

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Inspector General

SALARIES AND EXPENSES

(Dollars in Thousands)

	2023*	2024			2025		
	Actuals	Carry Over	Annualized CR	Total	Carry Over	President's Budget	Total
Personnel Services	108,166	-	109,905	109,905	-	120,423	120,423
Non-Personnel Services		-			-		
Travel	1,486	-	1,497	1,497	-	1,686	1,686
Transportation of Things	3	-	5	5	-	5	5
Rent and Utilities	6,756	-	6,955	6,955	-	6,908	6,908
Printing	3	-	2	2	-	2	2
Other services/Contracts	23,706	-	21,785	21,785	-	22,333	22,333
Training	496	-	490	490	-	541	541
Supplies	328	-	324	324	-	358	358
Furniture and Equipment	4,131	-	4,787	4,787	-	7,494	7,494
Claims and Indemnities	596	-	250	250	-	250	250
Total, Non-Personnel Services	37,505	-	36,095	36,095	-	39,577	39,577
Working Capital Fund	-	-	-	-	-	-	-
Carryover	-	-	-	-	-	-	-
Grand Total	145,671	-	146,000	146,000	-	160,000	160,000
FTEs	505	-	485	485	-	520	520

PROGRAM PURPOSE

The Office of Inspector General (OIG) for the U.S. Department of Housing and Urban Development (HUD), is an independent organization, conducting and supervising audits, evaluations, investigations, and reviews relating to the Department's programs and operations. The OIG promotes economy, efficiency, and effectiveness in these programs and operations while also preventing and detecting fraud, waste, abuse, and mismanagement. As an organization, the 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 the 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 its staff and work to most efficiently deploy its resources to provide comprehensive oversight over HUD's major operations and address the issues and concerns most critical to the Department. Through dedicating itself to providing impactful oversight, OIG ensures that it is a model steward of taxpayer resources by enhancing its own operational efficiency and effectiveness through innovative solutions and leveraging data, technology, and insights from its dedicated workforce.

BUDGET OVERVIEW

The 2025 President's Budget requests \$160 million for the Office of Inspector General, which is \$14 million more than the 2024 Annualized CR 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 9.6 percent increase from the 2024 annualized CR 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 2025 Budget request is for \$160 million in support of an estimated 520 full-time equivalents (FTE), with an additional five FTE supported using supplemental funding (2023 Omnibus disaster supplemental).
- The amount included in this request to support external training costs is \$541 thousand, \$51 thousand above the 2024 annualized CR.
- The amount included in this request to support the Council of the Inspectors General on Integrity and Efficiency (CIGIE) is \$634 thousand, \$18 thousand above the 2024 annualized CR.

Personnel Services (PS)

The Budget assumes \$120.4 million for PS to support 520 FTEs, which is 35 FTEs and \$10.5 million more than the 2024 PS level. The requested 2025 PS funding level supports a two percent pay raise.

The 2025 Budget maintains critical FTEs necessary to keep the scope and scale of the OIG's mission stable. The 2025 FTE level would provide resources for the OIG to continue delivering the impactful investigations, audits, evaluations, and reviews needed to protect and improve HUD's programs. The PS funding level would also provide necessary support for Congressionally mandated oversight such as financial statement audits, the evaluation of HUD's information system and cybersecurity maturity, and the audit of HUD's improper payment testing and reduction efforts. Reversing the staffing loss under the 2024 annualized CR would allow the OIG to support the 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.

OIG has enhanced its oversight functions by adding specialized support services and skill sets to its teams, including focusing on information technology skillsets like digital forensics analysts and data scientists who can increase the speed and quality with which it identifies the best oversight objectives or investigative leads. OIG has also invested in data literacy and deepening subject matter expertise within the OIG to support both new staff and recruit and integrate individuals with housing finance, financial market, and direct HUD program experience. This has resulted in more

targeted, more impactful oversight being produced more efficiently. Maintaining stability in OIG’s FTE levels will maintain OIG’s ability to realize these investments.

These efforts have 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. This approach has led to significant results for OIG. Last fiscal year, OIG audits found over \$982 million in funds that could be put to better use, almost \$5 million in questioned costs, and saw over \$86 million in collections. Similarly, its investigations resulted in over \$133 million in restitutions and judgments, with over \$14 million total recoveries and receivables ordered to HUD programs.

Beyond monetary impact, the office’s oversight has identified ways HUD and its partners can improve outcomes for HUD-assisted individuals and communities and has held bad actors accountable through impactful investigations that resulted in convictions, penalties, and exclusion from Federal programs. IG Oliver Davis has prioritized oversight that furthers environmental justice and reduces public health hazards that HUD tenants and communities face. Maintaining audit and investigative personnel would provide continuity in these initiatives through maintaining staff available to seek out and prosecute landlords who prey on tenants sexually, financially exploit HUD beneficiaries, or misspend or misappropriate HUD funding. HUD faces changes that will require it to adapt its oversight of tens of billions of dollars of disaster recovery and mitigation grants alongside a housing stock with capital needs that far exceed current funding to address them. On top of all this, HUD is undertaking the largest overhaul of its process to conduct physical inspections of properties since the 1990s. At this crucial juncture in HUD’s programs, a data-driven oversight approach focusing on high-impact returns is increasingly needed.

2025 Personnel Services Summary of Changes

(in dollars)

	2024 PS Obligations <i>(including reimbursable)</i>	2024 Annualization / 2025 COLA Inflation	2025 Benefit Cost Inflation	FTE Increase	Other PS Adjustments (workers comp, PLI, etc.)	Reimbursable Adjustment	2025 Total PS Requirements
2025 Budget	109,904,543	2,078,357	897,638	7,884,851	(342,020)	-	120,423,369

FY 2024 Annualized CR FTE	FY 2025 PB Requested FTE
485.0	520.0

The increase of \$10.5 million above the 2024 annualized CR level includes:

- \$7.9 million to support 35 FTEs above the 2024 annualized CR funding level. These individuals would be allocated to oversight that maintains oversight across HUD’s Top Management Challenges. 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.
- \$3.0 million in inflationary increases for compensation and benefits, including the budget year two percent projected COLA (\$1.1 million), annualization of the 2024 COLA inflation (\$1 million), and 2024 benefit cost inflation (\$900 thousand).
- \$342 thousand decrease in other PS requirements based on reduced workers compensation requirements.

OIG FTE from Other Funding Sources

Appropriation Type	2023 FTE	2024 FTE	2025 FTE
All Disaster Supplemental Funding	11.6	13.7	5.0
CARES Act	3.5	-	-

Non-Personnel Services (NPS)

The Budget assumes \$39.6 million for NPS, \$3.5 million above the 2024 NPS level. The total increase represents a combination of adjustments to the base and new investments.

2025 NPS Summary of Changes			
NPS Category	Adjustments to Base	New Investment / New FTE (+)	Total Change
Travel	74,871	113,465	188,336
Transportation of Things	-	-	-
Rent and Utilities	(46,767)	-	(46,767)
Printing	-	-	-
Other Services/Contracts	(605,204)	1,152,782	547,578
Training	14,707	36,438	51,145
Supplies	9,717	24,075	33,792
Furniture and Equipment	332,090	2,375,000	2,707,090
Claims and Indemnities	-	-	-
Total	(220,586)	3,701,760	3,481,174

- Other Services / Contracts: +\$548 thousand

Adjustments to Base: -\$605 thousand

- Reduced requirements associated with the OIG IT infrastructure (-\$833 thousand) was the primary driver of decreasing requirements within the other services spending category. As the OIG has increased the scope, skillset, and maturity of internal Federal IT staff this has allowed for a reduction in the usage of contract labor, leading to a projected descoping of the OIG's primary business operations support contract. Across other operational areas there are small increases associated with inflationary cost increases and adjustments to operational needs (+228 thousand), including costs to support Bureau of Fiscal Services shared services, contractual adjustments related to space needs, and annual cost increase associated with the HUD consolidated financial statement audit.

New Investment: +\$1.15 million

- The OIG's San Juan, Puerto Rico field office is subject to a General Services Administration (GSA) forced move in 2025. After GSA identifies the new office location the OIG will be required to renovate the space to fit operational, law enforcement, security, and IT infrastructure requirements. The San Juan office supports 13 FTEs and leads many of the most important disaster recovery oversight work on HUD programs. The costs associated with this forced move are unavoidable as the San Juan office presence and the OIG's mission in Puerto Rico is critical to the oversight of HUD programs. The OIG is requesting 2025 appropriated resources related to this activity be

made available through 2026, to mitigate against the risk of project delays or other factors outside the OIG's control.

- Furniture and Equipment: +\$2.7 million

Adjustments to Base: +\$332 thousand

- The overwhelming majority of the increase in this spending category is related to IT requirements, primarily costs associated with the Department of Homeland Security (DHS) Continuous Diagnostics Monitoring program and other network monitoring infrastructure that support the OIG's cybersecurity infrastructure. DHS CDM phases out the cost sharing provisions of cybersecurity procurements made through the program, meaning over time the cost to support the cybersecurity assets increases for the OIG. The remainder of adjustments to base in the equipment category represent a net decrease driven primarily by reductions to space equipment requirements balanced against small increases to support the OIG's GOV fleet due to GSA's conversion to a plug-in hybrid fleet increasing the cost of cyclical replacement.

New Investment: +\$2.4 million

- The new investment in the equipment spending category includes three new requirements that are critical spending measures the OIG is prioritizing in 2025. These include the cyclical replacement of server equipment that supports local network connectivity in all OIG field offices (+\$350 thousand), and the equipment necessary to support body-worn cameras (BWC) for OIG law enforcement personnel (+\$625 thousand). As called for by Section 13 of Executive Order on Advancing Effective, Accountable Policing and Criminal Justice Practices to Enhance Public Trust and Public Safety, dated May 25, 2022, DOJ has mandated that Federal law enforcement agencies must ensure proper use of BWCs. The OIG has found a private sector solution offering the equipment and data storage necessary to ensure OIG compliance with this executive order. Lastly, funding to support cyclical replacement of OIG laptops for all employees (completed on a five-year cycle). The OIG is spreading the cost to support this effort across 2025 and 2026, the 2025 PB portion is \$1.4 million (60 percent of total cost). The OIG is offsetting part of the total cost by taking part in equipment buy-back programs but there is still a significant cost to maintain the most basic and arguably important IT equipment the OIG utilizes.
- Travel: +\$188 thousand
 - The OIG projects inflationary costs for travel to equal \$75 thousand in 2025, with an additional \$113 thousand related to cost associated with the increase in FTE over the 2024 annualized CR funding level. The OIG has fully returned to pre-pandemic travel volume for most personnel and many mission activities. Beginning in April 2023, OIG employees have occupied office space three days per week and conduct regular travel for necessary in-person engagement. The OIG will continue to balance in-person activities with virtual meetings to enhance employee engagement, collaboration, and cost management.
- Rent and Utilities: -\$47 thousand
 - The OIG continues to seek efficiency and to strategically align its real estate portfolio with its oversight priorities. Overall, GSA rent requirements and other costs covered in this spending category have a net reduction of \$47 thousand. The 2025 cost reduction is

primarily driven by the OIG utilizing a shared space arrangement with DHS OIG to reduce real estate costs for the San Francisco field office.

