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Comptroller General
of the United States

Accessible Version

April 23, 2020

The Honorable Ben Carson
Secretary
U.S. Department of Housing and Urban Development
451 7th Street, SW
Washington, DC 20410

Priority Open Recommendations: Department of Housing and Urban Development

Dear Mr. Secretary:

The purpose of this letter is to provide an update on the overall status of the Department of Housing and Urban Development’s (HUD) implementation of GAO’s recommendations and to call your personal attention to areas where open recommendations should be given high priority.¹ In November 2019, we reported that on a government-wide basis, 77 percent of our recommendations made 4 years ago were implemented.² Over the last 4 years, HUD’s average recommendation implementation rate was 65 percent.³ As of March 2020, HUD had 130 open recommendations. Fully implementing these open recommendations could significantly improve HUD’s operations.

Since our April 2019 letter, we have not closed any of our nine priority recommendations.⁴ We ask your continued attention to those areas, including HUD’s efforts to address lead paint hazards, enhance oversight of the Moving to Work demonstration, and improve information technology (IT) management. We are adding eight new recommendations as priorities this year, related to the Government National Mortgage Corporation’s (Ginnie Mae) risk management and staffing-related challenges, Community Development Block Grant Disaster Recovery funding, and HUD’s management of cybersecurity. This brings the total number of priority recommendations to 17. (See enclosure for the full list of recommendations.)

¹Priority recommendations are those that GAO believes warrant priority attention from heads of key departments or agencies. They are highlighted because, upon implementation, they may significantly improve government operations, for example, by realizing large dollar savings; eliminating mismanagement, fraud, and abuse; or making progress toward addressing a high-risk or duplication issue.

²GAO, *Performance and Accountability Report: Fiscal Year 2019*. [GAO-20-1SP](#) (Washington, D.C.: Nov. 19, 2019).

³The implementation rate is the percent of recommendations made 4 years prior that were implemented by the agency. HUD’s implementation rate for the past 4 fiscal years was 28 percent in 2019, 60 percent in 2018, 86 percent in 2017, and 87 percent in 2016—an average of 65 percent.

⁴GAO, *Priority Open Recommendations: Department of Housing and Urban Development*. [GAO-19-380SP](#) (Washington, D.C.: Apr. 3, 2019).

The 17 priority recommendations fall into the following six areas:

Addressing Ginnie Mae’s risk management and staffing-related challenges.

Four recommendations would strengthen Ginnie Mae’s capacity to respond to its increasing volume of business, how it manages risk, and how it manages staffing issues such as heavy reliance on contractors and limited budget for in-house staff. In an April 2019 report, we made four recommendations to Ginnie Mae, including that it evaluate its issuer guaranty fee, contractor use, contract administration, and alternative compensation structures. To date, Ginnie Mae has not implemented these recommendations.

To do so, Ginnie Mae needs to:

- First, periodically conduct an analysis that evaluates if the guaranty fee for single family mortgage-backed securities is set to the appropriate level to provide sufficient reserves under different economic scenarios, including stressed scenarios.
- Second, analyze the costs of using contractors for its operations and develop a plan to determine the optimal mix of contractor or in-house staff for operations.
- Third, assess its contract administration options to determine the most efficient and effective use of funds.
- Fourth, complete the alternative compensation pay pilot and evaluate its impact.

Given the current economic climate, the importance of these recommendations to the housing industry is significantly increased.

Strengthening monitoring of disaster recovery block grant funds.

Two recommendations would improve the oversight of Community Development Block Grant Disaster Recovery funding, which helps communities affected by disasters address unmet needs related to housing, infrastructure, and economic revitalization. In a March 2019 report, we found that HUD had not completed monitoring or workforce planning for the growing number of grants. In November 2019, HUD stated it modified a risk analysis tool it can use for workforce planning purposes. However, HUD still needs to develop a comprehensive monitoring plan, including risk factors for each grantee, for the 2017 grants using this revised tool. Additionally, in November 2019, HUD added staff to the grant management and operations functions. However, HUD still needs to conduct workforce planning to determine if it has the right staff to oversee the growing number of grants.

