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Comptroller General
of the United States

Accessible Version

June 8, 2022

The Honorable Marcia L. Fudge
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 Madam 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 continued personal attention to areas where open recommendations should be given high priority.¹ In November 2021, we reported that, on a government-wide basis, 76 percent of our recommendations made 4 years ago were implemented.² HUD's recommendation implementation rate was 67 percent. As of June 2022, HUD had 121 open recommendations. Fully implementing these open recommendations could significantly improve agency operations.

Since our June 2021 letter, HUD has implemented four of our 13 priority recommendations. Specifically, HUD issued a Cybersecurity Risk Management Strategy and an Enterprise Risk Management Standard Operating Procedure.³ It also reviewed positions and assigned work role codes in the IT management occupational series.⁴ For the Moving to Work program, HUD upgraded an information system to track use of Housing Choice Voucher funds for certain activities.⁵ Finally, Ginnie Mae developed and recalibrated an economic model to estimate the

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 operation—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 2021*, [GAO-22-4SP](#) (Washington, D.C.: Nov. 15, 2021).

³GAO, *Cybersecurity: Agencies Need to Fully Establish Risk Management Programs and Address Challenges*, [GAO-19-384](#) (Washington, D.C.: July 25, 2019).

⁴GAO, *Cybersecurity Workforce: Agencies Need to Accurately Categorize Positions to Effectively Identify Critical Staffing Needs*, [GAO-19-144](#) (Washington, D.C.: Mar. 12, 2019).

⁵GAO, *Rental Housing: Improvements Needed to Better Monitor the Moving to Work Demonstration, Including Effects on Tenants*, [GAO-18-150](#) (Washington, D.C.: Jan. 25, 2018).

guaranty fee needed to cover losses and found its capital reserves adequate to cover estimated losses.⁶

We ask for your continued attention to the remaining open priority recommendations. We are adding two new recommendations as priorities this year related to identifying and addressing disaster recovery barriers. This brings the total number of priority recommendations to 11. (See the enclosure for the list of recommendations and actions needed to implement them.)

The 11 priority recommendations fall into the following six major areas:

Disaster recovery barriers.

Many disaster survivors face barriers in accessing disaster assistance programs and resources. We made two recommendations to HUD to work with the Federal Emergency Management Agency and Small Business Administration to develop and implement an interagency plan for obtaining information to identify barriers to disaster recovery access and disparate outcomes. Doing so would improve HUD's ability to address barriers to access and disparate outcomes for disaster assistance programs.

Real Estate Assessment Center's (REAC) physical inspection process.

HUD's inspections continue to find properties in poor physical condition and with life-threatening health and safety issues. And Congress and the media raised concerns about properties that may have received inspection scores not consistent with their physical condition. In March 2019, we found several weaknesses in REAC's physical inspection process and recommended a comprehensive review of the process. Implementing this recommendation would improve the identification of physical deficiencies at HUD multifamily properties (including public housing).

Ginnie Mae's risk management and staffing-related challenges.

Ginnie Mae has faced challenges on its ability to oversee significant growth in its operations. In April 2019, we made three recommendations to Ginnie Mae to evaluate its (1) contractor use, (2) contract administration, and (3) the costs and benefits of options to revise compensation structures for employees. Doing so would strengthen Ginnie Mae's capacity to respond to its increasing volume of business and enhance management of contractors and budgets for in-house staff.

Processes to address lead paint hazards.

Exposure to lead paint hazards can cause serious harm to children under 6 years old. In a June 2018 report, we made two recommendations for HUD to enhance compliance monitoring and enforcement of lead paint regulations and a third recommendation to request authority from Congress to amend the Housing Choice Voucher program inspection standard. Implementing these recommendations would improve HUD's efforts to identify and address lead paint hazards in low-income housing.

⁶GAO, *Ginnie Mae: Risk Management and Staffing-Related Challenges Need to Be Addressed*, [GAO-19-191](#) (Washington, D.C.: Apr. 3, 2019).

Oversight of Moving to Work.

