

# DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

## Office of Inspector General

### SALARIES AND EXPENSES

(Dollars in Thousands)

	2024	2025		2026
	Actuals	Enacted	Total	Request
<b>Personnel Services:</b>	<b>112,346</b>	<b>113,834</b>	<b>113,834</b>	<b>107,412</b>
Personnel Services	112,346	113,834	113,834	107,412
Common Distributable	-	-	-	-
<b>Total, Personnel Services</b>	<b>112,346</b>	<b>113,834</b>	<b>113,834</b>	<b>107,412</b>
<b>Non-Personnel Services:</b>				
Travel	1,881	1,135	1,135	1,069
Transportation of Things	-	5	5	5
Rent and Utilities	7,120	6,988	6,988	7,106
Printing	10	10	10	5
Other services/Contracts	24,814	21,865	21,865	19,820
Training	527	509	509	480
Supplies	408	333	333	314
Furniture and Equipment	5,251	7,995	7,995	6,539
Claims and Indemnities	71	250	250	250
<b>Total, Non-Personnel Services</b>	<b>40,082</b>	<b>39,090</b>	<b>39,090</b>	<b>35,588</b>
<b>Grand Total</b>	<b>152,428</b>	<b>152,924</b>	<b>152,924</b>	<b>143,000</b>
<b>FTEs</b>	<b>500</b>	<b>498</b>	<b>498</b>	<b>460</b>
<b>Onboard End of Year</b>	<b>499</b>	<b>498</b>	<b>498</b>	<b>451</b>

## PROGRAM PURPOSE

The Office of Inspector General (OIG) for the U.S. Department of Housing and Urban Development (HUD or Department), is an independent office conducting and supervising audits, evaluations, investigations, and reviews related 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 stakeholders fully and currently informed about problems and deficiencies within the Department and the necessity and progress for corrective action. Beyond ensuring proper stewardship of Federal funds, through timely and influential oversight, the OIG protects HUD's beneficiaries and ensures 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 our oversight provides an independent perspective on how HUD's management challenges affect the Department. The OIG aligns our staff and work to efficiently deploy our resources to provide comprehensive oversight over HUD's major operations and address the issues and concerns most critical to the Department. In addition, the OIG ensures that we are model stewards of taxpayer resources by enhancing our own operational efficiency and effectiveness through innovative solutions and leveraging data, technology, and insights from our dedicated workforce.

## **BUDGET OVERVIEW**

The 2026 President's Budget requests \$143 million for the Office of Inspector General, which is \$9.9 million less than the 2025 Enacted level.

The Budget seeks the resources necessary for the OIG to continue delivering the impactful investigations, audits, evaluations, and reviews that executive branch and congressional stakeholders require. The Budget would also provide necessary support for statutorily mandated oversight, notably audits of HUD's financial statements required by the Chief Financial Officers Act of 1990 and its compliance with the Payment Integrity Information Act of 2019 (PIIA), as well as evaluation of HUD's information security program under the Federal Information Security Management Act of 2014 (FISMA).

The Budget represents a 6.5 percent decrease from the 2025 Enacted level. Through data-driven scalable strategies focused on HUD's most significant operational challenges, the OIG will prioritize resources to support the tools and personnel necessary to produce actionable information that increases the efficiency and effectiveness of HUD programs, while rooting out waste, fraud, and abuse.

### **Inspector General Act Budget Requirements**

In accordance with the requirements of the Inspector General Act of 1978 (IG Act), as amended, the OIG includes the following details:

- OIG's 2026 budget request is for \$143 million in support of an estimated 460 full-time equivalent (FTE) positions with an additional 5 FTEs (not reflected in table above) supported using supplemental funding for disaster oversight;
- Of the \$143 million, \$480 thousand would support external training costs, \$29 thousand below the 2025 full-year continuing resolution (CR); and
- Of the \$143 million, \$472 thousand would support the Council of the Inspectors General on Integrity and Efficiency (CIGIE), which is \$68 thousand below 2025 Enacted.

### **Personnel Services**

The Budget assumes total funding of \$107.4 million for personnel services (PS) to support 460 full-time equivalent (FTE) positions, which is \$6.4 million below the total 2025 PS funding level. The 2026 PS funding level supports annualization of the 2025 pay raise and minimal benefit cost inflation.

