that the Authority did not fully meet the goals and objectives of the program and did not always follow program requirements. The Authority (1) did not use \$3.5 million in CoC grant awards and left the funds to expire, (2) did not support Homeless Management Information System and planning grant costs, and (3) did not submit timely annual performance reports (APR). As a result, the unused CoC funds represent a missed opportunity to meet the program's goals of assisting the homeless, and HUD does not have assurance \$879,847 in salary and rent costs were for the CoC grants. We recommend that HUD require the Authority to ensure that grant agreements are executed in a timely manner and effective monitoring is performed to prevent similar occurrences of grant funds going unused, (2) support payroll and rent costs or repay its CoC grants of \$879,847 from non-Federal funds, and (3) ensure APRs are submitted in a timely manner and personnel are routinely trained on the grant closeout process.

Impactful Investigations:

[Conspirators Sentenced for Scheme To Defraud Local Housing Programs](#)

A housing specialist and three associates were collectively sentenced in U.S. District Court to 51 months and one day incarceration, eight years supervised release, and three years' probation. For more than two years, the housing specialist defrauded his employer, a nonprofit corporation funded in part through HUD's HOME Investment Partnerships and ESG programs, by falsely representing that the three associates were landlords eligible to receive funds dedicated to the nonprofit's Homeless Prevention and Rapid Rehousing and Clean and Sober programs. The housing specialist created fake rental agreements by using the names and personal identifying information of other individuals, who had applied legitimately for services with the nonprofit, and falsely identified the associates as the landlords. The housing specialist used these fake rental agreements and other documentation to cause the nonprofit to generate 34 checks payable to the three associates, who then cashed the checks and split the proceeds with him. The housing specialist was sentenced in connection with his earlier guilty plea to conspiracy to commit wire fraud and aggravated identity theft and was ordered to pay jointly and severally with the three associates \$101,053 in restitution to the nonprofit and an insurance company. The three associates previously pleaded guilty to conspiracy to commit wire fraud, and one also pleaded guilty to wire fraud.

Ginnie Mae[Ginnie Mae Did Not Ensure That All Pooled Loans Had Agency Insurance](#)

OIG performed a corrective action verification examining whether Ginnie Mae had successfully resolved 2016 audit findings that it had improperly allowed uninsured loans to remain in MBS pools. OIG found that Ginnie Mae established a maximum time single-family loans could remain pooled without insurance and established a process for requiring removal of pooled loans that remained uninsured after that time. However, the loan-matching process did not ensure that pooled loans would be insured by an agency of the Federal Government as required by the MBS Guide. As a result, at least 3,206 pooled loans with a principal balance of at least \$903 million were not matched to Agency insurance data files before the certification date. Because Ginnie Mae relied on the Federal guarantee of insured loans to prevent or limit losses when loans defaulted, not knowing whether a loan was insured increased the risk of financial loss. Also, loans that were not matched to Federal insurance increased the risk of prepayment. OIG recommended that Ginnie Mae update and synchronize its procedures to include notifications that provide issuers with unmatched loans adequate time to take corrective action to comply with the requirements of the MBS Guide.

Ongoing Oversight:

- **Ginnie Mae Process and Guidance for Troubled Issuers:** OIG is auditing Ginnie Mae's guidance and processes for troubled issuers, including to assess whether Ginnie Mae's guidance and processes provide reasonable assurance that the risks and challenges identified by Ginnie Mae and HUD OIG of its use of rapid relocation extinguishments have been addressed.
- **Ginnie Mae Financial Crisis Readiness:** To ensure its mission, GNMA must be prepared for a broad range of crises, including financial crises, that could impact itself or its issuers. OIG's

audit will determine whether GNMA implemented a financial crisis readiness program that met industry best practices.⁵

Financial Management

[HUD Compliance with the Payment Integrity Information Act of 2019 \(PIIA\)](#)

OIG audited HUD's 2021 compliance with PIIA and implementation of OMB guidance on preventing and reducing improper payments. OIG's objectives were to assess (1) whether HUD had met all requirements of PIIA and OMB Circular A-123, Appendix C-Requirements for Payment Integrity Improvement and (2) HUD's efforts to prevent and reduce improper and unknown payments. OIG found that, while making some progress, HUD was noncompliant with PIIA in FY 2021. Significant efforts are needed to bring the Office of Public and Indian Housing's Tenant-Based Rental Assistance (PIH-TBRA) and Office of Multifamily Housing Programs' Rental Subsidy programs into compliance. For HUD's noncompliant programs, OIG recommended that HUD (1) develop and implement a sampling methodology that allows for the timely testing of the full payment cycle and (2) consult with OMB on the appropriate reporting for untested portions of the payment cycle.