Strengthening processes to address lead paint hazards.

Three recommendations would improve the effectiveness of HUD’s efforts to identify and address lead paint hazards in low-income housing. In a June 2018 report, we made two recommendations that call for HUD to enhance compliance monitoring and enforcement of lead paint regulations. In November 2019, HUD stated it had developed a draft of procedures for HUD staff to enforce lead paint regulations, but to fully address our recommendations, HUD needs to finalize these procedures and develop plans to mitigate risk in its compliance monitoring process. In addition, HUD’s fiscal year 2021 budget justification requested funds to test an alternative lead paint testing method in HUD’s Housing Choice Voucher program. To

fully implement our recommendation, HUD needs to continue to take steps to analyze potential effects of alternative lead paint testing methods, and use the results to inform its decisions about requesting new authority from Congress.

Enhancing oversight of Moving to Work.

Four recommendations would enhance HUD's oversight of the Moving to Work demonstration, which gives participating public housing agencies (PHAs) the flexibility to, among other things, change rent calculations and impose work requirements and time limits on tenants. In 2015, Congress authorized the expansion of Moving to Work by adding 100 new PHAs. Three recommendations from our January 2018 report are designed to improve HUD's monitoring of participating PHAs. As of February 2020, HUD officials stated the agency has started to take steps to address the recommendations. To fully implement them, HUD needs to develop and implement plans for tracking PHAs' use of Moving to Work funds, monitoring PHA reserves, and analyzing the effects of Moving to Work flexibilities on tenants. HUD officials also stated the agency was in the process of conducting workforce planning for the Moving to Work expansion, and HUD needs to complete this planning to help ensure it has the right staff to manage the expanded demonstration.

Improving cybersecurity risk management and workforce planning practices.

Two recommendations would improve cybersecurity risk management and workforce planning practices at HUD. In a July 2019 report, we noted that HUD should incorporate key practices in its cybersecurity risk management programs. HUD needs to follow through and issue a cybersecurity risk management strategy that contains key elements called for in federal guidance. A second recommendation from a March 2019 report would help HUD track and categorize its IT and cyber workforce. The report notes that the federal government needs a qualified, well-trained cybersecurity workforce to protect vital IT systems. In January 2020, HUD told us the agency was in the process of reviewing its IT and cyber positions. To fully implement the recommendation, HUD needs to correctly categorize the work roles and functions performed by IT and cyber-related personnel in order to be able to identify critical cybersecurity staffing needs.

Improving information technology management.

Two recommendations would improve HUD's management of IT. HUD has long experienced shortcomings in its IT management

capability and has reported that its systems are overlapping, duplicative, and not integrated; necessitate manual workarounds; and employ antiquated technologies that are costly to maintain. We have reported since 2009 on the need for HUD to improve and address weaknesses in its management of IT. One recommendation from December 2014 is aimed at establishing a process to enable HUD to identify IT governance actions and projects that are achieving cost savings and efficiencies. A second recommendation from a February 2014 report calls for HUD to better define its overall IT modernization approach. HUD agreed with these recommendations and to date has developed a tool to help evaluate and rank IT projects and systems, as well as completed a technical assessment to identify gaps in IT and develop a modernization approach. To fully implement our recommendations, HUD needs to establish and document a process for identifying and tracking data on cost savings and efficiencies and continue to define the scope, strategy, and schedule of its IT modernization approach.

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As you know, in March 2019 we issued our biennial update to our [high-risk program](#), which identifies government operations with greater vulnerabilities to fraud, waste, abuse, and mismanagement or the need for transformation to address economy, efficiency, or effectiveness challenges.⁵ Our high-risk program has served to identify and help resolve serious weaknesses in areas that involve substantial resources and provide critical service to the public.

Two of our high-risk areas, [resolving the federal role in housing finance](#) and [ensuring the cybersecurity of the nation](#), relate directly to HUD. Several other government-wide high-risk areas including (1) [improving the management of IT acquisitions and operations](#), (2) [strategic human capital management](#), (3) [managing federal real property](#), and (4) the [government-wide personnel security clearance process](#), also have implications for HUD and its operations.⁶ We urge your attention to these government-wide issues as they relate to HUD. Progress on high-risk issues has been possible through the concerted actions and efforts of Congress, the Office of Management and Budget, and the leadership and staff in agencies, including HUD.