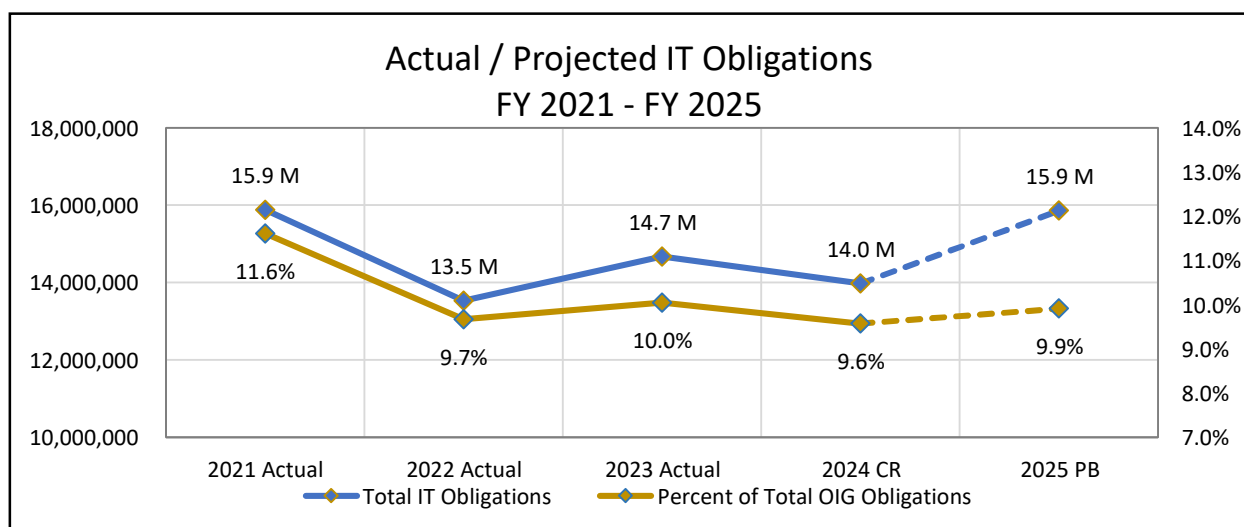
- Training: +\$51 thousand
 - The OIG projects inflationary costs for training of approximately \$15 thousand in 2025. FTE increases over the 2024 annualized CR funding level result in increased requirements of \$36 thousand to support all law enforcement, oversight, technical, and leadership development training needs for the OIG.
- Supplies: +\$34 thousand
 - The OIG projects inflationary costs for supplies of \$10 thousand in 2025, with an additional \$24 thousand to support increased FTE.

Financial Statement Audits

As of late 2023 the OIG completed the re-competition process using a unified contract to support the Federal Housing Administration (FHA), Ginnie Mae, and HUD consolidated financial statement audits. This will allow for more efficient execution and monitoring of the contract for the upcoming period of performance. The 2024 cost is \$5 million with inflationary increases in 2025 bringing the total cost to \$5.14 million. The new procurement utilized a fixed price model as opposed to time and materials, meaning that going forward requirements to support the audit should be more consistent and the OIG has eliminated the risk of cost overruns due to contractor performance.

Information Technology (IT)

The OIG’s 2025 Budget supports all necessary adjustments to base associated with the OIG’s current IT services and continued backing for mandated cyber security spending. These requirements include the necessary costs of business operations services, Microsoft licensing costs, electronic audit and investigation case management system, network connectivity requirements, cellular equipment and services, long-term backup data storage, along with other services and equipment that are part of normal operations and maintenance activities.



Additionally, the 2025 President’s Budget allows for strategic investment to support critical OIG IT needs. This includes:

- +\$625 thousand to achieve compliance with DOJ mandates for law enforcement body-worn cameras. This project is vitally important for the OIG’s accountability to members of the public and is a priority for the Inspector General.
- +\$350 thousand for cyclical replacement of outdated server equipment in field office locations to enhance network performance and improve operational resilience.
- +\$1.4 million to support 60 percent of the OIG’s cyclical replacement of laptops for all personnel – the OIG will delay the remainder of this requirement until 2026 based on funding constraints.

Overall, the OIG IT environment continues to progress in maturity and achieve critical operational milestones. These include cybersecurity enhancements like continuous network monitoring and trusted internet connection (TIC) compliance, along with cost efficiency gains from lowering wide-area network and data center internet costs by partnering with Federal entities that can provide shared services at a cost below the private sector, and shifting previously contracted work back to Federal employees as the OIG’s IT workforce has gained skillsets and a stronger operational knowledge base.

Further, the OIG continues to prioritize efforts and investments that directly enhance mission results. The data literacy initiative has given line auditors, evaluators, and investigators access to datasets, econometric analysis, and predictive analytics that have radically changed and improved OIG’s ability to target potentially problematic grantees or other entities conducting business with HUD for additional oversight. By applying critical financial risk metrics against HUD’s Multifamily Housing portfolio, including properties that receive rental assistance subsidy and/or have HUD-insured mortgage loans to include nursing homes and hospitals the OIG is producing more targeted and actionable intelligence. In future iterations of this technology OIG 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.

This type of technological investment has also improved the OIG’s ability to intake and utilize hotline information to produce better oversight products. The tools in use today act as catalysts for identifying emerging hotline trends and allow for better understanding and targeting of historically reported HUD program weaknesses for additional scrutiny. They also incorporate Natural Language Processing that allows OIG line personnel to search and find phrases and their change in frequency through time for further analysis.

These examples represent the dividends that are being paid from the long-term strategic approach to IT operational management and targeted investment in the capabilities that make the OIG IT environment more resilient, better protected, and increase the effectiveness of the OIG’s oversight. The 2025 Budget builds on these successes and ensures achievement of the OIG’s critical operational and mission requirements.

KEY OPERATIONAL INITIATIVES

Operational Improvements

Oversight Priorities

Over the past several years, OIG has repositioned its staff to provide more comprehensive oversight over HUD’s critical programs and operations, aligning teams with HUD program functions to apply deeper analysis toward areas of greatest risk to HUD’s success. OIG has aligned its investigative staff to regions of the country using a data-driven approach that focuses on risk presented to HUD

funds and beneficiaries. This ensures that OIG provides strategic, targeted oversight over critical HUD programs, which results in actionable recommendations that identify a roadmap for HUD and its stakeholders to achieve program improvements, and that its investigative work provides accountability and deterrence in those areas of greatest risk to HUD and the taxpayer.

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 the Department faces. 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 its oversight partners, such as the U.S. Government Accountability Office, and input from key external stakeholders.

For 2024, the OIG determined HUD's Top Management Challenges to be:

- Promoting Health and Safety in HUD-Assisted Housing
- Increasing Access to Affordable Housing
- Mitigating Counterparty Risks
- Grants Management
- Enhancing Oversight of Disaster Recovery
- Managing Fraud Risk and Improper Payments
- Improving IT Modernization and Cybersecurity
- Managing Human Capital
- Increasing Effectiveness in Procurement

Within each challenge, HUD OIG has built an oversight strategy overlaid with data analytics to drive oversight first to enterprise-wide risk at the HUD level, then to primary recipients such as grantees or financial institutions, down through successive layers of program partners that HUD relies on to execute its programs. This approach allows OIG to make meaningful findings and recommendations to improve how HUD does business, and find the most effective areas to target limited investigative resources. This approach also allows OIG to scale up oversight when additional resources become available to address previously identified risks in HUD programs and partners operations or to maximize its investigative footprint.

Initiatives to Reduce Environmental and Public Health Hazards and Address Sexual Misconduct

IG Oliver Davis has launched several initiatives focusing on protecting the most vulnerable of HUD beneficiaries through focusing on environmental hazards, prevent financial predation, and protect HUD residents from sexual harassment and misconduct. The goal of these efforts is to assist HUD in identifying ways to increase compliance by public housing agencies (PHA) and landlords with HUD's requirements designed to provide decent, safe, and sanitary housing to beneficiaries, and to hold accountable bad actors who abuse HUD's programs and beneficiaries. OIG's oversight initiatives will identify ways HUD can enhance its monitoring capabilities to better ensure PHAs and landlords are following HUD requirements that HUD-assisted and insured housing is decent, safe, sanitary, and in good repair. Finally, OIG will work with its Federal, State, and local law enforcement partners, including providing outreach and education to HUD communities and beneficiaries, to root out participants engaged in fraud schemes that abuse vulnerable HUD beneficiaries. The President's Budget will help the OIG maintain oversight over these critical programs and the entities and individuals who implement them.

To that end, HUD OIG is prioritizing the following oversight objectives:

- Ensuring PHAs, landlords, contractors, and inspectors properly identify lead hazards and use safe work practices to reduce and prevent lead exposure and poisoning in HUD-assisted housing.

- Ensuring landlords fulfill their obligations to provide housing units that are decent, safe, and sanitary, and make necessary repairs to units in a timely and safe manner; and
- Combatting financial fraud schemes that exploit vulnerable populations who rely on HUD housing assistance, such as landlords who overcharge rent or housing fees.

Additionally, OIG is expanding its efforts to ensure HUD tenants are protected from sexual misconduct in housing. Working with HUD and the Department of Justice, OIG will continue seeking justice for victims through criminal and civil prosecution and penalties for those who sexually assault or harass HUD tenants. No one should have to face the threat of being sexually harassed or sexually assaulted by their housing provider in order to have a roof over their head.

Comprehensive Oversight of HUD's Key Functions

Over the past several years, OIG has repositioned its staff to provide more comprehensive oversight over critical programs and operations of HUD, including expanding its 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. OIG aligned its oversight planning and key reports to the priorities established in HUD's strategic plan, OIG's Top Management Challenges, and the most critical risks identified by OIG and external subject matter experts. HUD OIG now has dedicated audit and evaluation teams developing and leveraging deeper program expertise to focus on those critical areas. 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 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 its investigative work will yield the greatest deterrent possible, and provide accountability where the taxpayer or HUD beneficiaries are most at risk.

While by no means exhaustive, the below snapshot of the OIG oversight portfolio shows that it is the completed and ongoing oversight that will make meaningful, positive impacts on the Department's programs and operations and the communities they serve.