OIG recommended that HUD develop and implement a plan that ensures adequate internal controls over the PIH-TBRA program to detect and prevent improper payments, which can be implemented in a virtual environment. OIG also recommended that HUD work with grantees to better identify the risks of improper and unknown payments throughout the payment cycle in its Office of Community Planning and Development programs and ensure that its risk assessments and improper and unknown payment estimates fully consider these risks.

[Improvements are Needed in HUD's Fraud Risk Management Program](#)

OIG audited the maturity of HUD's fraud risk management program at the enterprise and program-office levels, including control activities to prevent, detect, and respond to fraud. OIG found that in all four phases, HUD's fraud risk management program was in the early stages of development, or at an "ad hoc" maturity level.⁶ HUD's program is still in its infancy because HUD had not previously dedicated sufficient resources to lead and implement fraud risk management activities. Although HUD had recently taken steps to mature its program, HUD needs to commit resources to enhancing antifraud controls and promoting a culture of fraud risk management. Without improvements to its program, HUD may miss opportunities to identify and eliminate fraud vulnerabilities, leaving its funds and reputation at risk. OIG recommended HUD take several actions to assess and improve the maturity of HUD's fraud risk management program, as well as develop policies, procedures, and strategies for collecting and analyzing data to identify fraud within HUD's programs, promote fraud awareness, and develop antifraud risk mitigation tools. OIG also recommends that the Chief Financial Officer determine and seek to fulfill an appropriate level of dedicated staff resources to administer HUD's enterprise and fraud risk management programs effectively and increase fraud risk awareness and strengthen antifraud controls in HUD's program offices.

⁵ According to GAO, best management practices refer to the processes, practices, and systems identified in public and private organizations that performed exceptionally well and are widely recognized as improving an organization's performance and efficiency in specific areas. Successfully identifying and applying best practices can reduce business expenses and improve organizational efficiency.

⁶ The Antifraud Playbook established by the Chief Financial Officers Council and the U.S. Department of the Treasury assess maturity of an agency's fraud risk management program in four phases: (1) culture, (2) identifying and assessing fraud, (3) preventing and detecting fraud, and (4) turning insight into action.

[Audit of HUD's Fiscal Years 2022 and 2021 Financial Statements](#)⁷

OIG contracted with the independent public accounting firm of CliftonLarsonAllen LLP (CLA) to audit the financial statements of HUD as of and for the fiscal years ended September 30, 2022 and 2021, and to provide reports on HUD's 1) internal control over financial reporting; and 2) compliance with laws, regulations, contracts, and grant agreements and other matters, including whether financial management systems complied substantially with the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA). In its audit of HUD, CLA reported:

- The financial statements as of and for the fiscal years ended September 30, 2022 and 2021, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles.
- One material weakness for 2022 in internal control over financial reporting, based on the limited procedures performed. The material weakness was related to (a) FHA's financial accounting and reporting controls over borrowing authority and loan receivables and (b) HUD's financial reporting controls over grant accruals and Public and Indian Housing's cash management process.
- Two reportable matters for 2022 of noncompliance with provisions of applicable laws, regulations, contracts, and grant agreements or other matters.
 - Noncompliance with Federal financial management system requirements, Federal accounting standards, and the U.S. Standard General Ledger at the transaction level.
 - Noncompliance with the Single Audit Act.