The 2026 Budget maintains the minimal level of FTEs necessary to keep the scope and scale of the OIG's mission stable while maintaining capacity to evolve with changes to HUD programs. The 2026 FTE level would support post-Deferred Resignation Program (DRP) staffing levels for the OIG, and allow for continuation of impactful investigations, audits, evaluations, and reviews needed to protect and improve HUD's programs. The PS funding level would also provide necessary support for statutorily mandated oversight.

## 2026 Personnel Services Summary of Changes

*(in dollars)*

Scenario	2025 PS Obligations (including reimbursable)	2025 Annualization / 2026 COLA Inflation	2026 Benefit Cost Inflation	2026 FTE Change	Other PS Adjustments (works comp, PLI, etc.)	Reimbursable Adjustment	2026 Total PS Requirements
2026 Budget	113,834,126	357,763	618,800	(8,505,779)	773,250	333,634	107,411,795

FY 2025 Full-Year CR FTE	FY 2026 PB Request FTE
498	460

The decrease of \$6.4 million below the 2025 enacted funding level includes:

- \$8.5 million reduction in overall PS requirements due to reduced staffing levels caused by DRP, natural attrition, and expectation of limited hiring due to the executive orders on the hiring freeze.
- \$1.0 million in inflationary increases for compensation and benefits, including annualization of 2025 COLA (\$358 thousand), and 2026 benefit cost inflation (\$619 thousand).
- \$773 thousand increase in other PS requirements caused by increases to Worker's Compensation (\$356 thousand) and lump sum leave pay outs (\$556 thousand) to employees who, pursuant to DRP, will separate from Federal service predominantly in Q1 of FY 2026. Offsetting these cost increases are reductions in other personnel costs (-\$176 thousand) due to a smaller FTE base.

**OIG FTE from Other Funding Sources**

Appropriation Type	2024 FTE	2025 FTE	2026 FTE
All Disaster Supplemental Funding	7.1	6.5	5.0

With reduced staffing levels, the OIG is making operational adjustments to maintain a workforce with the necessary knowledge, skills, and abilities to continue delivering on the OIG's mission. To that end, the OIG is streamlining both mission and support components by reducing management layers, right sizing supervisor-to-staff ratios, and reassigning staff to focus on core mission functions. Also, the OIG continues to assess and measure employees' performance to ensure that our workforce is conducting timely and relevant oversight of HUD's programs and operations and delivering high-quality services to the American people. To support our performance assessments, the OIG is conducting a comprehensive overhaul of all business processes used to manage internal and external customer service requirements. In addition, the OIG is reviewing opportunities to implement new work management processes and integrate project management technologies to enhance productivity and accountability.

As the OIG operates under this enhanced organizational design, we will continue to utilize our resources in the most effective and efficient means possible, ensuring to produce a continued return on investment for the Administration and congressional stakeholders. Last fiscal year, OIG audits found \$85 million in funds that could be put to better use, almost \$1 million in questioned costs, and

saw \$26 million in collections. Similarly, our investigations resulted in over \$68 million in restitutions and judgments, with over \$7 million total recoveries and receivables ordered to HUD programs. Beyond monetary impact, our 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.

### Non-Personnel Services

The Budget assumes total funding of \$35.6 million for non-personnel services (NPS), which is \$3.5 million below the total 2025 NPS level. Total NPS requirements represent the funding level necessary to maintain current services.

2026 NPS Summary of Changes			
Non-Personnel Spending Category	Adjustments to Base	New Investment / New FTE (+)	Total Change
Travel	(66,016)	-	(66,016)
Transportation of Things	-	-	-
Rent and Utilities	118,519	-	118,519
Printing	(5,000)	-	(5,000)
Other Services/Contracts	(2,674,939)	630,000	(2,044,939)
Training	(29,619)	-	(29,619)
Supplies	(19,368)	-	(19,368)
Furniture and Equipment	(1,455,246)	-	(1,455,246)
Claims and Indemnities	-	-	-
<b>Total</b>	<b>(4,131,669)</b>	<b>630,000</b>	<b>(3,501,669)</b>

#### Other Services/Contracts: -\$2.0 million

Reduced requirements associated with the OIG's information technology (IT) infrastructure (-\$2.6 million) is the primary driver of decreasing requirements within the "Other Services/Contracts" spending category. The OIG's investment in increasing the capacity of OIG's Federal IT staff allows for a reduction in the usage of contract labor, which in turn allows the OIG to descope the primary business operations support contract. Offsetting this IT spending decrease is the cost of fully adopting and integrating the Department of Justice Security Operation Center as a Service (\$630 thousand), which provides access to around the clock network monitoring services and enhanced equipment necessary to adequately support the OIG's cybersecurity operations, through a government shared services partner.

