



FROM 5 TO 1: CONTINUING TO IMPROVE HUD'S FINANCIAL HEALTH

The Office of the Chief Financial Officer (OCFO) provides leadership in instituting financial integrity, fiscal responsibility, and accountability. The mission of the OCFO is to lead HUD towards the understanding and practice of sound financial management in program development and operations, and in the stewardship of public resources.

What was the Challenge?

In 2018 HUD OIG issued an audit report in which the Department was not compliant with the internal controls requirement of the Office of Management and Budget (OMB), Circular A-123, and the Digital Accountability and Transparency Act (DATA) of 2014. In addition, dating as far back as FY2017 HUD had over 2,238 open audit recommendations, 9 material weaknesses, and 6 significant deficiencies. HUD not only needed to improve its internal control over their financial reporting, it also had outdated financial processes and legacy systems with some processes still using a paper-based methodology. In short and at a broader level, HUD needed to modernize the way it did business.

What was the Solution?



HUD brought in new OCFO leadership in 2018; sparking a financial transformation strategy within HUD as illustrated in the infographic above. This financial transformation first focused on governance by encouraging collaboration through the Agency Wide Integrity Task Force. The Task Force is focused on improving HUD's operations (such as financial management, IT, hiring, etc.) while ensuring Departmental compliance with



Federal regulations. HUD looked to modernize its IT, grants, and financial systems by: 1) Decommissioning outdated legacy systems; 2) Automating its reporting functions through the use of Robotics Process Automation (RPA) and Artificial Intelligence (AI); 3) Strengthening oversight and controls, particularly for the Community Development Block Grant (CDBG) Disaster Recovery Funds; and 4) Addressing HUD-wide, enterprise risks.

What were the Results?

Over the past 2 years, OCFO has led HUD towards significantly stronger governance and business practices. Today, HUD is 100% compliant with the DATA Act and A-123. HUD has further resolved all but 1 of its 9 material weaknesses pertaining to financial management, with the remainder anticipated to be resolved in 2020.¹ In addition to reducing the number of material weaknesses, HUD now has 0 audit disclaimers and was able to reduce the number of open recommendations by over 20% (from 2,238 in FY17 to 1,767 in FY19).

Through the Department's financial transformation strategy, HUD's Robotics Process Automation (RPA) initiative identified over 70,000 staff hours that could be saved through automation and has already saved over 4,573 hours of employees' time. This has allowed HUD staff to focus on more valuable, higher priority job functions. Lastly, improvements to grants modernization has made it possible for HUD to close over 186,206 grants since FY18.

Future Steps

HUD has made substantial progress towards achieving its financial transformation and strategic objectives. The OCFO has demonstrated a commitment to investing in people, processes, and technology to advance HUD's strategic goal to protect taxpayer funds while maintaining efficient and effective operations. HUD will continue to make improvements by executing remediation plans to eliminate its remaining material weakness and reduce deficiencies related to financial management. Efforts will be furthered by the new Accountability, Integrity, and Risk (AIR) Program HUD launched in FY20. The AIR Program intends to further strengthen fiscal accountability through a strong governance system and Department-wide coordination. Lastly, HUD plans to integrate stronger internal controls into the Federal Notices of Awards for disaster recovery grants and further align enterprise risk management into budget formulation processes.

¹ The remaining material weakness concerns generally accepted accounting principles for Ginnie Mae's non-pooled assets. It is anticipated to be downgraded from a material weakness rating by the end of 2020.