

# DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

## Office of Inspector General

### SALARIES AND EXPENSES

(Dollars in Thousands)

	2019	2020	2021
	Actuals	Enacted	President's Budget
<b>Personnel Services:</b>			
Personnel Services	98,238	101,615	98,588
<b>Total, Personnel Services</b>	<b>\$98,238</b>	<b>\$101,615</b>	<b>\$98,588</b>
<b>Non-Personnel Services:</b>			
Travel	3,395	3,443	3,339
Transportation of Things	-	-	-
Rent and Utilities	7,129	7,195	7,231
Printing	3	2	2
Other Services/Contracts	17,617	24,872	23,143
Training	474	438	410
Supplies	342	245	227
Furniture and Equipment	336	305	285
Claims and Indemnities	96	85	75
<b>Total, Non-Personnel Services</b>	<b>\$29,392</b>	<b>\$36,585</b>	<b>\$34,712</b>
<b>Grand Total</b>	<b>\$127,630</b>	<b>\$138,200</b>	<b>\$133,300</b>
<b>FTEs</b>	<b>540</b>	<b>531</b>	<b>502</b>

### PROGRAM PURPOSE

As the Office of Inspector General (OIG) for the U.S. Department of Housing and Urban Development (HUD), we remain an independent and objective organization, conducting and supervising audits, evaluations, and investigations 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, abuse, and mismanagement. As an organization we are committed to keeping the HUD Secretary, Congress, and our stakeholders fully and currently informed about problems and deficiencies and the necessity for and progress of corrective action.

The work of the OIG is important to the Department's success in fulfilling its strategic plan to address the Secretary's mission priorities, management challenges, and mission related goals. The OIG works to ensure that our resources and activities encompass the issues and concerns most critical to the Department. Stewardship of taxpayer resources is one of the Inspector General's highest priorities, ensuring funding is appropriately utilized, properly managed, and achieving the outcomes stakeholders require.

### BUDGET OVERVIEW

The 2021 President's Budget requests \$133.3 million for the Office of Inspector General, \$4.9 million less than the 2020 enacted level. The OIG's 2021 Budget seeks the resources necessary for the OIG to continue delivering the impactful investigations, audits, and evaluations that executive branch and congressional stakeholders require. The 2021 Budget would also provide necessary support for other congressionally mandated activities, including the HUD Consolidated Financial Statement Audit, information security audits and evaluations related to the Federal Information Systems

Controls Audit Manual (FISCAM) and Federal Information Security Management Act (FISMA) legislation, DATA act compliance audits, and other legislatively required audits and evaluations.

### **Personnel Services**

The OIG's 2021 personnel services requirements are \$98.6 million which is \$3.0 million less than the 2020 enacted appropriation. The personnel services requirements represents the resources necessary to support 502 full-time equivalent (FTEs) or 29 less FTEs than the 2020 enacted appropriation. Over the period from 2016 to 2019 the OIG has averaged approximately 6 percent attrition annually. Based on this trend the OIG should be able to reduce FTEs from 2020 levels through normal attrition. By restricting backfilling to essential mission critical positions, the OIG will reduce personnel services requirements to a level congruent with other organizational requirements.

The 2021 personnel services requirements include inflationary costs to support 502 FTEs which are approximately \$2.5 million including the cost of annualizing the 2020 Cost of Living Adjustment (COLA), 2021 projected COLA, standard benefit cost increases, and 1.3 percent increase in agency contributions to the Federal Employee Retirement System. In addition, the OIG is increasing the General Schedule (GS) awards funding pool by one percent of the GS salary base or \$645 thousand.

In the period from 2017 to 2021 the OIG has experienced an FTE decline of 13 percent. This protracted period of staffing decline has been marginally mitigated by efficiency gains in some areas and by concentrating OIG resources on the mission priorities deemed most critical to serving internal and external stakeholders. By continuing to perpetuate this cycle, however, the OIG is severely limited in our capacity to invest in a workforce that addresses the emerging challenges facing the Department. For example, new FTEs necessary to support the expansion of the OIG's - forensic examination, digital investigation, and e-discovery capabilities will be recruited when possible, but not a rate commiserate with number of investigations, audits, and evaluations that have become increasingly data focused.

The OIG is proposing two administrative changes to the overall structure of the organization. Currently, staff associated with the oversight of HUD disaster funding operates within the Office of Audit or Office of Investigation. The OIG's 2021 proposed organizational chart realigns individuals currently responsible for coordinating disaster oversight to a group that directly reports to the Deputy Inspector General. This realignment will affect three FTEs, all of which are already onboard and fulfilling these duties in their current office. In addition, the OIG is also realigning the Communications Division and our congressional affairs liaison under the senior advisor for external affairs. This realignment will affect five FTEs all of which are currently onboard. Neither of these structural changes will require additional resources; they are being undertaken to properly align responsibilities with the appropriate supervisory level.