Copies of this report are being sent to the Director of the Office of Management and Budget and appropriate congressional committees including the Committees on Appropriations, Budget, and Homeland Security and Governmental Affairs, United States Senate; and the Committees on Appropriations, Budget, and Oversight and Government Reform, House of Representatives. In addition, the report will be available at no charge on the GAO website at <https://www.gao.gov>.

I appreciate HUD's continued commitment to these important issues. If you have any questions or would like to discuss any of the issues outlined in this letter, please do not hesitate to contact me or Daniel Garcia-Diaz, Managing Director, Financial Markets and Community Investment, at garciadiazd@gao.gov or (202) 512-8678. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Our teams will continue to coordinate with your staff on all of the 130 open recommendations. Thank you for your attention to these matters.

Sincerely yours,



⁵GAO, *High-Risk Series: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas*, [GAO-19-157SP](#) (Washington, D.C.: Mar. 6, 2019).

⁶[GAO-19-157SP](#). See pages 95-98 for Resolving the Federal Role in Housing Finance, pages 178-184 for Ensuring the Cybersecurity of the Nation, pages 123-127 for Improving the Management of IT Acquisitions and Operations, pages 75-77 for Strategic Human Capital Management, pages 78-85 for Managing Federal Real Property, and pages 170-177 for Government-wide Personnel Security Clearance Process.

Gene L. Dodaro
Comptroller General
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Enclosure - 1

cc: Seth Appleton, Principal Executive Vice President, Ginnie Mae
Jessie Kome, Acting Director, Office of Block Grant Assistance
David Chow, Chief Information Officer, Office of the Chief Information Officer
Matt Ammon, Director, Office of Healthy Homes and Lead Hazard Control
Robert Mulderig, Deputy Assistant Secretary, Office of Public Housing Investments

Enclosure -- Priority Open Recommendations to Department of Housing and Urban Development

Addressing Ginnie Mae's Risk Management and Staffing-Related Challenges

Ginnie Mae: Risk Management and Staffing-Related Challenges Need to Be Addressed. GAO-19-191. Washington, D.C.: April 3, 2019.

Recommendation: The Chief Risk Officer of Ginnie Mae should periodically conduct an actuarial or similar analysis that includes a stress test to evaluate the extent to which the current level of the guaranty fee for single-family mortgage-backed securities provides Ginnie Mae with sufficient reserves to cover potential losses under different economic scenarios.

Action Needed: Ginnie Mae (HUD) agreed with this recommendation. Ginnie Mae indicated it would modify existing econometric models in response to this recommendation. To fully implement this recommendation, Ginnie Mae needs to follow through on this effort and provide additional detail on changes to the existing models and its plan to periodically conduct this analysis.

Recommendation: The Senior Vice President of Ginnie Mae's Office of Management Operations should analyze the costs of using contractors for its operations and develop a plan to determine the optimal mix of contractor or in-house staff for operations.

Action Needed: Ginnie Mae (HUD) agreed with this recommendation. Ginnie Mae said it planned to procure a contractor to do this analysis on its behalf in fiscal year 2020. To fully implement this recommendation, Ginnie Mae should ensure the analysis and plan are completed.

Recommendation: The Senior Vice President of Ginnie Mae's Office of Management Operations should assess its contract administration options to determine the most efficient and effective use of funds.

Action Needed: Ginnie Mae (HUD) agreed with this recommendation. In November 2019, Ginnie Mae stated that it assesses procurement approaches on a per contract basis on whether to administer a contract within HUD or outsource the contract administration. However, the recommendation is for Ginnie Mae to comprehensively evaluate whether the outsourcing of its contract administration to the General Services Administration has met its intended purposes and is the most efficient and effective use of funds. In order to implement this recommendation, Ginnie Mae should reevaluate its decision to use the General Services Administration as a contract administrator to determine whether continuing with the General Services Administration or selecting another provider (a federal agency or private contractor) would be the most efficient or effective option.