The OIG has identified additional reductions to non-IT operational requirements representing efficiency gains from service contract elimination and scaling operating needs (-100 thousand). The HUD consolidated financial statement audit contract has an inflationary increase of \$154 thousand in 2026. All adjustments net to a \$2.0 million decrease in this spending category.

#### Furniture and Equipment: -\$1.5 million

Overall, the majority of reduced spending identified in this category is related to the one-time IT cyclical equipment purchases projected to occur in 2025 without any continuation into 2026. IT requirements in total account for a -\$1.8 million decrease in equipment spending. The primary

spending offsetting these decreases is related to space requirements. The OIG has four office locations subject to GSA soft lease termination. Because these offices are essential to OIG operations, the OIG projects that some will be removed from the termination list based on the OIG's collaborative interactions with GSA. With respect to any of the offices for which GSA completes the lease terminations, the OIG plans to reconstitute them in new spaces the GSA provides. To do so, the OIG will incur additional costs for furniture, moving services, and security infrastructure installation (\$315 thousand, which supports reestablishment of approximately two of four locations).

Travel: -\$66 thousand

The OIG projects reduced year-over-year travel requirements as well as historically low travel utilization based on lower staffing levels and reduced travel consistent with Executive Order 14222, Implementing the President's "Department of Government Efficiency" Cost Efficiency Initiative.

Rent and Utilities: \$118 thousand

The OIG continues to seek efficiencies and to strategically align our real estate portfolio with oversight priorities while maintaining a geographic footprint that supports critical mission requirements. Increased requirements in this category are entirely related to GSA and non-GSA rent inflation (shared office space).

Training: -\$29 thousand

The OIG projects reduced year-over-year training requirements based on lower staffing levels and the elimination of some discretionary training efforts. The OIG is prioritizing training that furthers organizational skill sets in artificial intelligence and data literacy to better understand and utilize emerging technologies.

Supplies: -\$19 thousand

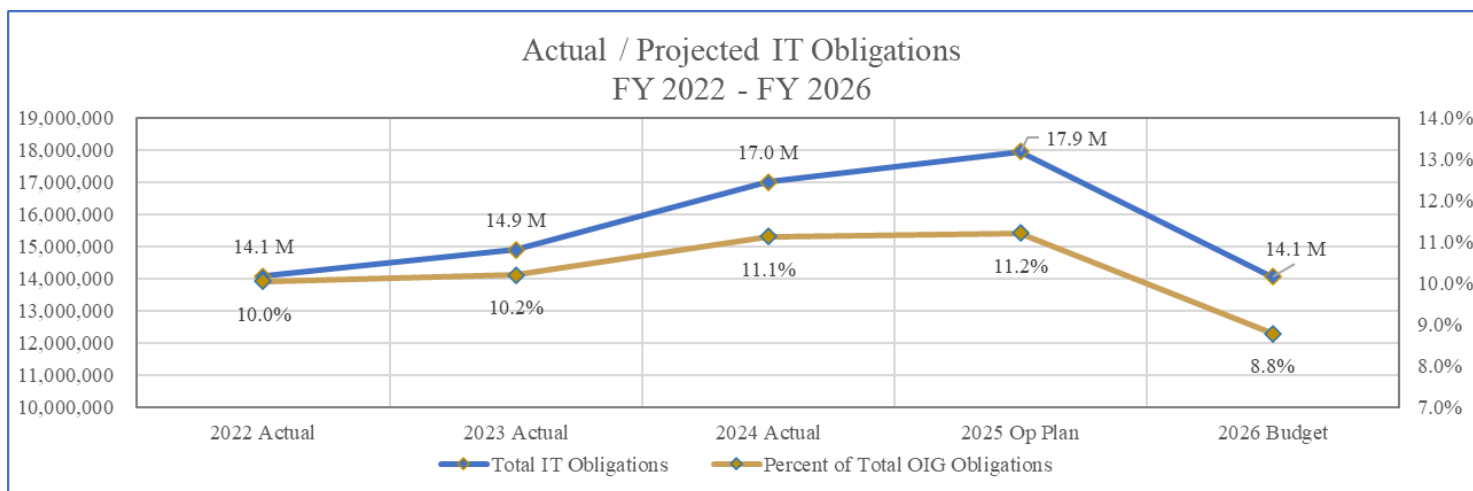
The OIG projects reduced year-over-year requirements related to supplies based on lower staffing levels.