Ongoing Oversight:

- [HUD's Compliance with the PIIA of 2019 for 2022](#): Our audit will assess (1) whether HUD has met all requirements of PIIA and OMB Circular A-123, Appendix C-Requirements for Payment Integrity improvement and (2) HUD's efforts to prevent and reduce improper payments. We will also review and collect evidence of the internal controls HUD has in place to identify, prevent, detect, and recapture improper payments, including, but not limited to, controls in place related to Single Audit Act requirements.

Ensuring Assisted Housing is Habitable and Hazard-Free

[Management Alert: Action Needed to Ensure That Assisted Property Owners Comply with the Lead Safe Housing Rule](#)

While conducting an ongoing audit of the Philadelphia Housing Authority's (Authority) management of lead-based paint hazards in its public housing units, OIG identified a significant gap in HUD's program requirements related to safe work practices. The Authority had determined a substantial percentage of maintenance and hazard reduction work performed on surfaces with lead-based paint in its public housing units was "de minimis", which exempted the work from HUD's rules requiring safe work practices. However, HUD does not require assisted property owners like PHAs to maintain evidence supporting that the work was minor. This impedes HUD's ability to conduct meaningful oversight of property owners' compliance with HUD's requirements for safe work practices, and limits HUD's and OIG's ability to verify that the de minimis exemption is being properly applied. OIG believes HUD should take immediate steps to mitigate the risk that the exemption is being applied too broadly and thereby increasing the potential for residents and maintenance staff to be exposed to lead-based paint hazards.

⁷ HUD OIG contracted with CLA to audit the financial statements of Ginnie Mae and FHA, as well.

[HUD Did Not Sufficiently Flag Unacceptable Physical Condition Scores To Assess Its Controlling Participants](#)

OIG's audit examined whether HUD accurately identified the risks to assess its controlling participants. Specifically, OIG focused our review on the physical conditions of multifamily housing projects and HUD's use of REAC scores in identifying potential risks associated with controlling participants. During OIG's initial review, the office was unable to identify a universe of controlling participants with a history of poor physical inspection scores that were later approved for additional participation in multifamily business. Instead, OIG reviewed whether HUD properly flagged properties that received poor physical inspection scores.

HUD uses flags in the Active Partners Performance System (APPS) system to assess risk associated with participants in Office of Multifamily Housing program projects. A flag does not automatically exclude an applicant from participation in HUD's programs; however, flags are considered risk factors that require appropriate mitigation, where possible. OIG found 13 properties with consecutive REAC scores below 60 that were missing the required flags in APPS for unacceptable physical condition. HUD did not have a quality control program to ensure that the account executives manually entered the flags into APPS and there was no automated process for flagging a property once it received the second consecutive below-60 REAC score. As a result, HUD relied on incomplete previous participation information to make decisions about future participation. Not having sufficient information to assess its controlling participants could potentially impact the health and safety of residents at multifamily properties. OIG recommends that HUD implement a quality control review to ensure that successive below-60 physical inspection score flags are entered into APPS and update APPS to automatically flag a property that receives successive below-60 physical inspection scores.

[HUD Lacked Adequate Oversight of Lead-Based Paint Hazard Remediation in Public Housing](#)

OIG audited HUD to assess HUD's oversight of lead-based paint hazard remediation in public housing. The audit found HUD established procedures in the Lead Safe Housing Rule (LSHR) in 1999 to eliminate lead-based paint hazards, as far as practicable, in public housing. However, it did not have a plan to manage lead-based paint and lead-based paint hazards in public housing. Additionally, HUD generally did not monitor whether public housing agencies had implemented lead-based paint hazard reduction and documented the activities at their public housing developments. OIG found HUD relied on public housing agencies to implement their own methods to achieve lead-safe housing, which should have included implementing lead-based paint hazard reduction. Further, instead of monitoring public housing agencies for compliance with the lead-based paint hazard reduction procedures in the LSHR, HUD relied on public housing agencies' annual certifications of compliance. Without a plan to manage lead-based paint and lead-based paint hazards in public housing and ensure that public housing agencies implemented lead-based paint hazard reduction, HUD lacked assurance that (1) families with children under six years of age residing in public housing were not exposed to lead-based paint hazards and, thus, protected from lead exposure and (2) its procedures for eliminating lead-based paint hazards in public housing were effective.