Recommendation: The Chief Financial Officer of Ginnie Mae and Senior Vice President of Ginnie Mae's Office of Management Operations should finalize efforts to assess the costs and benefits of options to revise its compensation structure within current authority and submit proposals, if warranted, to HUD for review and consideration.

Action Needed: Ginnie Mae (HUD) agreed with this recommendation. Ginnie Mae has taken steps to adopt an alternative pay option (known as Critical Pay). Ginnie Mae needs to complete the Critical Pay pilot and evaluate its impact.

High-Risk Area: [Resolving the Federal Role in Housing Finance](#)

Managing Director: Daniel Garcia-Diaz

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Strengthening Monitoring of Disaster Recovery Block Grant Funds

Disaster Recovery: Better Monitoring of Block Grant Funds Is Needed. GAO-19-232. Washington, D.C.: March 25, 2019.

Recommendation: The Assistant Secretary for Community Planning and Development should develop and implement a comprehensive monitoring plan for the 2017 grants.

Action Needed: HUD agreed with this recommendation to develop and implement a comprehensive monitoring plan for the 2017 grants and stated that such a plan is necessary to effectively manage the growing portfolio of Community Development Block Grant Disaster Recovery grants. In order to fully implement this recommendation, HUD still needs to develop a plan that identifies the specific risk factors of each grantee and outlines the scope of its monitoring.

Recommendation: The Assistant Secretary for Community Planning and Development should conduct workforce planning for the Disaster Recovery and Special Issues Division to help ensure that it has sufficient staff with appropriate skills and competencies to manage a growing portfolio of grants.

Action Needed: HUD agreed with this recommendation and stated that the division had developed a staffing plan to address long-term oversight and management of the Community Development Block Grant Disaster Recovery portfolio. HUD has since told us that it has hired additional staff for the division. To fully implement this recommendation, HUD still needs to conduct workforce planning to determine if the number of staff it has hired is sufficient to oversee the growing number of grants, identify the critical skills and competencies needed, and develop strategies for addressing any gaps.

Managing Director: Daniel Garcia-Diaz

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Strengthening Processes to Address Lead Paint Hazards

Lead Paint in Housing: HUD Should Strengthen Grantee Processes, Compliance Monitoring, and Performance Assessment. GAO-18-394. Washington, D.C.: June 19, 2018.

Recommendation: The Director of HUD's Office of Lead Hazard Control and Healthy Homes and the Assistant Secretary for the Office of Public and Indian Housing (PIH) should collaborate to establish a plan to mitigate and address risks within HUD's lead paint compliance monitoring processes.

Action Needed: HUD generally agreed with this recommendation. HUD said it has established a multioffice working group to begin discussing identified risks, proposed approaches that do not require statutory or regulatory changes, and an implementation plan. In November 2019, HUD officials told us the agency had taken steps to implement the recommendation, including requiring PHAs to submit appropriate documentation regarding public housing units' compliance with lead paint regulations and updating an internal checklist for on-site compliance reviews that HUD staff conduct. To fully implement the recommendation, HUD needs to follow through on these efforts and establish a plan to mitigate and address risks in the lead paint compliance monitoring process. GAO concurs with the status of this recommendation (in process) as reported by HUD in its fiscal year 2021 budget.⁷

Recommendation: The Director of HUD's Office of Lead Hazard Control and Healthy Homes and the Assistant Secretary for PIH should collaborate to develop and document procedures to ensure that HUD staff take consistent and timely steps to address issues of PHA noncompliance with lead paint regulations.

Action Needed: HUD generally agreed with this recommendation. HUD said it has established a multioffice working group to develop guidance to better compel PHA compliance and escalate cases of noncompliance. As of November 2019, HUD officials told us procedures were in draft form and under internal review and were not expected to be finalized until spring 2020. To fully implement this recommendation, HUD needs to ensure that these efforts are completed, including development of final procedures that can be used to address noncompliance in a consistent and timely way. GAO concurs with the status of this recommendation (in process) as reported by HUD in its fiscal year 2021 budget.