**Financial Statement Audits**

The consolidated financial statement audit contract is a firm fixed price contract providing pricing stability and diminished operational risk to the government. Each contract option period includes standard inflationary increases and, for 2026, the overall requirement is increasing by \$154 thousand due to those inflation related cost provisions.

**Information Technology**

The OIG's 2026 budget supports all necessary adjustments to base associated with the OIG's current IT services and continued backing for mandated cyber security infrastructure. The total OIG IT requirements include the necessary costs of business operations services, cybersecurity related assets and services, Microsoft licensing costs, electronic audit and investigation case management systems, 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 that are necessary for the OIG's statutorily required oversight.



The OIG continues to prioritize building a resilient, mission driven, and cost-efficient IT ecosystem that has the necessary strength and capacity to withstand assault from domestic and international cyber threats. The OIG has judiciously invested in cybersecurity infrastructure in recent years, establishing Zero Trust Network Architecture, packet capture technology, increased deployment of Department of Homeland Security constant data monitoring software, more secure and price efficient data center colocation facilities, and an array of smaller technologies that address cyber-readiness needs.

In addition, the OIG is reducing IT-related costs while simultaneously increasing the effectiveness and efficiency of our IT environment. Examples of this include partnering with quasi-governmental entities that support wide-area network and trusted internet connection requirements at a fraction of the cost of private sector solutions, eliminating underutilized technologies and surplus licenses, and enhancing management information systems that deliver accurate and actionable intelligence to OIG leadership.

Through a model of consistent and clear leadership, onboarding talented and dedicated IT professionals and increasing their knowledge base, and refining critical skillsets, the OIG has managed to build a cohort of exceptional IT subject matter experts. This has allowed the OIG to descope our primary business operations support contract by approximately 40 percent and reallocate resources to mandated cybersecurity requirements and away from baseline IT personnel needs while simultaneously improving overall IT operations and the ability to deliver on agency mission needs.

## KEY OPERATIONAL INITIATIVES

### HUD OIG Oversight

HUD's portfolio is massive and its programs affect every community in America. HUD programs provide hundreds of billions of dollars in grant funding, as well as trillions of dollars in mortgage insurance and mortgage-backed securities. HUD oversees a vast network of participants that administer its programs, including public housing authorities, landlords, non-profit organizations, State and local governments, and mortgage lenders and servicers. For example, almost 600,000 landlords participate in HUD's rental assistance programs, which served over 4.4 million families in 2024; roughly 20,000 entities do significant business with HUD; and HUD insures over 16,600 multifamily loans for over 14,600 property owners with a total unpaid balance on these loans of over \$169 billion. Between FY 2021 and March 2025, HUD processed over 4.4 million Federal Housing Administration (FHA) loan applications, excluding reverse mortgages. There is currently

over \$1.49 trillion in outstanding balance in FHA loans, and over \$2.7 trillion in principal for all pooled loans guaranteed by Ginnie Mae. Over the past 5 years, HUD's mortgage insurance programs relied on over 14,000 underwriters, 1,600 originators, over 1,000 servicers, over 35,000 appraisers, and over 200,000 loan officers.<sup>1</sup>

As HUD programs evolve, the independent oversight that the OIG provides will continue to be critically important. The President's Budget outlines how the OIG can provide scalable, independent, timely, and relevant oversight that influences positive outcomes for HUD's programs and operations. Our special agents, auditors, evaluators, attorneys, data scientists, and professional staff together produce independent, objective oversight to protect the integrity of HUD's programs and to find ways HUD can operate more efficiently and effectively.

## **Oversight Components**

The OIG is currently comprised of four oversight offices – Office of Audit, Office of Investigation, Office of Evaluation, and Office of Special Inquiry, and two support offices – Office of Operations and Office of Legal Counsel.<sup>2</sup>

### Offices of Audit and Evaluation

The OIG's Offices of Audit and Evaluation conduct reviews of HUD programs and program participants, which include public and private entities that receive and administer HUD grants, mortgage loan lenders and servicers, issuers of Ginnie Mae mortgage-backed securities, and contractors who provide goods and services to HUD. These reviews examine how HUD offices implement and execute programs; assess compliance with applicable laws, regulations, and policies; and inspect and test internal controls and anti-fraud measures. Additionally, these teams conduct statutorily mandated reviews of HUD's consolidated financial statements, information security programs and practices, compliance with laws requiring the prevention of improper payments, and data governance.