The Moving to Work demonstration gives participating public housing agencies the flexibility to change rent calculations and other requirements for tenants. However, organizations that advocate on behalf of residents and others raised questions about the lack of information about the demonstration's effects on tenants. We recommended HUD develop and implement a plan to analyze the effects of program flexibilities on tenants. Doing so would enhance HUD's oversight of Moving to Work.

IT management.

HUD has long experienced shortcomings in its IT management capability. For example, while HUD has reported governance-related cost savings and operational efficiencies, the data supporting such reports were not always accurate, consistent, or substantiated. We recommended that HUD develop a process for identifying and tracking data on cost savings and efficiencies resulting from IT investments and governance decisions. Doing so would improve HUD's ability to monitor the outcomes of its IT governance activities, achieve potential cost savings and operational efficiencies, and provide assurances that investments are delivering expected benefits.

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In March 2021 we issued our biennial update to our [High-Risk List](#), 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.⁷ One of our high-risk areas—[resolving the federal role in housing finance](#)—relates directly to HUD.

Several other government-wide high-risk areas also have direct implications for HUD and its operations. These include (1) [improving the management of IT acquisitions and operations](#), (2) [improving strategic human capital management](#), (3) [managing federal real property](#), (4) [ensuring the cybersecurity of the nation](#),⁸ and (5) [government-wide personnel security clearance process](#). We urge your attention to resolving these government-wide high-risk 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 within HUD. In March 2022, we issued a report on key practices to successfully address high-risk areas, which can be a helpful resource as your agency continues to make progress to address high-risk issues.⁹

Copies of this report are being sent to the Director of the Office of Management and Budget and appropriate congressional committees: the Committees on Appropriations; Banking, Housing, and Urban Affairs; Budget; and Homeland Security and Governmental Affairs, United States

⁷GAO, *High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas*, [GAO-21-119SP](#) (Washington, D.C.: Mar. 2, 2021).

⁸With regard to cybersecurity, we also urge you to use foundational information and communications technology supply chain risk management practices set forth in our December 2020 report: GAO, *Information Technology: Federal Agencies Need to Take Urgent Action to Manage Supply Chain Risks*, [GAO-21-171](#) (Washington, D.C.: Dec. 15, 2020).

⁹GAO, *High-Risk Series: Key Practices to Successfully Address High-Risk Areas and Remove Them from the List*, [GAO-22-105184](#) (Washington, D.C.: Mar. 3, 2022).

Senate; and the Committees on Appropriations; Budget; Financial Services; and Oversight and Government Reform, House of Representatives. In addition, the report will be available 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 garcia Diaz@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 121 open recommendations, as well as those additional recommendations in the high-risk areas for which HUD has a leading role. Thank you for your attention to these matters.

Sincerely yours,

A handwritten signature in black ink that reads "Gene L. Dodaro". The signature is fluid and cursive, with a long horizontal stroke extending to the right from the end of the name.

Gene L. Dodaro
Comptroller General
of the United States

Enclosure – 1

cc: Ashley L. Sheriff, Acting Deputy Assistant Secretary, Real Estate Assessment Center
Michael R. Drayne, Acting Executive Vice President, Ginnie Mae
Jessie Kome, Director, Office of Block Grant Assistance
Christopher Webber, Principal Deputy Chief Information Officer, Office of the Chief Information Officer
Matthew E. Ammon, Director, Office of Lead Hazard Control and Healthy Homes
Robert Mulderig, Deputy Assistant Secretary, Office of Public Housing Investments
The Honorable Shalanda Young, Director, Office of Management and Budget

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

Identifying and Addressing Disaster Recovery Barriers

Disaster Recovery: Additional Actions Needed to Identify and Address Potential Recovery Barriers. [GAO-22-104039](#). Washington, D.C.: December 15, 2021.

Recommendation: The HUD Assistant Secretary for Community Planning and Development should, in coordination with the FEMA Administrator and SBA, develop, with input from key recovery partners, and implement an interagency plan to help ensure the availability and use of quality information that includes (1) information requirements, (2) data sources and methods, and (3) strategies for overcoming information challenges to support federal agencies involved in disaster recovery in identifying access barriers or disparate outcomes.