We recommend that REAC, in coordination with the Office of Field Operations, (1) develop a plan to manage lead-based paint and lead-based paint hazards in public housing, (2) determine whether public housing agencies identified as having lead-based paint in their housing developments maintain and implement a plan for controlling lead-based paint, and (3) assess the lead-based paint hazard reduction activities performed at the 19 developments associated with 18 public housing agencies reviewed that did not implement interim controls or adequately document that lead-based paint had been abated or treated with interim controls. If those reduction activities did not fully abate the lead-based paint, HUD should ensure that the public housing agencies implement interim controls and ongoing maintenance and reevaluation programs.

[Risk Indicators of Lead-Based Paint Hazards in Public Housing Agencies](#)

In the first of a two-part evaluation, OIG found that as of March 2022, REAC was establishing the Environmental Shared Services office (ESS) to improve its risk assessment and inspection capabilities for health and safety hazards, including lead-based paint hazards. As part of its purpose, ESS will rank risks related to four environmental hazards—carbon monoxide, mold, lead, and radon. In establishing its risk-ranking model, ESS identified five indicators for its lead risk ranking. Using the best available data collected from both HUD and sources external to HUD, OIG identified nine indicators of potential risk for lead-based paint hazards in public housing.

Based on analysis of these nine risk indicators, OIG identified five HUD regions and six States within those regions—New York, Pennsylvania, Georgia, Kentucky, Illinois, and Texas—with the most potential risk of having PHAs with lead-based paint hazards. In addition, OIG’s analysis identified eight other States that, while not measuring as the most at-risk State in their respective regions, also have a higher potential risk of having lead-based paint hazards. Although HUD has identified its own risk indicators for lead-based paint hazards, of which four overlap with our indicators, this report may be helpful to HUD as it continues identifying and evaluating risk indicators and evaluating how well those indicators are identifying potential issues of lead-based paint in HUD-assisted public housing.

[HUD Did Not Have Adequate Policies and Procedures for Ensuring That Public Housing Agencies Properly Processed Requests for Reasonable Accommodation](#)

OIG audited HUD’s oversight of PHA’s reasonable accommodation policies and procedures to determine whether HUD had adequate policies and procedures for ensuring that PHAs properly addressed, assessed, and fulfilled requests for reasonable accommodation, including COVID-19 related requests. OIG initiated this audit because we identified an increase in housing discrimination complaints based on a failure to provide a reasonable accommodation, even as the total number of all housing discrimination complaints was decreasing.

HUD did not have adequate policies and procedures for ensuring that PHAs properly addressed, assessed, and fulfilled requests for reasonable accommodation. HUD also did not perform civil rights front-end reviews as required. OIG found HUD did not include in its compliance monitoring guidance a requirement for personnel to review PHAs’ reasonable accommodation policies and procedures, had not updated its guidance to ensure that it was centralized, and did not believe it was responsible for conducting civil rights front-end reviews. As a result, PHAs did not receive consistent oversight in this area, may not be properly implementing existing requirements, or may not understand all their responsibilities related to requests for reasonable accommodation. Also, HUD did not have the benefit of the information the reviews would have collected and FHEO could not use the information to address issues that may have been identified or to pursue any corrective action.

Ongoing Oversight:

- **Audit Series – PHA Management of Lead Based Paint in Public Housing:** OIG is currently auditing three large PHAs in [Pennsylvania](#), [Ohio](#), and [California](#) to determine whether the PHAs adequately managed lead-based paint and lead-based paint hazards in their public housing. The audits will focus on whether PHAs are properly disclosing lead hazards to tenants, properly conducting annual assessments, acting appropriately following confirmed cases of elevated blood lead levels in children, and documenting the PHAs’ lead hazard mitigation and other work.
- **[Carbon-Monoxide in HUD-Assisted Housing:](#)** OIG is evaluating HUD’s plan to ensure all PHAs and owners of certain HUD-assisted housing comply with the requirements for carbon monoxide detector installation in accordance with the Consolidated Appropriations Act of

2021. The evaluation will also determine HUD's progress in implementing its plans and developing guidance for PHAs to educate residents; and determine what barriers PHAs experience in implementing the requirements.