The OIG will continue to allocate staffing and financial resources in a way that addresses the priorities of internal and external stakeholders, while trying to build an organization that is responsive to the emerging risks facing HUD.

### **Non-Personnel Services**

The OIG's 2021 non-personnel services requirements are \$34.7 million which is \$1.9 million less than the 2020 enacted appropriation. The reduction from 2020 non-personnel requirements is primarily due to reduced contractual requirements supporting augmentations to the OIG's space footprint. Typically, these projects are undertaken to "right size," find efficiencies, or adjust OIG space for the changing composition of the agency. It is our expectation that the volume of these projects can be minimized in 2021 to offset other organizational needs. In addition to changes in contractual services, the OIG also expects to reduce expenditures in travel, training, supplies, and

equipment. The decline in operational funding requirements is a function of lower staffing levels, reducing the marginal need in these areas.

While the OIG is continuously looking for further efficiencies in non-personnel spending in order for the OIG to be effective, we must train our staff members on the intricacies of HUD's programs and on the most effective methods for performing oversight of those programs. As the OIG's caseload becomes increasingly more complex--and particularly as it becomes more data driven--ensuring that our staff has the knowledge to operate in this changing environment will be key to our success. Similarly, as the OIG's national footprint decreases, our agents, auditors, and evaluators must have the ability to travel as necessary to conduct oversight of HUD programs. The 2021 non-personnel requirements also allow for necessary investment in OIT support systems and new technology that creates long-term efficiencies and reduced future resource needs such as a cloud computing environment and information security enhancements.

Beginning in 2020 and continuing into 2021 the OIG must rely on the services of an external auditor to conduct the HUD Consolidated Financial Statement Audit. These services are expected to cost \$10 million in both 2020 and 2021. Some staff currently assigned to conduct the financial statement audit will continue to be involved in overseeing contract personnel and ensuring quality assurance with all financial statement audit work products. Other financial auditors will continue to address top management challenges connected to HUD's internal financial management.

## **KEY OPERATIONAL INITIATIVES**

### **Safe and Affordable Housing**

Ensuring the availability of affordable housing that is decent, safe, sanitary, and in good repair is a top management challenge for HUD, and one of the highest priorities for the OIG. Currently, OIG auditors, investigators, and evaluators are working proactively to identify systemic deficiencies in the administration of public-housing programs, including by reviewing health and safety concerns such as lead, mold, and other hazardous conditions. Recent incidents involving natural gas and carbon monoxide safety issues continue to highlight the significance of this issue and the need for increased OIG oversight to ensure HUD is taking proper corrective action.

The largest contributing factor in the Department's failure to ensure universally safe and sanitary conditions in HUD and HUD-assisted property is the Department's deficient inspection process. HUD is working to take corrective action to improve the handling of exigent and systemic threats to safe housing using a new National Standard for the Physical Inspection of Real Estate (NSPIRE) model. The OIG intends to support the Department in this pursuit, and we will work to ensure that any changes the Department implements adequately address the magnitude of this problem.

Moreover, because we believe the need for action in this area is urgent, we plan to devote staff resources and take action wherever we believe we can be effective at mitigating the risk to families who rely on and place their trust in HUD. For example, we are contemplating several efforts aimed at addressing the proximity of HUD properties to hazardous material sites, ensuring HUD has adequate procedures for dealing with the presence of lead in public housing, and evaluating HUD's compliance with laws and regulations governing the taking of public-housing authorities into receivership. We are also planning to increase our organizational footprint in other HUD programs with a nexus to safe and affordable housing through initiatives such as examining the effectiveness of the Rental Assistance Demonstration (RAD) program, including assessing whether the RAD program is an effective use of departmental resources to address housing affordability.

## **Information Technology (IT) and Cybersecurity**

The Department maintains IT systems that help it facilitate and process FHA mortgages, track family members receiving rental-housing benefits, provide funding for grantees and recipients of disaster relief funds, maintain the ledgers for the Ginnie Mae portfolio, and carry out many other important programs. Simply put, HUD's programs impact a great number of people in this country, and the Department requires a great deal of personally-identifiable information (PII) to carry out its mission. Indeed, it is estimated that HUD maintains at least 1.2 billion items of PII within its IT systems. While it may be true that HUD is required to maintain large volumes of PII to conduct its work, it is also true that HUD's IT systems are vulnerable. The OIG has made several efforts to identify and raise awareness about the Department's IT-systems deficiencies and cybersecurity weaknesses. Chief amongst these efforts are the OIG's FISCAM, FISMA, and financial audit related workload highlighting ongoing deficiencies in HUD programs. Increased resources will allow the OIG to conduct additional evaluation and audit work in this important area and assist both departmental and congressional stakeholders in determining how best to address HUD's IT weaknesses.