We have aligned our audit and evaluation teams with specific HUD program functions, such as financial management, information technology and cybersecurity, mortgage insurance and secondary financing, rental assistance and safety hazards, disaster and other grants management, and other core programs and operations of the Department. This alignment positions staff to apply their programmatic subject matter expertise in a manner that is data-driven, strategic, and provides effective oversight that identifies risks to HUD and the vast range of programs and tens of thousands of program participants on whom HUD relies to execute its mission.

### Offices of Investigation and Special Inquiry

The OIG's Office of Investigation conducts investigations of alleged criminal conduct in HUD's programs throughout the country. The OIG's Special Agents are authorized by Federal law to carry firearms, make arrests, serve subpoenas, seek and execute warrants, and seize evidence. The OIG refers evidence of criminal conduct and civil fraud to the U.S. Department of Justice and State and other local entities for prosecution and also makes referrals to HUD's Office of Program Enforcement and the Departmental Enforcement Center for appropriate administrative action. The referrals result in indictments, incarcerations, and monetary recoveries from bad actors, as well as exclusions from future participation in HUD and other Federal programs. In addition to assessing and

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<sup>1</sup> Figures are current as of March 24, 2025.

<sup>2</sup> Consistent with the requirements of Section 405 of the Transportation, Housing and Urban Development, and Related Agencies Appropriations Act, 2024 (Division F of P.L. 118-42, March 8, 2024), on December 2, 2024, the OIG provided notice to House and Senate Committees on Appropriations of OIG's intention to consolidate the Office of Audit and Office of Evaluation. Additional details are provided below.

investigating the tens of thousands of allegations of fraud and misconduct that are brought to our office each year, our investigative teams also use data analytics to identify fraud risks proactively. Balancing a mix of reactive and proactive oversight ensures that we apply our resources to the most significant threats that jeopardize the integrity of HUD's programs.

The OIG's teams of criminal investigators are geographically positioned to strategically respond to risk within HUD programs. Our investigators are assigned to cover areas based on data and fraud risk indicators, such as the size, scope, and type of HUD funding an area receives, the number of beneficiaries or recipients of HUD funding, and prior instances of fraud. Placing our investigative teams in areas that present the most risk to HUD programs allows the OIG to quickly respond to allegations of criminal misconduct, develop relationships with local entities that do business with or on behalf of HUD, and reduces the cost and time spent on travel.

As a corollary to the criminal investigative work of the Office of Investigation, the OIG's Office of Special Inquiry (OSI) conducts administrative investigations of alleged employee misconduct or gross mismanagement at HUD and internal to the OIG. Typically, these investigations involve alleged violations of the ethical standards of conduct for government employees and retaliation against whistleblowers. Additionally, OSI conducts special reviews of sensitive or high-profile programmatic matters that involve complex legal issues.

Also, OSI staffs the statutorily required OIG Whistleblower Protection Coordinator, who is available to provide resources and information to HUD employees and others about their whistleblower rights, as well as discuss remedies and resources available to them related to making protected disclosures. Additionally, pursuant to 41 U.S.C. 4712, the OIG is statutorily required to assess retaliation complaints from employees of contractors, grantees, and subrecipients who blow the whistle, to investigate meritorious allegations, and refer our findings to HUD for final decision and any remedial action. Each year, OSI receives approximately 150 allegations of retaliation against employees of HUD contractors or grantees.

### **Risk-Based Oversight at All Program Levels**

Through risk-based planning, the OIG has developed oversight portfolios that are focused on the root causes of HUD's top management and performance challenges. In these portfolios, we examine risk at multiple levels by conducting oversight at the enterprise, program, and participants levels. This tiered approach allows the OIG to drive change by producing high-quality reports that make pragmatic, reasonable, and measurable recommendations for HUD action.

### **IT and Data Literacy Investments**

While the OIG has taken significant steps to increase efficiency in IT operations, as an organization, we remain committed to prioritizing investments and initiatives that directly strengthen our mission outcomes. Through our data literacy efforts, we continue to expand access for auditors, evaluators, and investigators to critical datasets, econometric tools, and advanced analytics techniques, including machine learning and natural language processing. These capabilities have significantly improved our ability to identify high-risk grantees and entities doing business with HUD, enabling more focused and effective oversight.

By applying key financial risk indicators to HUD's major portfolios—such as Multifamily Housing and Community Planning and Development Disaster funds—we are generating targeted, actionable insights to support all core oversight functions. Looking ahead, we plan to further enhance these tools with advanced artificial intelligence to increase the efficiency and impact of our mission work.