Action needed: HUD agreed with this recommendation. In its written comments to the report, HUD officials stated the agency had an interagency agreement with the Federal Emergency Management Agency (FEMA) to coordinate data sharing and matching for determining remaining unmet disaster recovery needs at the grantee level for Community Development Block Grant Disaster Recovery funds, but the agreement expired. To fully implement this recommendation, HUD needs to develop and implement a new interagency agreement with FEMA and the Small Business Administration (SBA) to identify barriers to disaster recovery access and disparate outcomes in disaster-affected areas. Although there are challenges related to data collection and sharing, an interagency effort led by agencies with large recovery programs to create a plan that specifies the data needed, sources of those data, and strategies for overcoming challenges would help the programs devise solutions to the challenges.

Recommendation: The HUD Assistant Secretary for Community Planning and Development should coordinate with the FEMA Administrator and SBA to design and establish routine processes to be used within and across federal disaster recovery programs to address identified access barriers and disparate outcomes on an ongoing basis.

Action needed: HUD agreed with this recommendation. In its written comments to the report, HUD officials said that HUD has been preparing to engage with its federal partners on an interagency process that could be used to identify access barriers and disparate outcomes in disaster-affected areas. To fully implement this recommendation, HUD must provide evidence it has developed an ongoing process to coordinate with other federal disaster recovery programs on the identification of access barriers and disparate outcomes. Without routine processes, disaster recovery programs lack a mechanism to ensure they can address any potential access barriers or disparate outcomes they might identify, particularly if those barriers or disparate outcomes arise from the interaction between or among programs.

Director: Christopher Currie

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Improving Real Estate Assessment Center Physical Inspection Process

Real Estate Assessment Center: HUD Should Improve Physical Inspection Process and Oversight of Inspectors. [GAO-19-254](#). Washington, D.C.: March 21, 2019.

Recommendation: The Deputy Assistant Secretary for the Real Estate Assessment Center should conduct a comprehensive review of the physical inspection process.

Action needed: The Real Estate Assessment Center (REAC) agreed with this recommendation. REAC officials told us that they have been transitioning to a new physical inspection process. However, it is unclear to what extent the new process is grounded in the

results of a comprehensive review. As of May 2022, REAC had not conducted a comprehensive review of its longstanding physical inspection process that could inform the design of its new inspection program. To fully implement this recommendation, REAC needs to take additional actions to complete a comprehensive review, or provide documentation that one has been completed. Doing so could help REAC identify risks and ensure it meets the goal specified in its strategic plan that inspections be reliable, replicable, and reasonable.

Managing Director: Daniel Garcia-Diaz

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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 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. In March 2022, Ginnie Mae officials said a contractor analyzed Ginnie Mae's contracts and determined a shift of some staff from contractor to in-house status could reduce agency costs. Ginnie Mae also conducted a preliminary analysis of how the contractor and in-house staff mix would change with its modernization efforts and the forthcoming HUD 2022–2026 strategic plan. To fully implement the recommendation, Ginnie Mae will need to finalize its plan and procedures for determining the optimal staff mix for operations. Performing such analyses could help Ginnie Mae communicate to HUD, the Office of Management and Budget (OMB), and Congress the relative costs of its heavy reliance on contractors.

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 March 2022, Ginnie Mae hired a contractor to analyze the benefits and costs of its contract administration options and expects to have the results by summer 2022. Ginnie Mae also has been working with other offices in HUD to assess the value of alternatives to existing arrangements with the General Services Administration. To fully implement this recommendation, Ginnie Mae should ensure completion of the evaluation to determine the most efficient and effective use of funds. Performing such an analysis could help Ginnie Mae better understand its contract administration costs and inform future decisions about contract administration.