Ensuring Assisted Housing is Habitable and Hazard-Free

HUD OIG continues to dedicate significant resources to oversight focused on HUD's approaches to identifying and mitigating hazards in HUD-assisted housing and HUD's progress in enhancing its processes for inspecting physical conditions. In furtherance of the IG's Environmental Justice Initiative announced earlier this year, OIG enhanced its outreach to focus on these critical issues and has worked with United States Attorneys' Offices across the country to help protect HUD's programs and beneficiaries from these hazards and from fraud, waste, and abuse. OIG's continued effort has yielded not only high-impact investigative results, but also has directly resulted in meaningful improvement to how HUD protects people living in HUD-assisted housing. For example, as a result of OIG Priority Open Recommendations, in September 2023 HUD improved its oversight of PHAs compliance with the Lead Safe Housing Rule by clarifying what is required when a PHA determines target housing is exempt from the Rule, and updating guidance to PIH staff to help determine whether a child under six years of age resides in an exempted development and what actions should be taken to protect those children.

Recent oversight examples addressing how HUD identifies and mitigates hazards in HUD-assisted housing include:

[Improvements Are Needed To Ensure That Public Housing Properties Are Inspected in a Timely Manner](#): The audit found HUD's Real Estate Assessment Center (REAC) did not consistently ensure that public housing properties were inspected within required timeframes. The Center developed its Big Inspection Plan to inspect all National Standards for the Physical Inspection of Real Estate (NSPIRE) demonstration and non-NSPIRE public housing and multifamily properties by March 31, 2023, and OIG found HUD was challenged in prioritizing and completing inspections under the plan. The Center also experienced delays in inspecting public housing properties approved to participate under the NSPIRE demonstration. The audit found that HUD can improve its procedures and controls, including the coordination of the procurement for inspection services, to ensure that public housing properties are inspected in a timely manner. Making such improvements will better position PIH to know whether the physical conditions in public housing properties are decent, safe, and sanitary. These improvements could also result in Public Housing Assessment System scores better reflecting the current conditions of the properties.

OIG recommended that the Center prioritize the inspection of public housing properties that were: (1) not included in the NSPIRE demonstration but were identified as high priority under the Center's Big Inspection Plan and (2) approved to participate under the NSPIRE demonstration that the Center was unable to inspect by March 31, 2023. OIG also recommended that the Center implement adequate policies, procedures, and controls to ensure that public housing properties will be inspected within required timeframes.

[HUD Can Improve Its Oversight of the Physical Condition of Public Housing Developments](#): OIG audited HUD's oversight of the physical condition of public housing developments, including whether HUD had adequate oversight of PHAs' (1) corrective actions in response to periodic REAC inspections and (2) annual self-inspections to ensure that units were maintained in decent, safe, and sanitary condition.

HUD field offices were inconsistent in overseeing whether PHAs corrected life-threatening deficiencies identified during REAC inspections, and HUD did not track PHAs' corrections of non-life-threatening health and safety deficiencies identified during REAC inspections. OIG found that HUD did not have a standardized policy or a nationwide protocol to guide its field offices' oversight of PHAs to ensure that all health and safety deficiencies identified during a REAC inspection were corrected. Further, HUD was inconsistent in how it held PHAs accountable for correcting deficiencies and lacked assurance that PHAs correctly identified and rectified life-threatening and non-life-threatening deficiencies. If HUD implements a nationwide protocol for monitoring and tracking PHAs' efforts to address inspection results, it could have greater assurance that tenants who reside in public housing are living in units that are decent, safe, and sanitary.

In addition to the REAC inspection, HUD requires PHAs to perform routine self-inspections of public housing properties, including a visual assessment of the property to look for all deficiencies, and to determine the maintenance and modernization needs of the properties. HUD staff had varying interpretations of its requirements regarding the number of public housing units PHAs should self-inspect annually. Further, HUD's field office staff generally did not monitor PHAs for compliance with HUD's requirements for self-inspections. These conditions occurred because HUD's guidance was not clear regarding (1) the number of units PHAs should inspect annually and (2) how its field office staff should monitor PHAs.

OIG recommended that HUD develop and implement a nationwide inspection review protocol and associated training for its field office staff; determine whether PHAs are required to perform inspections on 100 percent of their public housing units annually; and if so, develop clear, specific guidance on the number and frequency of the self-inspections. If 100 percent annual self-inspections are not required, OIG recommended that HUD determine whether the rationale for REAC to inspect a sample of public housing units, rather than 100 percent, remains appropriate.

[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 the Authority and other PHAs to maintain evidence supporting that the work was minor. This lack of documentation impedes HUD's ability to conduct meaningful oversight of property owners' compliance with HUD's requirements for safe work practices. Moreover, the practice limits HUD's and OIG's ability to verify that the de minimis exemption is being properly applied. OIG found that HUD should take immediate steps to mitigate the risk of applying the exemption too broadly and increasing the potential for residents and maintenance staff to be exposed to lead-based paint hazards.

[The Philadelphia Housing Authority Needs To Improve Oversight Of Lead-Based Paint In Its Public Housing](#): In the first of a series of audits examining PHAs across the country, OIG assessed the Philadelphia Housing Authority's (Authority) management of lead-based paint in its public housing program. OIG found the Authority did not always perform lead-based paint visual assessments within the required timeframe and mitigate lead-based paint hazards in a timely manner. The Authority needs to improve its processes for maintaining lead-based paint documentation and providing accurate lead-based paint disclosures to tenants. It also did not ensure that its contractors provided lead-based paint inspection and risk assessment reports that met HUD's requirements. These weaknesses occurred because the Authority lacked adequate procedures and controls and, as a result, households that participated in the Authority's program were at an increased risk of being exposed to lead-based paint hazards, particularly families with children under six years of age. OIG recommended that HUD require the Authority to establish procedures and controls to ensure that lead-based paint visual assessments and hazard reduction work are performed within the required timeframes, and that all identified hazards are abated or treated with interim controls. OIG also recommended that HUD require the authority to maintain lead-based paint documentation in a manner that it is readily available for review; perform a search for historical lead-based paint documentation; and implement adequate procedures and controls to ensure that accurate lead disclosures are provided to current and prospective tenants and that contracted inspectors' deliverables comply with applicable requirements. OIG also recommended that HUD provide training to the Authority's staff involved with managing lead-based paint, technical assistance to the Authority in developing and implementing new procedures and controls, and assess the quality of lead-based paint inspections and risk assessments performed by the Authority's contractors.

[Improvements are Needed to the U.S. Department of Housing and Urban Development's Processes for Monitoring Elevated Blood Lead Levels and Lead-Based Paint Hazards in Public Housing](#): OIG's evaluation found that HUD did not align its Elevated Blood Lead Levels (EBLL) value to the Centers for Disease Control and Prevention's (CDC) blood lead reference value (BLRV) for children under the age of 6. As of August 2022, HUD was using the EBLL value of five micrograms of lead per deciliter of blood ($\mu\text{g}/\text{dL}$), despite CDC lowering the BLRV to 3.5 $\mu\text{g}/\text{dL}$ in October 2021. By aligning EBLL processes with CDC's BLRV, HUD can help to ensure that cases of children with EBLLs between 3.5 $\mu\text{g}/\text{dL}$ and 4.9 $\mu\text{g}/\text{dL}$ are reported and monitored. The evaluation also found ways HUD could improve the data fields of HUD's EBLL tracker to monitor cases of children with identified EBLLs residing in public housing, including facilitating access to historical EBLL cases, and the number of children living in a housing unit, or whether a specific unit, building, or development previously had an EBLL case. HUD can also improve timeliness standards for addressing cases on HUD's lead-based paint response tracker.

Additionally, when OIG compared the percentage of public housing development buildings constructed before 1978 to a snapshot of the EBLL tracker it found that New York and Pennsylvania

together accounted for virtually all (94.1 percent) of EBLL tracker cases of children living in public housing with an EBLL resulting from a confirmed lead-based paint hazard. This result was despite other states' having the same amount or more public housing development buildings built before 1978, when lead-based paint was banned.

Ongoing Oversight:

- [Audit Series – PHA Management of Lead Based Paint in Public Housing](#): OIG is currently auditing two large PHAs in [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. OIG plans to initiate additional audits of other PHAs' management of lead-based paint in public housing.
- [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 of (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 Rental Assistance Demonstration (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.
- [Audit Series – Unit Conditions](#): OIG initiated audits of PHAs in [Massachusetts](#) and [Ohio](#) that administer HCV and public housing programs to determine whether the physical conditions of the PHAs' HCV and public housing program units meet HUD's and the PHAs' own requirements.

Impactful Investigations:

- [Property owner sentenced for lying about lead hazards](#): The former principal of Williamsville Property Holdings was sentenced to five years of probation, eight months home detention, and 600 hours of community service with Habitat for Humanity during the first three years of his probation period for his role in making false statements. He was also ordered to pay \$115,000 in restitution to the buyers of the properties. Between December 2015 and May 2018, the former principal and Williamsville Properties were aware of lead-based paint and lead-based paint hazards at a Wick Street residence in Buffalo that housed a Section 8 family. In April 2018 and June 2020, the former principal and Williamsville Properties rented the property to lessees and furnished a lead disclosure form to those tenants which falsely affirmed that he "had no knowledge of lead-based paint and/or lead-based paint hazards in the housing." The individual later sold properties he knew to have lead-based paint hazards and failed to properly disclose the violations during his real estate transactions.
- [40 Members of a Violent Gang Charged With Drug Trafficking and Firearms Violations in San Juan, Puerto Rico](#): On June 8, a Federal grand jury in the District of Puerto Rico returned an indictment charging 40 violent gang members from the municipality of San

Juan with conspiracy to possess with intent to distribute, possession and distribution of controlled substances, and firearms violations. The indictment alleged that from 2015 to June 8, 2023, the drug trafficking organization distributed heroin, cocaine base, cocaine, marijuana, Fentanyl, Oxycodone, and Alprazolam within 1,000 feet of the Manuel A. Pérez, the Alejandrino, and the Los Laureles Public Housing Projects (PHPs), and other areas nearby, as well as the San Isidro ward in the Municipality of Canóvanas, all for significant financial gain and profit. As part of the conspiracy, the defendants used abandoned apartments in the Public Housing Projects to prepare the drugs for distribution at the drug points and procured access to many vehicles to transport money, narcotics, and firearms.