Our technology investments have also strengthened how we intake, analyze, and integrate hotline data with other text-based reporting systems. We are developing connections between hotline



reports, HUD quality assurance reviews, and Single Audit findings to better support risk-based targeting. These capabilities allow us to link information across HUD programs and data systems, helping to surface emerging risks and shed light on persistent program weaknesses that may warrant additional scrutiny.

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 2026 Budget builds on these successes and ensures achievement of the OIG's critical operational and mission requirements.

### Investigative Excellence

HUD OIG special agents often face complex, nuanced, and evolving challenges as they target and deliver impactful investigations. OIG received and triaged over 15,000 hotline complaints in FY 2024, in addition to developing proactive investigations and investigative leads generated through strategic partnerships with Federal, State, and local law enforcement.

With finite, but scalable, capacity and vast oversight responsibilities, OIG investigators focus on leveraging those partnerships, identifying the most impactful cases, and finding the most efficient path to a thorough investigative outcome through the use of targeted analytics and other techniques OIG proactively developed.

The OIG priorities are focused on achieving the greatest beneficial impact on the integrity of HUD's programs and operations by targeting investigative resources towards cases involving particular harmful conduct.

The OIG prioritizes investigations into alleged: 1) public corruption, embezzlement, and procurement fraud schemes in HUD's rental assistance and community development grants; 2) fraud by housing providers who fail to properly protect tenants from lead or other health hazards; 3) sexual misconduct by housing providers; and 4) mortgage fraud schemes that cause losses to HUD's insurance funds. The factors we assess to determine the impact our investigations will generate include: 1) high dollar loss to HUD programs; 2) the position or status of the subject, with emphasis on subjects in positions of public trust; 3) corruption by Federal, State, or local public officials such that they are alleged to have engaged in schemes that involve official actions resulting in private gain; 4) vulnerability of a victim or class of victims harmed by the alleged misconduct; 5) coordinated agreements to defraud a program by a group of subjects; and 6) exploitation of a specific program weakness that the OIG may help HUD remediate through the investigation. In doing so, OIG will provide comprehensive and impactful investigations that cover HUD's vast portfolio, whether mortgage insurance origination and servicing, rental assistance, traditional and disaster grant oversight, safety hazards in housing, or sexual misconduct in HUD-assisted housing.<sup>3</sup>

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<sup>3</sup> HUD OIG investigations demonstrating these priorities include: [Chicago Businessman Sentenced to More Than 17 Years in Prison for Bilking Elderly Homeowners in Reverse Mortgage Scheme](#); [Justice Department Obtains \\$4.5 Million Settlement from a New Jersey Landlord to Resolve Claims of Sexual Harassment of Tenants](#); [Hampton landlord racially harassed and evicted tenants, then used their identities to defraud COVID relief programs](#); [U.S. Obtains Consent Decree Against Lilmor Management, Morris Lieberman, And Others To Abate Lead Paint And Improve Housing Conditions Across More Than 2,500 Apartments In Largely Low And Moderate-Income Neighborhoods](#); [Virgin Islands Government Officials Charged In \\$4 Million Dollar Hud Fraud Scheme](#); [70 Current And Former NYCHA Employees Charged With Bribery And Extortion Offenses](#); [Executive Charged With Skimming \\$1.1 Million From Federally Insured Nursing Homes](#); [Four Bay Area Real Estate Professionals Charged In Years-Long Mortgage Fraud Scheme](#); [Hoboken Woman Sentenced to Five Years in Prison for \\$1.5 Million Fraud Scheme that Targeted over 100 Non-Profit Victims, Including Schools and](#)

Over the last several years, a significant investigative focus has been on allegations that State and local government officials and employees of public housing authorities are stealing or misusing HUD grant and rental assistance funding for personal gain. This includes complex fraud schemes involving steering contracts to entities with whom the subject has a financial conflict of interest or in exchange for bribes or kickback payments, and employees embezzling funds at entities without sufficient internal controls or segregation of duties to prevent and detect misuse of HUD funding. Over 67 percent of HUD grant expenditures are made through its rental assistance programs, and fraud against these programs reduces funding available to assist low-income renters in need of affordable housing.

Additionally, we have prioritized investigations of housing providers to ensure they are accountable for complying with laws and regulations to protect the health and safety of low-income households and other vulnerable populations. Within this priority, our investigations are focused on fraud by landlords, contractors, and inspectors in their management of lead and other health safety hazards in HUD-assisted housing. These fraud schemes include landlords failing to properly disclose lead-based paint to prospective renters, landlords and contractors falsely certifying that they have performed maintenance work or that it is performed in a safe manner, and landlords falsely certifying that they have made critical repairs to HUD-assisted units. Additionally, we have identified financial fraud schemes in which landlords exploit vulnerable populations by overcharging rent or housing fees.