Recommendation: The Secretary of HUD should request authority from Congress to amend the inspection standard to identify lead paint hazards in the Housing Choice Voucher program as indicated by analysis of health effects for children, the impact on landlord participation in the program, and other relevant factors.

Action Needed: HUD disagreed with the recommendation as it was worded in the draft report we provided for comment. HUD stated that before deciding whether to request the statutory authority, it would need to further study potential effects and implementation options. In our final report, we modified the recommendation to give HUD more flexibility in how it might amend the lead inspection standard for the voucher program. GAO concurs with the status of this recommendation (in process) as reported by HUD in its fiscal year 2021 budget. Additionally, in HUD's fiscal year 2021 budget justification, the agency asked for funds to do a demonstration to test an alternative lead paint testing method in the voucher program. To fully implement the recommendation, HUD needs to continue to take steps to analyze potential effects of alternative lead paint testing methods, and use the results to inform its decisions about requesting new authority from Congress.

Managing Director: Daniel Garcia-Diaz

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⁷See Department of Housing and Urban Development, HUD's Proposed 2021 Budget, *GAO-OIG Act Recommendation 9-30-2019*, accessed February 11, 2020, <https://www.hud.gov/budget>.

Enhancing Oversight of Moving to Work

Rental Housing: Improvements Needed to Better Monitor the Moving to Work Demonstration, Including Effects on Tenants. GAO-18-150. Washington, D.C.: January 25, 2018.

Recommendation: The Assistant Secretary for Public and Indian Housing (PIH) should complete workforce planning for the Moving to Work demonstration to help ensure that PIH has sufficient staff with appropriate skills and competencies to manage an expanded demonstration, including reviewing reports and carrying out compliance reviews in a timely manner.

Action Needed: HUD generally agreed with this recommendation. HUD has indicated it is continuing to conduct workforce planning, including assessing the knowledge, skills, and abilities needed to implement the Moving to Work expansion. To fully implement the recommendation, HUD needs to finish these planning efforts. GAO concurs with the status of this recommendation (in process) as reported by HUD in its fiscal year 2021 budget.

Recommendation: The Assistant Secretary for PIH should develop and implement a process to track how Moving to Work demonstration funds are being used for other allowable activities, including local, nontraditional activities.

Action Needed: HUD disagreed with the recommendation and stated that addressing it would require extensive resources to upgrade an information system. However, as HUD indicated in its comments on our report, the information we recommended that HUD track could be obtained by revising the annual reporting requirements for Moving to Work agencies. We maintain that more comprehensively tracking data on uses of funding would allow HUD to better assess agency performance. To implement the recommendation, HUD needs to start collecting—either through annual reports or by other means—information on the use of Moving to Work funds for local, nontraditional activities. GAO concurs with the status of this recommendation (in process) as reported by HUD in its fiscal year 2021 budget.

Recommendation: The Assistant Secretary for PIH should develop and implement a process to monitor Moving to Work agencies' reserves.

Action Needed: HUD initially disagreed with this recommendation but subsequently responded that it planned to monitor existing Moving to Work agencies' plans for their Housing Choice Voucher reserves. To implement the recommendation, HUD needs to revise its annual reporting requirements for existing Moving to Work agencies to ensure they report their plans for and use of reserves. HUD also needs to establish a process for reviewing this information. GAO concurs with the status of this recommendation (in process) as reported by HUD in its fiscal year 2021 budget.

Recommendation: The Assistant Secretary for PIH should clarify HUD's rent-reform definition for the Moving to Work demonstration as part of a framework for monitoring the effect of rent-reform, work-requirement, and time-limit policies on tenants.

Action Needed: HUD agreed with this recommendation. HUD said it would develop separate analysis plans for existing and expansion Moving to Work agencies due to differences in the types of performance information HUD can require them to report under their Moving to Work agreements. To fully implement the recommendation, HUD needs to complete these plans and

analyze the information agencies report. GAO concurs with the status of this recommendation (in process) as reported by HUD in its fiscal year 2021 budget.