- [HUD's Oversight of Multifamily Housing Properties with Failing REAC Scores or EH&S Deficiencies](#): OIG is auditing HUD's oversight of multifamily housing properties with failing REAC scores or exigent health and safety deficiencies (EH&S). OIG will assess whether HUD has adequate oversight for (1) multifamily properties that failed the most recent REAC inspection and (2) multifamily properties with EH&S deficiencies.
- Audit Series - HUD's Oversight of the Physical Conditions of [PBRA and FHA-insured PBV Units Under RAD](#) & [non-FHA Insured PBV Units Under RAD](#): OIG is conducting two audits of HUD's oversight of the physical conditions of units converted under the RAD program. The first will focus on PBRA and FHA-insured project-based voucher units converted under the RAD program. The second will focus on non-FHA insured project-based voucher units converted under the RAD program. The audits will assess whether HUD and PHAs have adequate oversight of the physical conditions of the units converted under RAD. They will also determine if the physical conditions of the RAD units improved, remained the same, or declined.

Impactful Investigations:

- [Apex Waukegan LLC and Integra Affordable Management LLC Fined for Breach of Contract](#): Apex Waukegan LLC (Apex), a multifamily housing landlord receiving rental assistance subsidies from the U.S. Department of Housing and Urban Development (HUD), and Integra Affordable Management LLC (Integra), Apex's affiliated management agent, were ordered to pay \$1,258,671 in civil money penalties for breaching their Housing Assistance Payment Contract by knowingly failing to maintain housing units in a decent, safe, sanitary manner.
- [NYCHA Superintendents Sentenced to Prison for Accepting Bribes](#): Two superintendents were sentenced in U.S. District Court to 33 months in prison and 15 months in prison, respectively, for accepting bribes in exchange for awarding no-bid contracts at the New York City Housing Authority ("NYCHA") facilities where they worked. One superintendent also obstructed justice in the weeks before his sentencing. Each superintendent previously pled guilty to one count of solicitation and receipt of a bribe.
- [Former Rochester Housing Authority Chair Going To Prison For Fraud, Money Laundering And Lying To The FBI](#): The former housing authority chair who was convicted by a Federal jury for his role in defrauding three nonprofit organizations – Rochester Housing Charities (RHC), which provides housing to the elderly and disabled; the North East Area Development (NEAD), which assists low-income residents in the northeast quadrant of Rochester; and Quad A for Kids, which provided after-school and extended-day learning programs at some elementary schools in the Rochester City School District – was sentenced to serve 78 months in prison in U.S. District Court. The former chair, who was also the Chairman of the Board of Commissioners of the Rochester Housing Authority (RHA), was convicted of mail, wire, and tax fraud, Federal program fraud, money laundering, and lying to the FBI.
- [La Joya Residents Sentenced for Fraud Schemes](#): The former mayor of La Joya and two others have been ordered to Federal prison for wire fraud. The Former mayor pleaded guilty July 19, 2021, while his daughter and another individual both admitted to their guilt June 17, 2021. The former mayor was sentenced to 33 months in prison, while his daughter was ordered to serve a 39-month-term of imprisonment and the other individual received nine

months. All must also serve three years of supervised release following their sentences. The former mayor entered his plea in relation to a public relations contract his daughter had drafted and brokered with the city on behalf of another individual. She was, in turn, to receive some of the proceeds resulting from that deal. The daughter was not a city employee, but used her relationship with the mayor to get the contract approved so she could receive a significant amount of the contract's proceeds. The mayor used his authority to approve city funds to pay for the contract. Additionally, the daughter admitted to wire fraud in connection with loans received for a children's day care project. During 2017, the La Joya Economic Development Corporation, which the mayor headed, provided approximately \$341,000 in loans to his daughter and other individuals to pay for the construction of the project. The daughter stole some of the funds and also received kickbacks from some of the subcontractors. The other individual was hired by the daughter as a general contractor. He also received kickbacks from the project.