- [Richmond Contractor Sentenced to over One Year for Violating Federal Lead Paint Laws and Obstructing Justice](#): A contractor was sentenced in U.S. District Court to 16 months in Federal prison. The contractor operated a company, Aluminum Brothers Home Improvements, which received Community Development Block Grant Disaster Recovery (CDBG-DR) funds for owner-occupant repairs, including mitigating lead paint hazards in older low-to-middle income homes. The contractor admitted that he and other workers he supervised failed to follow lead safety laws while conducting multiple HUD-funded renovations in Indiana. Interviews were conducted with homeowners and workers, who indicated that work was not conducted according to the contract and did not follow Lead Safe Work Practices. The workers indicated that they did not receive any training. The defendant's company provided investigators with fabricated training records showing that their employees were trained in Lead Safe Work Practices. As a result, lead-based paint chips were scattered throughout the properties and were not cleaned up timely or properly as work was being conducted. One of the residences was inhabited by a child with elevated blood lead levels, which had prompted the renovation work at that property to begin with.

Addressing Counterparty Risk/Protecting HUD's Insurance Funds

To address counterparty risk in FHA programs and protect HUD's Insurance Funds, OIG's oversight involves (1) preventing risk through early detection, (2) strengthening controls around origination, and (3) ensuring lenders service loans correctly to mitigate losses to HUD's insurance fund. With respect to Ginnie Mae, OIG's audits and reviews are targeting areas of risk to Ginnie Mae and the securitization platform, focusing on governance, and ways in which Ginnie Mae can mitigate risks and increase the efficiency of its operations. Although Ginnie Mae has enhanced its counterparty risk management, this is the first time since the 2008 Financial Crisis when economic conditions are unfavorable to nonbanks. As of September 2023, nonbanks comprised over 89 percent of Ginnie Mae's total issuances. Ginnie Mae securities are highly concentrated in its top issuers, most of which are nonbanks.

HUD Can Improve Oversight of Its Temporary Endorsement Policy for Loans in COVID-19

[Forbearance](#): OIG conducted an audit of HUD's temporary policy for endorsement of loans with coronavirus disease 2019 (COVID-19) forbearance activity to determine (1) whether HUD's temporary endorsement policy related to COVID-19 forbearance activity was properly followed by lenders, (2) whether HUD monitored and enforced indemnification agreements for loans that were subject to the temporary policy, and (3) HUD's reasons for ending the policy during the pandemic and its plans to evaluate and use such policies in the future. The audit found that HUD did not ensure that lenders consistently followed policy requirements or that indemnification agreement data and records related to the policy were complete and accurate. OIG made several recommendations to HUD to resolve these findings and protect the FHA insurance fund from the risks identified.

Nationstar Generally Did Not Meet HUD Requirements When Providing Loss Mitigation to

[Borrowers of Delinquent FHA-Insured Loans](#): OIG conducted an audit of Nationstar Mortgage, LLC's compliance with FHA's requirements for providing loss mitigation assistance to borrowers. This audit was initiated due to a 2021 risk assessment that identified a significant volume of

delinquent loans with prior COVID-19 forbearance in Nationstar's portfolio and OIG's awareness of complaints made about Nationstar to the Consumer Financial Protection Bureau and the HUD OIG hotline. OIG found that Nationstar did not provide proper loss mitigation assistance to more than 80 percent of borrowers with delinquent FHA-insured loans after their COVID-19 forbearance ended. The report made six recommendations, including that HUD require Nationstar to take corrective actions to review and remediate sampled loans for which borrowers did not receive appropriate loss mitigation and implement controls and employee training.

[Servicers Generally Did Not Meet HUD Requirements When Providing Loss Mitigation Assistance to Borrowers With Delinquent FHA-Insured Loans](#): OIG conducted an audit of loan servicers' compliance with FHA's requirements for providing loss mitigation assistance to borrowers after their COVID-19 forbearance ended. OIG initiated this audit because the loss mitigation programs available to the large number of borrowers exiting forbearance were new and created a risk for both borrowers and the FHA insurance fund when servicers did not properly provide loss mitigation. OIG found that the servicers did not provide proper loss mitigation assistance to approximately two-thirds of delinquent borrowers after their COVID-19 forbearance ended. OIG made six recommendations to HUD to address these findings, to include providing training and guidance to servicers and developing a plan to mitigate noncompliance moving forward.

[FHA Borrowers Did Not Always Properly Receive COVID-19 Forbearances From Their Loan Servicers](#): OIG audited FHA's oversight of this COVID-19 forbearance option. Several media reports and complaints filed with the Consumer Financial 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, any 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.

[Ginnie Mae Did Not Ensure That All Pooled Loans Had Agency Insurance](#): OIG performed a corrective action verification review of Ginnie Mae implementation of the recommendations in a prior audit that found Ginnie Mae had improperly allowed uninsured loans to remain in mortgage-backed securities pools. OIG found that Ginnie Mae established both a maximum time in which single-family loans could remain pooled without insurance and a process for requiring the 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 3,200 pooled loans with a principal balance of at least \$903 million were not matched to Agency insurance data files before the certification date. OIG made two additional recommendations 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.

[Opportunities Exist for Ginnie Mae To Improve Its Guidance and Process for Troubled Issuers](#): OIG conducted an audit of Ginnie Mae's guidance and process for managing troubled issuers to assess Ginnie Mae's policies and procedures for rapid relocation extinguishments and assess Ginnie Mae's implementation of a previous OIG recommendation to develop and implement controls to identify the total impact of a large or multiple-issuer default (the maximum size default Ginnie Mae could adequately execute) and individual issuers' ability to adapt to changing market conditions. This

audit determined that Ginnie Mae's guidance and process for troubled issuers contained gaps. OIG recommended that Ginnie Mae update its guidance to define its authority for marketing troubled issuer portfolios and the conditions that must exist to extinguish issuers using rapid relocation. OIG also recommended that Ginnie Mae address (1) how and what type of information it may disclose before extinguishment, (2) how it will determine the portfolio value and price before sale, and (3) how it intends to evaluate prospective buyers to ensure its ability to absorb the extinguished portfolio before executing a purchase and sale agreement. Lastly, OIG recommended that Ginnie Mae develop and implement guidance before the preplanning phase of an extinguishment that (1) assesses what information it needs from the master servicer (MSS) to ensure that they have the capacity for a large- or multiple-issuer extinguishment and (2) prescribes how the contracting officer representative will review submitted reports and provide actionable feedback to ensure MSS readiness.

Ongoing Oversight:

- **Inquiry Regarding Ginnie Mae's Monitoring and Extinguishment of Reverse Mortgage Funding:** OIG initiated an inquiry into Ginnie Mae's monitoring and extinguishment of former issuer, Reverse Mortgage Funding (RMF), from its Home Equity Conversion Mortgage-Backed Securities Program. The OIG's inquiry will include interviews, data gathering, and analysis of compliance with laws, regulations, policies, and procedures related to Ginnie Mae's oversight of RMF.
- **Audit Series – HUD-held Vacant Loan Sales:** OIG has two audits looking at critical aspects of HUD-held vacant loan sales. The first audit assesses how well FHA ensured the achievement of a loan sale program for Mission Drive Entities. The second audit will assess how HUD (1) tracks and measures loan sale program success and (2) its achievement of mission objectives as they relate to Biden-Harris Administration's housing initiatives.
- **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.
- **Multifamily Mortgage Application Processing Delays:** Between 2020 and 2022, HUD implemented changes to better manage applications after reporting an increase in volume and processing delays for multifamily rental housing mortgage insurance, which peaked with more than 500 applications waiting to be assigned for review. OIG's audit objective is to assess HUD's efforts to address the processing delays.
- **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 Financial Protection Bureau.
- **Audit Series – Servicer Post-Moratorium Foreclosures:** OIG is auditing two mortgage lenders that service FHA single-family loans to determine whether the servicers (1) established that borrowers were ineligible for loss mitigation assistance before commencing foreclosure, and (2) reviewed requests received during foreclosure before continuing.

Impactful Investigations:

- [Laredo Salesman Sent to Prison for Fraud Conspiracy Costing HUD \\$1 Million in Losses](#): A former sales manager at WestWind Homes, Laredo, Texas, was sentenced to 36 months confinement, ordered to pay over \$1,170,000 in restitution, and 36 months of supervised release following confinement for his role in a complex mortgage fraud scheme. From August 2017 through September 2019, the Sales Manager devised a scheme to defraud HUD backed mortgages by falsifying loan applications for mortgage loans insured by the FHA while working as a salesman for a Laredo area homebuilder. The Sales Manager used his position to gain direct access to customer files, which he then altered, and fabricated bank statements and other documents to enable the loans to be approved by the lender. The Sales Manager then submitted these fake and forged documents to a Laredo area bank on behalf of the potential homebuyers. He admitted he was receiving a commission for each sale and personally profiting over \$200,000 from the scheme. In addition, more than three dozen known loans in this scheme ultimately defaulted or had to be restructured, costing HUD roughly \$971,310 at the time of his plea.
- [Movement Mortgage to Pay \\$23.7 Million to Resolve Allegations it Caused the Submission of False Claims to Government Mortgage Programs](#): Movement Mortgage, LLC, agreed to pay the United States \$23.75 million to resolve allegations that it violated the False Claims Act by failing to comply with material program requirements when it originated and underwrote mortgages insured by FHA or guaranteed by the Department of Veterans Affairs (VA). The settlement resolves allegations that Movement Mortgage failed to comply with material program rules that require lenders to maintain quality control programs to prevent and correct underwriting deficiencies, self-report any materially deficient loans that they identify, and ensure that the underwriting process is free from conflicts of interest. As part of the settlement, Movement Mortgage admitted that it certified for FHA mortgage insurance and VA home loan guarantees a material percentage of loans that did not meet applicable requirements and, therefore, were not eligible under those programs, despite inaccurately representing to HUD and the VA that such loans complied with applicable program requirements. Movement Mortgage further admitted that it failed to adhere to HUD and the VA's applicable self-reporting requirements.
- [Real Estate Agent and Her Husband Sentenced for Fraud Using Stolen Personal Identifying Information](#): After pleading guilty to conspiracy in U.S. District Court for the Eastern District of Virginia, a real estate agent and her husband were sentenced to 138 months incarceration and subjected to 72 months supervised release, forfeiture of more than \$276,000, and ordered to pay more than \$348,000, jointly and severally, in restitution to several victims. Defendants used victims' identities to open bank accounts for the deposit of stolen and altered checks, obtained Social Security cards and driver's licenses using victims' identities, and falsified employment documents that helped them secure an FHA-insured mortgage.
- [Salem Man Sentenced to Four Years in Prison for Decade-Long Mortgage Fraud Scheme](#): A Salem, MA, 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. From 2006 until 2015, the defendant engaged in a scheme to defraud financial institutions by submitting fraudulent documents to qualify borrowers he recruited for conventional and FHA-insured mortgages.
- [Osceola County Mortgage Loan Officer Convicted of Bank Fraud and Aggravated Identity Theft Charges Involving Forging of Judges' Signatures](#): On April 12, a Federal jury found a loan officer guilty of three counts of bank fraud and one count of aggravated identity theft. The loan officer faces a maximum penalty of 30 years' imprisonment for each bank fraud count and a mandatory minimum 2-year sentence for the aggravated identity theft count.