#### Improper Payments

Improper payments are a longstanding and significant problem in the Federal Government, but HUD has uniquely struggled to identify and mitigate the risk of improper payments in its largest programs. For eight consecutive years OIG has reported systemic challenges HUD has with preventing, identifying, and remediating improper payments. These challenges acutely affect Office of Public and Indian Housing's (PIH) Tenant-Based Rental Assistance Program (TBRA) and the Office of Multifamily Housing (MF) Program's Project-Based Rental Assistance (PBRA), which totaled \$50 billion in expenditures in FY 2024.

In addition, HUD's major grant programs need accurate, timely, and complete financial and performance data for HUD and its recipients to determine if HUD grants have achieved their intended results. As a result, HUD OIG is identifying portfolio-specific oversight examining ways in which HUD can better prevent, identify, and remediate improper payments, and increase the maturity of its antifraud practices. Examples of the scalable audit series addressing improper payments and other risks to payment integrity include:

- Program-Specific Improper Payment Estimate – With HUD's sustained inability to complete testing of improper payments, OIG is conducting its own audits to test for and estimate improper payments both in HUD rental assistance and other programs. In addition to OIG's statutorily mandated PIIA work, the OIG has initiated audits to estimate improper payments in the PIH-TBRA, FHA Claims Without Conveyance of Title.
- Grantee-level risks –Following audits identifying that HUD and Community Planning and Development (CPD) have immature fraud risk management practices, and with CPD's expectation that grantees proactively address fraud, HUD OIG is auditing risk-ranked grantees through CPD's portfolio to determine if improper payments exist in their programs. This includes grantees that experienced large influxes of funding or those that

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[Religious Institutions; Former Executive Director of South Bend Housing Authority Sentenced to 108 Months in Prison; Walter Pierluisi Isern, Eduardo Pierluisi Isern, and American Management and Administration Corporation Sentenced for Federal Program Theft in Excess of \\$3.7 Million.](#)

implement programs OIG believes susceptible to improper payments, including Emergency Solutions Grant – COVID-19 grantees, CDBG-DR grantees, and programs with previously identified risks of improper payments such as the use of CDBG-DR funds as nonfederal match for the Federal Emergency Management Agency’s Public Assistance Program.

- Single Audit Act Reviews: OIG will conduct oversight using Single Audit Act findings and deficiencies to identify financial management issues at entities to both improve HUD oversight and accountability for Single Audit Act filers.

#### Multifamily and Public Housing Agency Management of Lead Hazards and Unit Conditions

OIG found critical enterprise-wide gaps in how PIH and the Office of Multifamily Housing ensure that PHAs and landlords maintain their properties in safe, sanitary, and decent conditions. Examples of the scalable audit series addressing health hazards include:

- PHA Management of Lead Based Paint in Public Housing: OIG is auditing PHAs to determine whether the PHAs adequately managed lead-based paint and lead-based paint hazards in their public housing. The audits focus lead hazards disclosures, annual assessments, acting appropriately following confirmed cases of elevated blood lead levels in children, and documenting the PHAs’ lead hazard mitigation and other work.
- PHA Unit Conditions: OIG initiated audits of PHAs in Massachusetts and Ohio that administer Housing Choice Vouchers 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.
- Elevated Blood Lead Levels (EBLL) in Multifamily Properties: OIG is evaluating how the Office of Multifamily Housing tracks and reports EBLL cases in HUD-assisted Multifamily properties receiving Section 8 project-based rental assistance.

#### Fraud Risk Management

HUD needs to complete fraud risk assessments of its programs and develop robust antifraud frameworks to mitigate fraud risk. Despite recent progress, HUD’s fraud risk management program is still in its infancy and lacks structure and resources. 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.

#### Counterparty Risk in Mortgage Programs

HUD mortgage insurance programs rely on hundreds of thousands of underwriters, originators, servicers, appraisers, and loan officers across the country. Properly overseeing their work and ensuring it is performed in accordance with HUD requirements is critical to ensuring loans are originated without undue risk to the mortgage insurance funds, are serviced in accordance with HUD requirements, and are conveyed to HUD in a way that minimizes risk to the HUD-insured portfolio. OIG will continue to assess how well HUD oversees the participants in its mortgage insurance programs, as well as key operational risks inherent to how the Federal Housing Administration operates. An example of an ongoing audit series addressing counterparty risks includes:

- Quality Control Programs: HUD OIG is auditing large and mid-sized mortgage originators’ quality control programs for originating and underwriting loans, including the companies’ reviews of rejected mortgage applications.