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. As of January 2022, Ginnie Mae had taken steps to adopt an alternative pay option (known as Critical Position Pay) and was working with HUD on developing an implementation plan within its Office of Enterprise Risk. Ginnie Mae also has been working with OMB to ensure program execution and outcomes align between the agencies. As of April 2022, Ginnie Mae identified a set of IT positions for which it proposed to use Critical Position Pay (Ginnie Mae has approval to do so for a small number of positions). Ginnie Mae also has been working to finalize a set of job descriptions to be presented to the Office of Personnel Management and HUD for approval to proceed with the proposal.

To fully implement this recommendation, Ginnie Mae needs to finalize its efforts with HUD and OMB. By completing an assessment of potential reforms to its compensation structure, Ginnie Mae could communicate to HUD, OMB, and Congress the information necessary to justify changes in its authority that would allow it to address recruitment and retention challenges and structure its workforce to meet operational needs.

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

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 established a multi-office working group to discuss identified risks, proposed approaches that do not require statutory or regulatory changes, and an implementation plan. In March 2022, HUD officials told us they developed an Environmental Risk Assessment dashboard, which is intended to risk rank public housing properties and public housing agencies (PHA) based on environmental hazards, including lead paint hazards. To fully implement the recommendation, HUD must leverage the information in the dashboard on lead paint hazard risk and incorporate it into a plan to address lead paint compliance monitoring. These actions could further strengthen HUD's oversight and keep PHAs accountable for ensuring that housing units are lead-safe.

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 established a multi-office working group to develop guidance to better compel PHA compliance and escalate cases of noncompliance. As of March 2022, HUD officials told us the draft procedures were under internal review and were expected to be finalized in the spring of 2022. To fully implement this recommendation, HUD needs to ensure that these efforts are completed, including by finalizing procedures. These actions could further strengthen HUD's oversight and keep PHAs accountable for ensuring that housing units are lead-safe.

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 an original recommendation from the draft report and we modified it to give HUD more flexibility in how the agency might amend the lead inspection standard for the voucher program. In HUD's fiscal year 2021 budget justification, the agency asked for funds for a demonstration of an alternative lead paint testing method in the voucher program. As of March 2022, HUD received \$25 million in the Consolidated Appropriations Act, 2022 to conduct such a demonstration. To fully implement the recommendation, HUD needs to carry out the demonstration and use the results to inform its decisions about requesting new authority from Congress. HUD could ensure that children in the voucher program are better

protected from lead by requesting and obtaining statutory authority to amend the program's inspection standard as indicated by analysis of the benefits and costs of amending the standard.

Managing Director: Daniel Garcia-Diaz

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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 PIH should develop and implement a plan for analyzing the information that agencies report on the effect of rent-reform, work-requirement, and time-limit policies on tenants as part of a framework for monitoring the effect of these policies on tenants.

Action needed: HUD agreed with this recommendation. In January 2021, HUD officials said the agency planned to 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. For the expansion agencies, HUD officials stated that they will analyze the effect of rent-reform, work-requirement, and time-limit policies as part of cohort-specific evaluations. For the existing agencies, HUD officials stated in March 2022 that they were finalizing a policy for analyzing the effects of these program flexibilities on tenants and planned to implement it by the end of fiscal year 2022. To fully implement the recommendation, HUD needs to provide supporting documentation that it has designed and implemented a policy to analyze the effects of program flexibilities on tenants. Developing such a framework will help both HUD and Moving to Work agencies to assess performance and determine if activities have advanced demonstration goals.

Managing Director: Daniel Garcia-Diaz

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Improving IT 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 IT investments and the IT governance process.

Action needed: HUD agreed with this recommendation and in response, developed an implementation plan for Technology Business Management, an approach intended to improve and expand tracking of investments. In February 2022, HUD reported plans to build on the governance process to establish efficiency as a HUD IT priority and to collect quarterly data on IT-related cost savings. To fully implement this recommendation, HUD needs to provide evidence that it has established guidance supporting a repeatable process for tracking enterprise-wide IT-related cost savings and operational efficiencies, including those related to governance decisions. Doing so will improve HUD's ability to monitor the outcomes of its IT governance activities.

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

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