Managing Director: Daniel Garcia-Diaz

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Improving Cybersecurity Risk Management and Workforce Practices

Cybersecurity: Agencies Need to Fully Establish Risk Management Programs and Address Challenges. GAO-19-384. Washington, D.C.: July 25, 2019.

Recommendation: To fully address key practices in cybersecurity risk management policies and procedures, the HUD Secretary should develop a cybersecurity risk management strategy that includes the key elements identified in this report.

Action Needed: HUD agreed with this recommendation and stated that the department intends to develop a cybersecurity risk management strategy that will determine how cybersecurity risks will be identified, framed, assessed, responded to, and monitored, with an estimated completion date of August 2020. To fully implement this recommendation, HUD needs to follow through and issue a strategy containing the key elements.

High-Risk Area: [Ensuring the Cybersecurity of the Nation](#)

Director: Nick Marinos

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Cybersecurity Workforce: Agencies Need to Accurately Categorize Positions to Effectively Identify Critical Staffing Needs. GAO-19-144. Washington, D.C.: March 12, 2019.

Recommendation: To complete the appropriate assignment of codes to their positions performing information technology (IT), cybersecurity, or cyber-related functions, in accordance with the requirements of the Federal Cybersecurity Workforce Assessment Act of 2015, the HUD Secretary should take steps to review assignment of the "000" code to any positions in the department in the 2210 IT management occupational series and assign the appropriate National Initiative for Cybersecurity Education framework work role codes.

Action Needed: HUD agreed with this recommendation. In January 2020, HUD stated that it was in the process of reviewing its positions in the 2210 IT management occupational series and assigning appropriate work role codes. To fully implement this recommendation, HUD will need to correctly categorize the work roles and functions performed by IT and cyber-related personnel in order to be able to identify critical cybersecurity staffing needs.

High-Risk Area: [Ensuring the Cybersecurity of the Nation](#)

Director: Carol C. Harris

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Improving Information Technology Management

Information Technology: HUD Can Take Additional Actions to Improve Its Governance. GAO-15-56. Washington, D.C.: December 10, 2014.

Recommendation: To establish an enterprise-wide view of cost savings and operational efficiencies generated by investments and governance processes, the Secretary of Housing and Urban Development should direct the Deputy Secretary and Chief Information Officer to place a higher priority on identifying governance-related cost savings and efficiencies and establish and institutionalize a process for identifying and tracking comprehensive, high-quality data on savings and efficiencies resulting from information technology (IT) investments and the IT governance process.

Action Needed: HUD agreed with this recommendation. HUD has indicated that its development of HUDPLUS—a tool to help evaluate and rank IT projects and systems—illustrates the agency’s progress on this recommendation. However, HUD lacks processes to effectively use HUDPLUS for tracking cost savings and efficiencies. To fully implement the recommendation, HUD should establish and document a formal process for identifying and tracking data on cost savings and efficiencies that result from IT investments and governance. GAO concurs with the status of this recommendation (in process) as reported by HUD in its fiscal year 2021 budget.

High-Risk Area: [Improving the Management of IT Acquisitions and Operations](#)

Director: Carol C. Harris

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Information Technology: HUD's Expenditure Plan Satisfied Statutory Conditions;

Sustained Controls and Modernization Approach Needed. GAO-14-283. Washington, D.C.: February 12, 2014.

Recommendation: To ensure effective management and modernization of HUD's IT environment, the Secretary of HUD should direct the department's Chief Information Officer to define the scope, implementation strategy, and schedule of its overall modernization approach, with related goals and measures for effectively overseeing the effort.

Action Needed: HUD agreed with this recommendation and as of March 2020 had completed a technical assessment to identify gaps in IT and develop a modernization approach. The department has also taken action to define the scope, implementation strategy, and schedule for modernizing its IT environment and systems. To fully implement the recommendation, HUD should establish measures for overseeing its modernization efforts. GAO concurs with the status of this recommendation (in process) as reported by HUD in its fiscal year 2021 budget.

High-Risk Area: [Improving the Management of IT Acquisitions and Operations](#)

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