According to evidence presented at trial, the loan officer, in her capacity as a licensed mortgage loan officer, created and executed a mortgage fraud scheme targeting the financial institution where she worked. In furtherance of her scheme, she created fictitious court judgments that fraudulently represented that the borrowers were entitled to receive non-existent monthly child support payments, used the names of judges from the Circuit Court of the Ninth District of Florida and forged their signatures, and created bogus Florida Department of Revenue statements. She then submitted bogus paperwork to the financial institution to support the false monthly income on the loan applications, which the financial institution approved and funded.

Increasing Access to Affordable Housing, Including Fair Housing

HUD's 2023 Annual Performance Plan states that finding an affordable home in America is worse now than it has been at any point since the 2008 financial crisis. HUD continues to experience challenges in efficiently and effectively overseeing its rental assistance programs, including in providing oversight of local program partner performance and doing so with limited funding and resources. OIG has dedicated considerable resources toward assisting HUD and its partners in improving the delivery of HUD's critical rental assistance programs. OIG targets its oversight to address risk reduction and operational improvements to help HUD preserve affordable housing. OIG also focuses on oversight of grantee and subrecipient performance and customer experience to help HUD enhance outcomes in these programs. Finally, OIG has focused on the Office of Fair Housing and Equal Opportunity (FHEO) and its implementing partners' enforcement of civil rights laws, including the effectiveness of FHEO's complaint intake, case management, and compliance reviews.

Recent, impactful oversight work related to increasing access to affordable housing includes:

[HUD Could Improve Its Process for Evaluating the Performance of Public Housing Agencies' Housing Choice Voucher Programs](#): OIG's audit of the Section Eight Management Assessment Program (SEMAP), which HUD uses to remotely evaluate the performance of PHAs' Housing Choice Voucher (HCV) Programs, identified that the program needed enhancements in order to accurately measure PHA performance. OIG found that (1) SEMAP uses performance indicators that are based on PHAs' self-certifications and self-reported data, which may not have accurately represented the performance of their HCV Programs. OIG also noted that HUD's process for verifying the information PHAs use for SEMAP reporting did not capture the performance of all PHAs' HCV Programs, creating a gap in HUD's ability to identify PHAs' HCV Programs that may have needed improvement. OIG recommended HUD (1) enhance SEMAP or develop a new performance measurement process that would identify PHAs with underperforming HCV Programs and (2) provide additional training and guidance to HUD staff to enable more effective use of the measurement processes.

[Opportunities Exist To Enhance Oversight of the Foster Youth to Independence Initiative To Improve Program Effectiveness](#): OIG conducted an audit of HUD's Office of Public Housing Voucher Programs' oversight of the Foster Youth to Independence Initiative (FYI) to determine its effectiveness. This audit determined that opportunities exist to enhance oversight of the FYI to improve program effectiveness. Specifically, HUD did not implement strategies or provide guidance to maximize voucher utilization and did not have the assurance that youths were informed of supportive services or that the services were available for the duration of their participation. In addition, HUD did not include the FYI in its annual risk assessment and did not have an FYI program-specific risk assessment or monitoring policies and procedures. HUD also did not establish specific and measurable objectives for the FYI or collect data that would allow it to assess the program's overall effectiveness. As a result, HUD lacked assurance that the \$46.7 million allocated for FYI vouchers would be fully utilized to reach the vulnerable population it is intended to serve and improve the program participants' self-sufficiency. OIG made recommendations to help PIH to improve voucher utilization, including through improved coordination between PHAs and public

child welfare agencies. OIG also made recommendations to improved accountability measures like requiring PHAs to document that they have informed FYI participants at program entry of their eligibility for supportive services for the duration of the program, improve monitoring of program partners, and regularly assess the effectiveness of the program.

[Opportunities Exist To Improve HUD's FHA Resource Center's Routing of Housing Discrimination Inquiries](#): OIG audited the Office of Single Family Housing's Resource Center's handling of housing discrimination inquiries to assess whether the FHA Resource Center appropriately rerouted inquiries related to housing discrimination, including discrimination in appraisals, to FHEO in accordance with its standard operating procedures. OIG found that the FHA Resource Center did not consistently reroute housing discrimination inquiries to FHEO in accordance with its standard operating procedures. Specifically, it did not reroute 14 of 68 of sampled housing discrimination inquiries to FHEO as required. In addition, it did not reroute three of 10 HUD OIG test calls that it placed relating to housing appraisal discrimination. These inconsistencies occurred because the FHA Resource Center lacked clear guidance on how to handle discrimination inquiries when the inquiries included multiple concerns, such as a customer alleging discrimination while also complaining about living conditions in public housing. The FHA Resource Center also did not consistently provide refresher training on how to handle discrimination inquiries. As a result of these inconsistencies, customers with discrimination concerns were at higher risk of FHEO not addressing their concerns, living in unfavorable conditions, or losing their homes. OIG recommended that the Office of Single Family Housing update policies and procedures regarding discrimination complaints to ensure consistency among customer service representatives in rerouting these complaints to FHEO. OIG also recommended that the FHA Resource Center updates its training program so that refresher training on housing discrimination is regularly provided to staff.

Ongoing Oversight:

- [Review into HUD's Termination of its Rental Assistance Contract at Peppertree Apartments in Memphis, Tennessee](#): OIG is conducting a review of the circumstances that resulted in HUD's decision to end its Housing Assistance Payment (HAP) contract with Peppertree Apartments and the subsequent relocation of residents. This inquiry will include among other things, interviews and data gathering related to HUD's oversight of Peppertree Apartments' participation in HUD's Project-Based Rental Assistance program.
- Audit Series - Program Office Monitoring of Civil Rights Compliance: HUD OIG has initiated two audits, one of the [Office of Community Planning and Development](#) and one of the [Office of Multifamily Housing](#), to assess the extent to which those offices monitored civil rights compliance in their program activities.
- [Occupancy of Public Housing Units](#): OIG is auditing PIH's public housing program to assess the occupancy of public housing units, including examining the accuracy and completeness of the data PHAs provide and PIH relies on to determine related funding and to target technical assistance.
- [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. The objective is to assess challenges faced by FHEO in meeting the 100-day investigation requirement.
- [Assessment of Fair Housing Complaint Intake Process at a FHAP Agency](#): OIG's audit will focus on a Fair Housing Assistance Program (FHAP) agency in Kentucky to (1) determine the extent to which the FHAP agency processed fair housing complaints in a timely manner, (2) evaluate the reasons for closing complaints, and (3) evaluate how the FHAP agency provided customer service to complainants on closed fair housing complaints.

Impactful Investigations:

- [Justice Department Secures \\$400,000 in Sexual Harassment Lawsuit Against Connecticut Landlord](#): A former HCV Program landlord entered into a consent decree with the United States in U.S. District Court for the District of Connecticut to resolve allegations that he violated the Fair Housing Act by sexually harassing female tenants and housing applicants. The consent decree also resolved claims against the properties where the alleged harassment occurred. Between 2011 and 2017, the former HCV Program landlord housed 14 housing assistance payments tenants, while receiving approximately \$382,412 in payments. The former landlord agreed to pay a \$350,000 settlement, which will be divided among the aggrieved parties as monetary damages, and a \$50,000 civil penalty to the United States.
- [Walter Pierluisi Isern, Eduardo Pierluisi Isern, and American Management and Administration Corporation Sentenced for Federal Program Theft in Excess of \\$3.7 Million](#): On July 11, defendants Walter Pierluisi Isern, Eduardo Pierluisi Isern, and American Management and Administration Corporation were sentenced in the District of Puerto Rico to prison terms for knowingly and intentionally stealing money from HUD Federal assistance programs from 2014 to August 2022 for their own use and the use of others. The total amount of theft was approximately \$3.7 million.
- [Justice Department Files Sexual Harassment Lawsuit Against Pennsylvania Rental Property Owners and Operators](#): On May 19, the Justice Department announced that it filed a lawsuit against Timothy Britton, the owner and operator of rental properties in the Falls Creek, Pennsylvania, area, and Britton Enterprises LLC, doing business as “Tim’s Apartments,” which operates the rental properties, alleging sexual harassment and retaliation in violation of the Fair Housing Act. The lawsuit alleges that Timothy Britton sexually harassed female tenants since at least 2016.
- [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 Cook County Land Bank Authority Employee Sentenced to a Year in Federal Prison for Scheming To Fraudulently Purchase and Resell Properties](#): A former asset manager of the Cook County Land Bank Authority (CCLBA) was sentenced to a year in Federal prison for using “straw buyers” to fraudulently purchase and resell properties from the agency on his behalf. CCLBA is a governmental entity that promoted the redevelopment and reuse of vacant, foreclosed, abandoned, and tax delinquent real estate by acquiring and transferring the property to private ownership. The CCLBA sold the real estate at below-market rates and prohibited the buyers from selling or renting a property until the CCLBA was satisfied that the buyer had adequately improved it. CCLBA employees, such as the former asset manager, were prohibited from purchasing a property from the agency unless it would be used for the employee’s primary residence. From 2016 to 2021, the asset manager used “straw” buyers to fraudulently purchase six properties from the CCLBA and thereafter redeveloped, resold, and otherwise used the properties for financial benefit. In some instances, the employee’s duties at the CCLBA allowed him oversight over the same properties he owned and resold. In addition to the property fraud scheme, Saleh fraudulently obtained maintenance work from the CCLBA, causing the CCLBA to pay the company he formed more than \$1 million for property maintenance services, even though CCLBA employees were prohibited from having a financial interest in property maintenance companies contracting with the agency.

Grants Management

HUD's grant programs are vast and varied, and are often the largest source of flexible grant funding available to communities for broad economic and development activities. HUD must effectively oversee and manage over \$100 billion dollars in grant programs, thousands of grantees, and even more subrecipients. Additionally, several HUD grant programs received large influxes of funding during the pandemic, and OIG oversight adapted to match areas of risk. At the outset of the pandemic, OIG focused on identifying the challenges that HUD and grantees might face in implementing the pandemic programs. As more of the pandemic funding has been spent, OIG is now focusing on ensuring HUD pandemic and other grant funding is spent as intended, that timely assistance is being provided, and assessing the program outcomes. This includes assessing how well HUD, its grantees, and subrecipients are performing monitoring activities, the strength of their internal controls, and the fraud prevention measures they have in place.