## **Protecting the FHA Insurance Fund**

Improved oversight of potential hazards to the FHA insurance fund and ongoing evaluation of HUD's response to changes in the mortgage industry remain a priority for the OIG. We intend to increase our efforts aimed at identifying the top programmatic vulnerabilities facing the Mutual Mortgage Insurance Fund (MMI) fund and provide timely data to stakeholders that will facilitate effective policy responses to emerging threats.

Currently, the OIG believes greater attention should be devoted to HUD enforcement mechanisms. Ensuring that FHA is issuing loans to qualified borrowers and that HUD is providing proper oversight of loan-level review activities is critical to safeguarding the MMI fund. Evaluating HUD's FHA-lender monitoring process to ensure the Department is adequately regulating the market is one step we intend to take to ensure HUD has adequate internal controls and is adhering to them.

The OIG is also deeply concerned with the increased use of digital mortgages and the risk that these mortgages pose to the MMI fund. Conducting data analysis on the effect that digital mortgages have on the fund and reviewing applicable state-level legal requirements are examples of means the OIG would have at its disposal to address this concern with additional resources.

## **HUD Internal Financial Management**

The OIG recognizes recent positive changes in HUD's overall approach to financial management. The OIG still has concerns, however, regarding the Department's financial governance, internal controls, and financial systems. Without a foundational shift in the Department's approach to financial governance, improvements to HUD's financial management could possibly be derailed by a lack of well-defined culture promoting responsibility and accountability.

By continuing to utilize financial audit staff capacity in combination with externalizing the HUD Consolidated Financial Statement Audit, the OIG should be able to reorient its financial-management workload to provide greater focus on HUD's internal controls. Specifically, the OIG believes a holistic review of HUD's compliance with GAO Green Book standards across all programs would provide needed insight into the Department's financial-management practices.

## **HUD's Ethics Culture**

Building a culture of ethical conduct is essential to HUD achieving its mission and deterring possible fraud, waste, and abuse of organizational resources. The OIG believes it can bring value to the Department and its stakeholders by gathering more information about, and becoming an active participation in, departmental efforts to improve compliance with applicable ethical standards that its employees and program participants must meet. Specifically, we believe we can have a positive impact by examining HUD's processes for identifying and deterring ethical lapses and raising awareness about areas where HUD's current procedures do not provide for proper monitoring or deterrence of ethical risk, including "revolving door" risk within the Department's workforce and insufficient conflict-of-interest policies or practices affecting the performance of some public-housing authorities.

## **Fair Housing**

Ensuring that HUD programs are promoting and guaranteeing fair housing has become a recent organizational priority for the OIG. Addressing whether the Department is doing enough to promote fair housing is essential to maintaining the public's trust and confirming that HUD programs align with congressional intent. The OIG plans to work with the office of Fair Housing and Equal Opportunity within HUD to gain a better understanding of how that organization operates and what processes are in place to achieve its mandate. With greater understanding of the internal and external risks to the Department's fair-housing mission, the OIG will be better able to deploy its resources to address this oversight priority.

## **Office of Inspector General - Engagement Board**

Beginning in June 2019, the OIG implemented a fundamental shift in its process for approving the oversight work undertaken by our organization. Moving forward, any new OIG project will be evaluated and approved by the OIG's newly-constituted Engagement Board before it can commence. The Engagement Board's membership consists of designated senior executives and other leadership officials representing all OIG component divisions. The Engagement Board meets biweekly to assess the merits of proposed oversight projects to ensure our work fits within the overall objectives of our organization. The primary objectives of the Evaluation Board are to:

- Increase awareness of OIG activities and bring a collaborative and cross-functional review of proposals for OIG work, with a particular emphasis on ensuring that proposals target OIG oversight priorities;
- Provide approval before the commencement of any new audits, evaluations, reviews, or initiatives and ensure that work-starts are timely, informed, and organizationally-vetted; and
- Ensure the OIG responds timely and meaningfully to congressional and executive branch requests or leads.

Through the Engagement Board, the OIG aims to address Objective 1.1 from our 2018-2022 Strategic Plan, which targets the "use [of] risk-based approaches to prioritize and plan cross-functional work." This objective acknowledges that the OIG's increasing workload requires that the organization be diligent in assessing HUD's greatest risks and in prioritizing work that will meaningfully address those risks. Additionally, the Engagement Board serves to address risks identified in the OIG's enterprise risk profile. These include addressing concerns about overall effectiveness, information stagnation within the organization, responsiveness to stakeholder concerns, cross component collaboration, and the need for data driven decision making. Through the Engagement Board, the OIG has committed itself to leveraging all of its components to ensure that it plans and prioritizes its audits, evaluations, reviews, and investigations to provide the greatest impact for its stakeholders.