### Modernizing IT Systems

Modernizing IT systems is an important theme across the major challenges that inhibit HUD from improving. HUD employees, program partners, and external stakeholders consistently report to the OIG that HUD's legacy IT systems are incapable of supporting the best execution of its programs. Many of HUD's IT systems need to be modernized to (1) securely collect, use, and analyze data necessary for ensuring program integrity, and (2) more effectively administer and oversee billions of taxpayer dollars and records containing personally identifiable information. Project management gaps and shifting priorities continue to delay the full implementation of significant modernizations efforts. The OIG, as well as the U.S. Government Accountability Office, have found that improving IT project management at HUD should result in cost savings, higher efficiencies, and more secure systems. HUD OIG is focusing oversight on key modernization efforts and infosec programs, including:

- **PIH Information Technology Modernization Resourcing:** As an example of a program-specific IT initiative, HUD OIG is auditing PIH's IT modernization efforts. Given the centrality of both systems to supporting HUD's rental assistance program operations and integrity, OIG is assessing the IT modernization process for Enterprise Voucher Management System and Housing Information Portal systems.
- **FISMA:** OIG is evaluating HUD's infosec program and practices, as required by the Federal Information Security Modernization Act of 2014. Within that body of work, HUD OIG has developed penetration testing protocols to test and address key systems and vulnerabilities that can be exploited by both internal and external malicious actors.

### Operational Improvements

#### Consolidation of Office of Audit and Office of Evaluation

Over the past several years, OIG has repositioned our staff to provide more comprehensive oversight over HUD's critical programs and operations, aligning oversight teams with HUD program functions to apply deeper analysis towards areas of greatest risk to HUD's success. 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. Audit and evaluation teams have deepened their expertise and are now better positioned to be supported by a unified management structure and operations team. Stakeholders and OIG management demand the same rigor in the planning, execution, reporting, and management of our oversight products and teams regardless of whether the work is performed by the Office of Evaluation or the Office of Audit.

Consistent with the requirements of Section 405 of the Transportation, Housing and Urban Development, and Related Agencies Appropriations Act, 2024 (Division F of P.L. 118-42, March 8, 2024), on December 2, 2024, the OIG provided notice to House and Senate Committees on Appropriations of OIG's intention to consolidate the Office of Audit and Office of Evaluation. Doing so will achieve significant efficiencies because it (1) combines into one group positions that have analogous duties and job functions; (2) brings cohesion to the planning and execution of oversight work; (3) reduces management layers; and (4) eliminates inconsistencies and duplication in support functions, personnel resources, data and document management systems, and work processes.

#### Improving Coordination Over OIG Recommendation Closure

In 2019, we began an initiative to reduce the number of open OIG recommendations, which at the time totaled more than 2,100. HUD and HUD OIG have worked collaboratively since then to close thousands of outstanding recommendations. It is vitally important to HUD, OIG, Congress, and the public that the processes OIG and HUD use to resolve and close recommendations are credible,

efficient, effective, transparent, and timely. These factors are best met when HUD and OIG routinely communicate regarding efforts to address OIG recommendations, and when OIG determines whether HUD has effectively addressed recommendations. Further enhancing the recommendation closure process will improve the coordination between HUD and OIG, help ensure that the recommendation follow-up is timely and thorough, and, most importantly, that appropriate corrective action has been taken to improve the efficiency and effectiveness of HUD programs.

#### Other Benefits Tracking

OIG has developed a robust process by which recommendation closures that result in non-monetary benefits are tracked and accounted for, including methods to ensure teams do so consistently and accurately. As OIG's oversight portfolio has shifted towards oversight focusing more on improving HUD programs as a means to improve outcomes for people they serve, tracking these "Other Benefits" will allow OIG to better measure and track its performance.

In FY 2025, the OIG began tracking non-monetary benefits of our previously closed recommendations. As of March 31, 2025, the OIG identified 278 HUD actions that produced systemic benefits for HUD programs and its many participants and beneficiaries, and safeguarded taxpayer funds from fraud, waste, abuse, and mismanagement. These non-monetary benefits included: 76 guidance enhancements, 61 process improvements, 112 actions that increased program effectiveness, and 29 actions whereby HUD enhanced accuracy in its reporting.