Recent, impactful oversight work related to grants management include:

[HUD's Assistance and Grantee Challenges With the Office of Native American Programs' COVID-19 Recovery Programs](#): OIG conducted an audit of HUD's Office of Native American Programs' (ONAP) COVID-19 recovery programs. OIG found that HUD provided information, guidance, and training to assist grantees in navigating the programs soon after the funding was appropriated. Most grantees reported that they were satisfied with the resources and assistance HUD provided but reported facing challenges in using funds that were primarily outside HUD's control, including a lack of supplies, contractors, and capacity, as well as increased cost of supplies. These challenges occurred in part due to many factors, such as the worldwide supply chain problems and the influx of Federal funding, and existing systemic problems, including the lack of affordable housing. As a result, approximately \$531.5 million of the \$1.03 billion that the Congress authorized for the ONAP COVID-19 recovery programs remained available to be drawn by grantees (about 52 percent) approximately two years after the funding was appropriated. OIG recommended that the ONAP consider grantee feedback on the challenges they faced as part of ONAP's planning for technical assistance and training of ONAP COVID-19 recovery program grantees.

[The Office of Community Planning and Development's Use of Remote Monitoring](#): OIG evaluated HUD's Office of Community Planning and Development (CPD) to determine what has changed in its monitoring approach and if opportunities for improvement exist in its use of remote monitoring for the period October 1, 2018, through September 30, 2021. This evaluation determined that CPD launched the Grantee Document Exchange (GDX)—an externally accessible portal application that allows grantees and CPD to securely share documents during monitoring sessions—to support its remote monitoring approach. In a survey that OIG conducted on CPD employees' experiences using remote monitoring, most CPD employees reported that the guidance, mentoring, or technical support prepared them well to monitor remotely. CPD's Office of Field Management delegated the responsibility of training grantees on remote monitoring to their respective field office and issued materials with instructions to grantees on how to use GDX. Overall, most CPD employees found remote monitoring to be somewhat or very effective in achieving CPD's monitoring objective. However, CPD employees faced challenges and limitations with remote monitoring related to safeguarding personally identifiable information, the duration of remote monitoring sessions, and the ability to verify physical assets effectively. CPD has opportunities to use remote monitoring judiciously and provide its employees with additional guidance on how to use remote monitoring to further its monitoring objectives. OIG made four recommendations to assist CPD to improve its use of remote monitoring, including two recommendations related to coordinating with HUD's Privacy Office, one recommendation related to reinforcing guidance on the use of remotely obtain evidence to verify HUD assets, and one recommendation related to strategically identifying remote monitoring opportunities earlier in the fiscal year.

Ongoing Work:

- [HUD and Continuum of Care \(CoC\) Programs Collection and Use of Homelessness Data to Assess Performance](#): OIG is auditing HUD and its CoC grantees programs, which are designed to promote community wide commitment to the goal of ending homelessness through coordinated housing and services funding for homeless families and individuals. HUD provided \$2.6 billion in CoC funding for the 2021 grant competition year. The objective is to determine how HUD and CoCs collect and use data to assess performance in identifying and reducing homelessness.
- [ESG-CV Subrecipient and Contractor Monitoring](#): OIG is auditing HUD's Emergency Solutions Grant – Coronavirus (ESG-CV) program, which is a grant program that funds rapid re-housing, homelessness prevention programs, and emergency shelters for people experiencing homelessness. The objective is to assess HUD's monitoring of the \$4 billion supplemental ESG-CV grantees to ensure grantee monitoring of subrecipients and contractors that carry out the program meets program requirements.
- Audit series – ESG-CV Program Fraud Risk Management: HUD OIG previously audited fraud risk management by HUD in its grant programs responding to the coronavirus. To further test fraud risk management in HUD's grant programs, HUD OIG is auditing a [New York-based](#), [Hawaii-based](#), and a [California-based](#) grantees' CARES Act, ESG-CV program to assess the grantees' fraud risk framework, that encompasses control activities to prevent, detect, and respond to fraud.

Impactful Investigations:

- [Camp Verde Woman Sentenced to 24 Months in Prison for Embezzlement of \\$670,000 from Yavapai-Apache Nation](#). The former Comptroller and Executive Director of the Yavapai-Apache Nation Housing Department was sentenced to 24 months in prison, followed by 36 months supervised release, and ordered to pay restitution in the amount of \$667,043 for her role in embezzlement and theft. Between August 2017 and May 2022, the former Comptroller/Executive Director embezzled \$670,908 from the Yavapai-Apache Nation, including over \$133,000 of HUD Indian Housing Block Grant Funds. As Comptroller and Executive Director, she was the supervisor of the accounting department and oversaw day-to-day activities and financial transactions. As such, she had access to housing department credit cards and knowledge of its vendor accounts. In 2022, it was discovered that there had been hundreds of thousands of dollars in fraudulent purchases via Tribal credit cards. On at least 184 occasions she fraudulently transferred funds into her personal accounts.
- [Former Worcester Housing Official Sentenced to 40 Months in Prison for \\$2.3 Million Property Development Fraud Scheme](#): A former City of Worcester chief of staff for the Executive Office of Economic Development was ordered, following a restitution hearing, to pay more than \$2.3 million in restitution to the City of Worcester following her conviction of conspiracy, wire fraud, and false statements. The defendant was previously sentenced to 40 months incarceration and three years supervised release. From July 2010 through September 2011, the defendant and her coconspirator applied for and received approximately \$2.3 million in HOME, Neighborhood Development Program, and lead abatement funds to rehabilitate a multifamily apartment building. The defendant knowingly approved false or fraudulent payment requests for HUD grant funds from her coconspirator for work that had not been completed and costs that had not been incurred as represented on the payment requests.
- [Hoboken Woman Admits \\$1.5 Million Fraud Scheme That Targeted Over 100 Non-Profit Victims, Including Schools and Religious Institutions](#): Defendant Yezenia Castillo pleaded guilty to stealing over \$1.5 million from over 100 victims made up mainly of non-profits, private schools, and religious institutions throughout New Jersey. According to case

documents and statements made in court, from 2012 through 2021, Castillo falsely claimed to be a certified public accountant and defrauded over 100 victims, resulting in financial losses totaling over \$1.5 million.

Disaster Recovery and Mitigation

OIG is focusing its oversight on ways in which HUD and its grantees' programs can be improved and deliver better and quicker disaster relief, while minimizing fraud, waste, and abuse. The office has recently emphasized assessing core program functions, including the timeliness of funding reaching disaster-affected communities, how HUD oversees requirements that grantees meet low- and moderate-income requirements, and ways HUD can monitor and assist slow spending grantees. OIG is also assessing outcomes of the program by reviewing grantees and subrecipients before they have expended a significant portion of their funding to assess what they have been able to accomplish and where improvements can be made for the duration of the grant, with the goal of helping HUD and the grantee or subrecipient early on to produce better disaster recovery outcomes. Finally, OIG is assessing how well HUD, its disaster grantees, and subrecipients are performing monitoring activities, as well as the strength of fraud prevention measures and other internal controls.

Recent, impactful oversight work related to HUD disaster recovery and mitigation programs include:

[The Puerto Rico Department of Housing Should Enhance Its Fraud Risk Management Practices:](#)

OIG conducted an audit of the Puerto Rico Department of Housing's (PRDOH) fraud risk management practices to assess the maturity of its antifraud efforts for preventing, detecting, and responding to fraud when administering programs funded by HUD grants addressing the 2017 disasters. This audit determined that PRDOH's fraud risk management processes to mitigate fraud risks either did not exist or were reactionary, which resulted in the lowest desired maturity goal state -- Ad Hoc -- for an organization's antifraud initiatives. Because PRDOH does not proactively manage fraud risk and its fraud risk management program is at the lowest state of maturity, it may have missed opportunities to strengthen controls and eliminate fraud vulnerabilities, leaving more than \$20 billion in HUD disaster recovery and mitigation funds at increased risk of fraud. Implementing best practices and maturing PRDOH's fraud risk management program will improve HUD and Puerto Rico's ability to prevent and detect fraud and effectively utilize Federal funds to support long-term disaster recovery and mitigation needs. HUD OIG made several recommendations, including that HUD instruct PRDOH to implement a process to regularly conduct fraud risk assessments and determine a fraud risk profile. HUD OIG also recommended that HUD assess whether other Community Development Block Grant Disaster Recovery and Mitigation (CDBG-DR/MIT) grantees have mature fraud risk management programs and to work with grantees to take further steps to mitigate fraud risks.

[Preventing Duplication of Benefits When Using Community Development Block Grant Disaster Recover and Mitigation Funds:](#)

OIG conducted an audit examining HUD's efforts to prevent duplication of benefits in its CDBG-DR/MIT programs to determine HUD's process for assessing the adequacy of grantee procedures to prevent a duplication of benefits before and after grant execution. This audit determined that HUD certified grantees' high-level processes for preventing duplication of benefits before grant execution and allowed grantees to develop more detailed procedures for individual grant activities later. However, HUD did not review grantees' more detailed procedures before grantees began spending funds on program activities and HUD's adequacy criteria did not include all statutory requirements. Because HUD certified procedures that did not meet requirements and did not review detailed activity-level procedures before grantees began spending funds, it risked grantees' failing to prevent duplication of benefits. HUD OIG recommended that the Director of the Office of Disaster Recovery review grantees' activity-level procedures for adequacy before grantees process applications for assistance to prevent any duplication of benefits and ensure that all applicable requirements for preventing any duplication of benefits are included in the adequacy criteria, grantee certifications, and HUD review checklists supporting the certification.

The State of Georgia Did Not Adequately Monitor Its Harvey, Irma, and Maria Grants' Activities and Subrecipients:

OIG audited the State of Georgia's monitoring of its \$50.9 million in disaster recovery grant activities and subrecipients to determine whether the State effectively monitored them to ensure that the activities addressed unmet long-term recovery needs. OIG determined that the State (1) lacked an understanding of the differences between monitoring reviews and day-to-day operations, (2) had inadequate monitoring procedures, and (3) lacked policies and procedures to conduct remote monitoring. As a result, HUD and the State did not have assurance that the State's controls for program administration were effective for addressing unmet long-term recovery needs. There was also a risk that the planned activities would not serve the State's beneficiaries in a timely manner or meet its goals for the number of beneficiaries it planned to serve. OIG recommended that HUD require the State to ensure that it has an adequate approach for monitoring by (1) providing training to staff that includes an understanding of monitoring reviews, (2) updating its policies and procedures, and (3) developing policies and procedures to ensure that monitoring is conducted remotely if needed. OIG also recommended that HUD monitor the State's CDBG-DR program to ensure that performance expectations are achieved.