- [Three Family Members of the Former Director of the St. Clair Housing Commission Plead Guilty to Conspiracy and to Defrauding HUD](#): Three family members of the former executive director of the St. Clair Housing Commission pleaded guilty to various Federal offenses due to their involvement in the former executive director's fraudulent scheme to steal money from HUD. The former executive director (now deceased) had previously pleaded guilty and been sentenced to prison for conspiring with several family members to steal Federal funds provided to the St. Clair Housing Commission by HUD to administer low-income housing programs within St. Clair County. As part of her scheme, the former executive director stole approximately \$336,000 in Federal funds, including money earmarked for HUD's Housing Choice Voucher program, commonly known as Section 8 housing, which allows low-income families to lease privately owned rental properties with the assistance of HUD rental subsidies. As part of their guilty pleas, the defendants paid the remaining restitution owed to HUD. The total amount of restitution paid today was \$99,835.29. In total, \$336,340.22 in restitution has been repaid to HUD as a result of the prosecutions of the family members.

Enterprise-wide Support Functions: Information Technology, Cybersecurity, Human Capital Management, and Procurement

Additionally, the OIG reoriented our Office of Evaluation (OE) to focus their expertise as management analysts on the enterprise-wide, management support challenges the Department faces. OE has, and will continue, its robust oversight over all aspects of HUD's information technology programs and operations. That will include not only HUD's cybersecurity posture but also how HUD and its components manage information technology investments and initiatives. First and foremost, OE will continue to perform the statutorily mandated FISMA evaluation, as well as conduct critical penetration testing and threat analyses of HUD's IT systems. The Office of Evaluations will also focus on other critical HUD operations that support the success of the program offices, including procurement and human capital management. HUD's most recent Strategic Plan shows how the Department has dedicated considerable effort to strengthening its internal capacity. OIG's oversight has and will provide actionable recommendations that HUD can act upon to further those efforts.

HUD FY 2022 Federal Information Security Modernization Act of 2014 (FISMA) Evaluation⁸

In this year's FISMA evaluation, we found that although HUD is addressing weaknesses and closing unresolved recommendations, HUD must take additional actions to overcome the significant challenges the Department still faces. Notably, through the annual FISMA evaluation, HUD OIG

⁸ The FISMA report is not publicly available. Additional information from the report can be found in the recent Top Management Challenges report.

found HUD's information security program to be at an ineffective maturity level of "defined." The 2022 FISMA evaluation focused on OMB-identified "core" cybersecurity metrics that address the most critical areas of priority for the Administration and other highly valuable controls for agencies' information security programs. HUD dropped from the consistently implemented to the defined maturity level. Within those core metrics, HUD was able to increase maturity in 3 of the 20 core metrics, remaining at the same maturity level for 16 of the 20 core metrics, and dropping in maturity for 1 core metric. HUD also continues to make significant progress in addressing our prior years' recommendations, closing 21 recommendations in 2022 alone. HUD must continue to focus its efforts on addressing known cybersecurity issues to make progress in addressing this management challenge.

Ongoing Oversight:

- [Robotic Processing Automation Program](#): OIG's evaluation will assess the maturity of HUD's RPA activities and determine whether HUD implemented related controls to address technology and program management risks.
- [HUD's Employee Retention](#): OIG's evaluation will determine whether HUD has a high voluntary separation rate relative to similar agencies, and which program offices or demographic groups, if any, have high rates. The evaluation will also determine what retention-relevant programs HUD employs, the extent to which program offices use them, and where HUD's retention strategies align with best practices.
- HUD FY 2023 FISMA Evaluation: HUD is conducting the FY 2023 evaluation of HUD's information security program and practices to assess the maturity of the program and practices based on the annual IG FISMA reporting metrics.

Increasing OIG Hotline Capacity

In 2020 the OIG entered into a shared service agreement with the National Inter-Agency Support Center (NISC) at Louisiana State University to support OIG's national Hotline function. This allowed the OIG to rapidly increase the capacity and quality of our complaint intake process at a low cost (~\$350 thousand annually). Importantly, this arrangement has increased the OIG's ability to reach HUD beneficiaries who have information about fraud, waste, or abuse in HUD's programs, as NISC contractors field complaints from the public over the phone. NISC staff then provide certain complaints to OIG oversight professionals for additional assessment and referral to our oversight components. This arrangement has been incredibly successful and allowed the OIG to vastly increase the number of actionable complaints that we intake.

The OIG Hotline has seen a tripling of complaints over the past few years. In FY 2019, OIG received a total of 4,822 complaints. For 2021 and 2022 OIG received over 13,000 complaints. The OIG Hotline's multi-stage process to intake, triage, analyze, and act upon is resource intensive. Whistleblowers are a critical source of actionable information for oversight components. Not only do hotline complaints lead to direct, actionable information for our investigators, but they also provide valuable data that all oversight components can use when establishing which proposed oversight work will address areas of greatest risk. In addition, if the complainant is requesting assistance but is not alleging fraud, waste, or abuse, the OIG Hotline can and will refer administrative complaints from constituents to the HUD program office that is best equipped to service the complaint.

With the expectation that OIG will receive complaints at the current or an increased rate, the OIG must have the resources to properly manage that pipeline of information. If the OIG does not have adequate trained staff and resources to properly process the anticipated volume of complaints, including high priority and sensitive complaints, then there is a heightened risk that it may not have the capability to identify and address reported allegations of abuse, health hazards, or uninhabitable

conditions. Additionally, the OIG needs to resource the quantitative analysis of complaints to seek out patterns or other predictive data that could guide future proactive investigations and programmatic oversight.

The 2024 Budget provides the personnel resources necessary to continue building the capacity of OIG staff to connect the information received via the Hotline to the investigators, auditors, and evaluators who can employ that information to intervene where HUD beneficiaries are being victimized or to identify and review potential programmatic deficiencies. Considering the array of high priority personnel and non-personnel needs in the 2024 Budget, funding below the 2024 Budget level increases risks inadequate support for the full cadre of staffing and other needs to process and address the information flowing through the Hotline. This could delay or hamper the OIG's ability to intervene and address the threats against HUD beneficiaries and programs.

Operational Improvements

Data Literacy and Analytics: To support the OIG's Data Literacy Initiative, in 2021, the agency purchased the SAS software tool on an enterprise platform to satisfy both current and future organization needs for data analytics. SAS is a software platform that is used for data management, advanced analytics, multivariate analysis, business intelligence, criminal investigation, and predictive analytics. The acquisition, deployment, and training of this tool to over 135 HUD OIG users (approximately 25 percent of OIG staff) is a major accomplishment in the OIG's data decision upskilling efforts. This furthers the agency's vision for Data Literacy- to enable data driven decision-making to bring awareness of HUD's toughest challenges in our oversight mission and more efficiently deploy the OIG's limited resources.

One of the many data analytics products created by the OIG's Integrated Data Analytics Division (iDAD) is a simple and easy-to-consume Power BI tool that allows investigators, evaluators, and auditors to apply critical financial risk metrics against HUD's Multifamily Housing portfolio, including properties that receive rental assistance subsidy and/or have HUD-insured mortgage loans. The properties with HUD-insured mortgages also extend to healthcare facilities like nursing homes and hospitals. The tool allows the user to select any of the 34 risk factors (developed by HUD and HUD OIG) that impact the entire MF portfolio to include those with FHA insurance, assistance contracts, and all other program types. One of the specific uses for the tool that assists agency oversight efforts is that iDAD has identified, with research and support of the mission components, major factors indicative to equity skimming to include 1) negative surplus cash, 2) financial risk score, and 3) borrowing project funds. This allows the agency to target specific participants of the MF program for additional oversight. In future iterations of this technology iDAD is hoping to use machine learning functionality that allows users to determine if there is a statistical relationship between the risk factors and the likelihood of criminal equity skimming occurring.

As a strategic operational improvement initiative, building a data literate workforce that can wield tools like SAS to better study HUD programs and target oversight resources is a top priority for the OIG. The smart investments made in past fiscal years are improving oversight research and execution in a way that makes the organization a better and more efficient steward of future fiscal resources. The OIG hopes to continue making investments in initiatives like this one in both the short- and long-term.