Virgin Islands Housing Finance Authority Ineffectively Monitored CDBG-DR Activities:

OIG audited the Virgin Islands Housing Finance Authority's monitoring of its CDBG-DR-funded activities to determine whether the Authority effectively monitored its CDBG-DR-funded activities administered by itself and its subrecipients to ensure that the national objectives and performance measures were met. OIG found that the Authority did not (1) assess the activities' performance during its monitoring, (2) consistently track the status of corrective actions, (3) verify that the activities' national objectives were or are being met, and (4) consistently monitor the activities. The Authority lacked policies and detailed procedures to guide its staff on effectively monitoring and tracking corrective actions and ensure performance metrics included in subrecipient agreements were assessed. Therefore, HUD could not be assured that activities were progressing, identified deficiencies were corrected, and funds were used for authorized purposes. OIG recommended that HUD require the Authority to develop and implement monitoring policies and detailed procedures to ensure that an activity's performance is assessed, corrective actions in monitoring reports are tracked, and documentation supporting the national objectives is verified. In addition, OIG recommended that the Authority revise subrecipient agreements to include performance metrics and milestones that are tailored to the activity.

The Virgin Islands Housing Finance Authority's Administration of Its Non-Federal Match Program Had Weaknesses:

HUD OIG audit the Authority's Non-Federal Match Program for CDBG-DR to determine whether the Authority effectively administered its Match Program by identifying and assessing any challenges that hindered its ability to achieve program goals. This audit determined that the Authority's administration of its Match Program had weaknesses. Specifically, the Authority had (1) insufficient financial controls, (2) insufficient oversight of its Match Program-funded projects, (3) inaccurate performance measures reported in its quarterly performance reports, and (4) insufficient documentation to support its national objectives. OIG found the Authority did not have adequate policies and procedures or did not implement its existing policies to ensure effective administration of its Match Program. As a result, the Authority was at risk of not managing its Match Program in compliance with HUD requirements and achieving program goals. Further, this condition could result in the Authority providing program benefits to the intended beneficiaries late and increasing the risk of the Authority issuing improper payments. OIG recommended that CPD require the Authority to (1) develop and implement policies and procedures to address the challenges identified and (2) conduct training for its staff and disaster recovery Match Program recipients.

CDBG-DR Program Generally Met Low- and Moderate-Income Requirements: OIG conducted an audit to determine whether CPD had effectively and efficiently designed its CDBG-DR Program requirements and monitoring to ensure grantees met statutory and other Federal low and moderate-income (LMI) requirements. This audit determined that CPD had effectively and efficiently designed its CDBG-DR program requirements and monitoring to ensure that grantees met the various LMI

requirements. Almost all (98 percent) of the closed grants met the requirements, and a majority (80 percent) of the active grants were meeting the requirements. OIG identified opportunities for CPD to improve its monitoring and oversight of its grantees' compliance with the requirements, which, if implemented, could potentially prevent other grants from becoming noncompliant, reduce the number of grantees that need to budget sufficient funds to LMI activities, and improve the accuracy of reporting.

[Disaster Recovery Data Portal](#): OIG audited HUD's Disaster Recovery Data Portal, a technological solution planned by HUD to facilitate the rapid and secure transmission of data from the Federal Emergency Management Agency (FEMA) to HUD's CDBG-DR grantees. OIG found that (1) HUD prioritized the project but had not developed all of the required project management documents because the project team had been waiting for congressional approval of its project plan and (2) the Disaster Recovery Data Portal has the potential, once deployed, to be an effective mechanism to assist grantees in preventing and detecting duplication of benefits. However, the project's performance plan indicated that the Disaster Recovery Data Portal would include data from only one FEMA program, and the audit found that HUD's grantees could benefit from including additional data sources. OIG recommended that HUD (1) develop the required project management documents for the Disaster Recovery Data Portal and (2) pursue additional data sources to incorporate into the Disaster Recovery Data Portal.

Ongoing Oversight:

- [Six Non-State Grantees Use of CDBG-DR Grant Funds](#): HUD OIG is auditing selected direct non-State disaster grantees designated as slow spenders. HUD awarded more than \$209 million, approximately \$89.1 million of which remained unspent, and the grants had either been open more than 10 years or were quickly approaching their deadlines. The audit will assess whether selected direct non-State disaster grantees have viable plans to spend their remaining grant funds on eligible activities that benefit program participants within a reasonable amount of time, and determine what factors impacted each grantee's ability to timely spend their funds.
- [HUD NDR Project Activity Status](#): HUD's CDBG-DR National Disaster Resilience (NDR) program was designed to promote risk assessment, stakeholder engagement, and resilience planning to states and communities. Under this program, HUD awarded nearly \$1 billion to 13 States and local governments for resilient infrastructure, housing, and economic revitalization activities related to major disasters that occurred between 2011 and 2013. The objectives are to determine if grantees accomplished, or can accomplish, the goals of the activities outlined in grantee action plans by the established deadlines; and to identify best practices for use in similar HUD programs, based upon the grantee accomplishments or challenges.
- [City of New Orleans Community Development Block Grant NDR Grant](#): In January 2017, the City of New Orleans received \$141,260,569 in a CDBG-NDR Grant for resilience and recovery. The grant was designed to help State and local communities recover from past disasters while improving their ability to withstand future extreme events through strategic community investments. HUD OIG initiated an audit of the City of New Orleans' CDBG-NDR Grant to determine whether the City's grant projects and management were effective in assisting the City in recovering from past disaster events while improving its ability to withstand future extreme events.

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.

Financial Management and Fraud Risk

HUD must continue sustaining the improvements it has made in financial management to produce reliable and timely financial reports consistently and to ensure compliance with significant laws and regulations. HUD has long struggled to come into compliance with the Payment Integrity Information Act of 2019 (PIIA) and is unable to fully and accurately estimate improper payments in its largest grant programs and a key disaster recovery program. HUD OIG will continue to focus audit resources on improving HUD's financial programs through statutorily required oversight of the Department's financial programs. OIG will also continue to test HUD's programs for systemic weaknesses in fraud risk controls and other gaps that could negatively impact HUD's programs.

Recent, impactful oversight work related to financial management and fraud risk include:

[Management Alert: HUD Should Take Additional Steps to Protect Contractor Employees Who Disclose Wrongdoing](#): The OIG has learned that employees of thousands of contractors who receive funds from HUD are not protected against retaliation for blowing the whistle on wrongdoing. The gap in protections exists because (1) the contracts under which they work pre-date July 1, 2013, the date on which the anti-retaliation law codified at 41 U.S.C. § 4712 (Section 4712) became effective; and (2) HUD has not modified the contracts to include Section 4712 anti-retaliation provisions that would protect the employees. The OIG identified this problem following recent investigations of allegations of whistleblower retaliation against several employees of contractors. Although the investigations revealed this problem with respect to Housing Assistance Payments contracts, OIG believes that the same risk is present in many other HUD contracts. The OIG recommends that HUD address this serious risk by undertaking a comprehensive review of all contracts to determine whether they include Section 4712 anti-retaliation provisions. OIG also recommended that HUD be proactive in seeking to modify any HUD contracts that do not include Section 4712 anti-retaliation language to confer whistleblower protections on contractor employees, and to seek legislative authority to expeditiously include Section 4712 protections within contracts for which HUD believes it must otherwise wait until there is a major modification.

[HUD Did Not Comply with the Payment Integrity Information Act](#): OIG audited HUD's 2022 compliance with PIIA and implementation of Office of Management and Budget (OMB) guidance on preventing and reducing improper payments. The 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 HUD was still noncompliant with PIIA, notably because it did not report improper and unknown payment estimates for PIH's Tenant Based Rental Assistance (PIH-TBRA) program and the Office of Multifamily Housing's PBRA program, which together spent \$41 billion in 2022 and represented 61.6 percent of HUD's total expenditures. While HUD submitted sampling and estimation methodology plans to OMB for these programs, it did not use the plans in 2022. HUD instead reported no estimates for these programs because it was again not successful in planning and developing a method to obtain the supporting documentation needed for testing in a timely manner for 2022 reporting. As a result, HUD could not determine whether its improper and unknown payment estimate was below or above the statutory threshold or implement corrective actions to improve payment accuracy. This noncompliance is significant because this was the sixth

consecutive year in which HUD was unable to produce PIH-TBRA and PBRA improper and unknown payment estimates and that has contributed to HUD's not complying with improper payment laws for 10 consecutive years.

OIG also found that PIH did not conduct monitoring reviews to detect, prevent, and recover improper payments in the PIH-TBRA program. HUD suspended these reviews in 2021 in response to the pandemic and related waivers. However, those waivers expired on December 31, 2021, and the Office of Field Operations (OFO) did not resume its monitoring because it was working on updating its monitoring procedures. If HUD resumes OFO monitoring, it could better detect and prevent improper housing assistance payments from public housing agencies to landlords under the PIH-TBRA program, which spent \$27.1 billion and accounted for 41 percent of HUD's total expenditures. In prior years, 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. This recommendation remains open.

This year, OIG recommended that HUD establish an improper payment council within HUD that consists of senior accountable officials from across the Department with a role in the effort that would work to identify risks and challenges to compliance and identify solutions as a collaborative group. OIG also recommended that HUD (1) develop a timeline, detailed plan, and secure storage information technology solution for completing compliant PIH-TBRA and PBRA program estimates and (2) make changes to its risk assessment to ensure that it adequately addresses the risk of non-Federal program administrators and fraud risk.

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.¹ 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 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 recommended 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.

Audit of HUD's 2023 and 2022 Financial Statements: HUD OIG contracted with CliftonLarsonAllen LLP (CLA) to audit the financial statements of HUD as of and for the fiscal years ended September 30, 2023, and 2022, and report on HUD's internal control over financial reporting and compliance with laws, regulations, contracts, and grant agreements, among other matters. In its audit of HUD, CLA reported that:

- (1) the financial statements as of and for the fiscal years ended September 30, 2023, and 2022, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;

¹ 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.

- (2) no material weakness for 2023 in internal control over financial reporting, based on the limited procedures performed;
- (3) one significant deficiency for 2023 in internal control over financial reporting, based on the limited procedures performed; and
- (4) one reportable matter for 2023 of noncompliance with provisions of applicable laws, regulations, contracts, and grant agreements or other matters.

HUD OIG also contracted with CLA to separately audit the financial statements of both [FHA](#) and [Ginnie Mae](#). Both financial statements as of and for the fiscal year ended September 30, 2023 and 2022, were presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles.

[HUD's Oversight of Disaster Grantees' Use of Program Income](#): OIG conducted an audit of HUD's oversight of CDBG-DR grantees' use of program income to determine whether HUD ensured that program income generated from disaster funds awarded to CDBG-DR grant recipients was used to positively impact and support disaster recovery in affected areas and to benefit program beneficiaries. This audit determined that HUD generally ensured that its CDBG-DR grantees used program income generated from disaster funds to positively impact and support disaster recovery in affected areas and to benefit program beneficiaries. However, some grantees did not always spend a substantial amount of their program income funds before using their CDBG-DR funds and did not submit quarterly Federal financial reports (FFR) as required. As a result, HUD could not effectively track the status of grantee financial data related to program income, and it did not have reasonable assurance that it provided accurate grant data reports to the Congress. In addition to taking action on individual grants and grantees, OIG recommended that HUD's Office of Disaster Recovery develop and implement controls to ensure that program income balances are identified and corrected; ensure that untimely reports are identified and corrected; and train grantees and HUD staff on supporting documentation for expenditures, FFRs, and program income balances on a recurring basis. Additionally, HUD should improve HUD staff's monitoring of grantees for program income and submission of the FFRs; implement quality control procedures; and take steps to ensure that grantees' related controls are adequate.

Ongoing Oversight:

- [HUD's Compliance with the PIIA of 2019 for FY 2023](#): The 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. OIG 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.
- [Assessing the completeness of HUD's subaward data on USASpending.gov](#): OIG initiated an audit of HUD's subaward data reported in USASpending.gov to assess the current condition and challenges faced by grantees to comply with the Federal Funding Accountability and Transparency Act (FFATA) subaward data reporting requirements. The audit will determine if prime grant recipients of HUD funding reported all of the FFATA requirements for their subawards on USASpending.gov, including the amount of the subaward and a description of the products or services provided.
- [CDBG Grantee Federal Financial Reporting](#): In prior financial statement audits OIG identified instances where it appeared CDBG grantees were holding advanced funds contrary to CPD's requirements, and that CPD discontinued requiring the grantees to submit the Federal Financial Report, which is required by OMB to comply with the financial and performance monitoring requirements. HUD OIG has initiated an audit of HUD's Community Development Block Grants (CDBG-Non-State) Grantee Federal Financial Reporting. The objectives are to determine (1) whether the financial information collected from CDBG entitlement grantees is sufficient to monitor grantee financial reporting and

performance as required by the CDBG program and the Uniform Administrative Requirements; (2) whether HUD is properly reporting this information in accordance with the Statements of Federal Financial Accounting Standards (SFFAS); and (3) whether HUD's monitoring of grantee's excess cash on hand is sufficient to ensure compliance with cash management requirements and to safeguard funds against fraud, waste, and abuse.

Impactful Investigations:

- [Independence Man Sentenced to 17 Years in Prison for \\$2.2 Million Fraud Schemes](#): A businessman was sentenced to 204 months in prison and ordered to pay \$798,021.10 in restitution for his role in travel and wire fraud. Between September 2021 and February 2022, the owner and operator of Ace's Remediation and Lawn Service LLC and Vaughn's Property Management LLC, used his companies to obtain access to HUD foreclosed properties in Kansas and Missouri under the guise of completing maintenance tasks as a 2nd tier sub-contractor of the HUD approved general services manager. While the homes were under his control, Jeremy falsely advertised the homes for sale and created contracts for deeds to show he was the reported owner. Based on these assertions, individuals provided the businessman with down payments for the homes that he did not own and did not have the authority to sell. He fraudulently sold 12 homes he did not own, extracting large down payments and monthly installment payments from unsuspecting buyers, from September 2021 to February 2022. The scheme involved total payments made, or intended, of over \$1 million.
- [Former Housing Authority Payroll Clerk Admits to Stealing \\$575K](#): The former payroll clerk for the Milledgeville Housing Authority (MHA) has admitted she stole \$575,000 by overpaying herself. The Payroll clerk pleaded guilty to one count of Federal program theft in U.S. District Court and faces a maximum sentence of ten years imprisonment to be followed by three years of supervised release and a maximum fine of \$250,000. The payroll clerk was the employee in charge of payroll with the MHA, a HUD-funded public housing authority. She had been stealing money from MHA since Jan. 2021, including by recording her normal time in payroll, then add vacation and sick leave time on top of that so she was being paid for more than 40 hours per week. No one at MHA checked her work, so the clerk was able to pay herself more than \$40,000 above her regular salary in 2021 and more than \$500,000 above her regular salary between Jan. 1 and Aug. 11, 2022. In total, the payroll clerk stole \$575,014.50.
- [Former Champaign, Illinois, Pastor Sentenced to 10 Months of Imprisonment for Misapplying Federal Funds and Bankruptcy Fraud](#): A former pastor was sentenced to 10 months of imprisonment and ordered to pay \$59,358.90 restitution following his December 2022 guilty pleas to financial crimes including Federal program misapplication, student loan misapplication, and false statement in bankruptcy. Among other things, the former pastor admitted that he had obtained and used \$31,291.62 in Federal student loans for various non-educational expenses, including to gamble at casinos between 2017 and 2019. Prior to receiving the loans, he certified that he would use the loans only for authorized educational expenses.

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

The Office of Evaluation has focused its 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 Evaluation will also focus on other critical HUD operations that support the success of the program offices, including procurement and human capital management.

Recent, impactful oversight work related to HUD enterprise-wide support functions include:

HUD FY 2023 Federal Information Security Modernization Act of 2014 (FISMA) Evaluation

In this year's FISMA evaluation, OIG 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 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's 2023 overall FISMA maturity was assessed at level two, the "defined" maturity level, which remained the same as its 2022 maturity level. This outcome is despite HUD's increasing maturity in 10 of 40 metrics, remaining at the same maturity level for 25 metrics, and dropping in maturity in five metrics. HUD's Office of the Chief Information Officer (OCIO)'s mission is to deliver technology solutions to support the customers' mission across the Department. OCIO collaborates with other HUD program offices to deliver these IT solutions and relies on consistent program office support to ensure a secure IT environment. OCIO had successes in many FISMA domains, including its risk management, data protection and privacy, information security continuous monitoring, and incident response programs. Significant challenges continued to impact OCIO's ability to establish an effective InfoSec program, notably in establishing its supply chain risk management program, executing configuration management initiatives, and managing and resourcing its identity, credential, and access management program. OIG provides 23 new recommendations to assist HUD in maturing its InfoSec program.

HUD's Robotic Process Automation Program Was Not Efficient or Effective: OIG assessed the maturity of HUD's Robotic process automation (RPA) activities to determine whether HUD had implemented related controls to address technology and program management risks.² OIG found that HUD lacked adequate controls and capacity to operate its RPA program efficiently and effectively. Approximately three years since its inception, HUD's program had achieved minimal progress and results, and maintained a low program maturity. The program lacked a clear vision or measurable metrics to define program success. HUD also did not maintain adequate oversight of both development and operations to ensure that limited RPA program funds were used efficiently. Finally, HUD lacked important IT controls related to the security and auditability of its RPA system infrastructure. As a result of these weaknesses, HUD missed opportunities to capitalize on the potential benefits of RPA and expended IT resources inefficiently on projects that provided minimal value. OIG recommended HUD implement new internal controls and further develop its internal capacity to manage and oversee the RPA program.

Ongoing Oversight:

- HUD PII Risk Management in a Zero Trust Environment: OIG has initiated an evaluation of HUD's efforts to (1) identify and inventory all personally identifiable information (PII) within HUD's control; and (2) implement controls to protect its PII, focusing on key zero-trust architecture requirements; and (3) identify, prioritize, and address risks associated

² RPA is a software technology used to emulate human actions on a computer. RPA software programs, referred to as "bots," can complete repetitive tasks quickly and consistently, freeing up employees to work on other, higher value activities.

with managing its PII. Additionally, the evaluation will focus on two critical HUD systems, FHA Catalyst and Line of Credit Control System.

- [Requirements Documentation in HUD's Acquisition Process](#): OIG has initiated an evaluation of requirements documentation in HUD's acquisition process. The objective is to assess HUD's processes for developing and approving requirements documents in the pre-award phase of the acquisition life cycle.
- [HUD's Employee Retention](#): The 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 2024 FISMA Evaluation](#): HUD is conducting the 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.
- [Recruitment of Individuals Who Identify as Hispanic or Latino for Employment with HUD](#): The evaluation will (1) identify OCHCO and Office of Departmental Equal Employment Opportunity (ODEEO) recruitment efforts to increase the percentage of HUD employees who identify as Hispanic or Latino, and (2) identify how OCHCO and ODEEO determine the impact of such recruitment efforts.

Emphasis on Enhancing Organizational Health and Employee Engagement

Over the past year, HUD has initiated a small but transformational program to intentionally dedicate OIG leadership resources toward enhancing the culture, employee engagement, professional development, and diversity, equity, inclusion, and accessibility efforts. OIG has formed a "Cultural Hub" including the OIG Chief Diversity Officer and senior officials responsible for employee engagement and professional development. The Cultural Hub will focus on intangible benefits of creating a cohesive office culture and directly implement leading practices to ensure OIG has the best trained and engaged oversight professionals, future OIG leaders are proactively cultivated, and subject matter expertise is shared within OIG components and across the organization.

IG Oliver Davis serves on the Executive Council of the Council of the Inspectors General on Integrity and Efficiency through her role as the Chair of the Professional Development Committee (PDC). As Chair, she has led IG community efforts to train the over ten thousand IG community professionals and to ensure the development of personnel who can excel in their roles as leaders, auditors, investigators, evaluators, attorneys, and mission support. The Cultural Hub is dedicated to implementing IG community best practices at OIG, including through key activities and programs which are either well established or are still in development:

- Developing a professional development program linked to developing and sharing training tailored to HUD's programs to build and maintain subject matter expertise and continually inform OIG's oversight.
- Promoting diversity, equity, and inclusion through strategic recruitment, leadership, and development opportunities for employees at every grade level of the organization.
- Developing several leadership development programs, to include mentoring, shadowing, and ombudsman.
- Cultivating emerging leaders through facilitating participating in IG community development programs such as the IG Community's Leading, Inspiring, and Fostering Talent (LIFT) Network, the IG community's Fellows Program, and the IG community's Annual Leadership Forum.

In addition to building an engaged, professional cadre of oversight professionals, the Cultural Hub will assist OIG with recruitment, onboarding, and retention efforts, as well as succession planning.

Currently, the OIG, like much of the Federal Government, is experiencing generational-driven turnover that calls upon OIG leadership to reshape parts of the agency and enhance the OIG's staff capacity to address emerging risks within the Department. By the end of calendar year 2024, 36 percent of all OIG personnel will be eligible to retire, with 62 percent of all audit personnel and 57 percent of investigations personnel will be eligible for retirement within the next five years. Addressing this simultaneous risk and opportunity is imperative to both mitigating loss of subject matter expertise and responding to changing personnel needs within the agency. The Cultural Hub will play a pivotal role in ensuring OIG staff continue to be dedicated, professional cadre of oversight experts who can rise to the challenges of the future.