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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Actions Needed to Incorporate Key Practices into Management Functions and Program Oversight

Accessible Version

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Why GAO Did This Study

Through its \$48 billion fiscal year 2016 budget, HUD administers a wide variety of programs that help millions of households obtain safe, decent, and affordable housing and that seek to build and strengthen communities. However, GAO and HUD's Office of Inspector General have identified management deficiencies that limit the effectiveness and efficiency of HUD's operations. For example, the Inspector General cited human capital management, financial management systems, and information security among the major management challenges facing HUD in fiscal year 2016 and beyond. GAO was asked to review HUD's management practices.

This report examines HUD's efforts to (1) meet requirements and implement key practices for management functions, including financial, human capital, acquisition, and IT management; and (2) oversee and evaluate programs. GAO reviewed HUD policies and compared them with federal requirements, key practices, and internal control standards. GAO also interviewed HUD officials and industry stakeholders.

What GAO Recommends

GAO makes eight new recommendations designed to improve HUD's strategic and human capital planning, governance, and program oversight and evaluation. HUD concurred with our recommendations. GAO also maintains that 63 recommendations it made in prior work should be fully implemented to help improve aspects of HUD management.

What GAO Found

The Department of Housing and Urban Development (HUD) has struggled to resolve persistent management challenges, in part because it has not consistently incorporated requirements and key practices identified by GAO to help ensure effective management into its operations. In addition, HUD's past remedial actions were not always effective because they were not sustained. Turnover among senior leadership, shifting priorities, and resource constraints have contributed to HUD's difficulties in implementing needed changes. As a result, GAO and others continue to find deficiencies in numerous aspects of HUD's operations. Sustained focus on integrating requirements and key practices into agency management could enhance HUD's ability to more effectively accomplish its mission.

HUD has not fully met some requirements or implemented a number of key practices for its management functions, including performance planning and reporting and information technology (IT), human capital, financial, and acquisition management (see figure). In particular, some HUD plans for executing critical management functions are missing key elements, as described below. HUD also has not always maintained current and complete policies and procedures, an important component of agency governance. These challenges stem partly from a lack of controls to help ensure timely updates of plans, policies, and procedures.

Extent to Which the Department of Housing and Urban Development (HUD) Met Requirements or Was Following Key Practices for Management Functions

| Management functions and related requirements and key practices | Number of requirements and practices |
|--|--------------------------------------|
| Performance planning and reporting Government Performance and Results Act Modernization Act requirements for strategic planning, annual performance planning, and annual performance reporting | |
| Information technology (IT) GAO key practices for IT governance, federal information security requirements, and federal privacy requirements and guidelines | |
| Human capital GAO key practices for strategic workforce planning, succession planning, and training and development programs | |
| Financial Office of Management and Budget (OMB) requirements and GAO key practices for financial accountability and control | |
| Acquisition GAO key practices for acquisition management and OMB requirement to assess the acquisition function annually | |

Legend: ● Met or followed ◐ Partially met or followed ○ Not met or followed

Source: GAO analysis. | GAO-16-497

View [GAO-16-497](#). For more information, contact Daniel Garcia-Diaz at (202) 512-8678 or garciadiazd@gao.gov.

- Performance planning and reporting.** HUD met most of the requirements in the GPRA Modernization Act of 2010 for its strategic plan and annual performance plan and report. But HUD's strategic plan does not clearly link HUD's goals and objectives with federal priority goals. In addition, HUD did not have formal procedures or controls related to conducting outreach to help ensure the department met all requirements for obtaining and documenting input from Congress and industry stakeholders. More fully incorporating these elements into the strategic planning process would help ensure that HUD's plans are relevant and responsive to its current environment.
- Information technology management.** HUD has not demonstrated that it has the capacity to effectively plan for and manage IT projects. For instance, a recent effort to modernize its financial management systems was not adequately planned and resulted in ending the program without replacing aging systems. In addition, HUD's IT governance activities have not fully addressed a number of key practices outlined in GAO's IT investment management guide. For example, HUD has not yet developed 3 of the 11 policies that support its IT management framework but anticipates completing the remaining policies by July 2016. Furthermore, HUD's Office of Inspector General (OIG) has found continued and extensive noncompliance with federal information security and privacy requirements, although HUD has made some progress in addressing these issues recently. GAO also identified four recommendations from prior IT reports as being among the highest priorities for implementation, which HUD is in the process of addressing.
- Human capital management.** HUD has made progress in developing new human capital plans and mostly followed key principles and practices for strategic workforce planning, succession planning, and training planning. But HUD has struggled to maintain current plans, as required by Office of Personnel Management regulation. For example, HUD's previous strategic workforce plan expired in 2009, and HUD did not complete the next plan until 2015. HUD has been unable to maintain current plans in part because it lacks a process to help ensure that it reviews and updates the plans before existing plans expire. Assessing and updating these plans on a regular basis would help ensure that HUD has a strategic vision for managing its workforce and addressing human capital challenges.
- Financial management.** HUD did not follow seven of eight key practices for financial management, including receiving a clean audit opinion on its financial statements and operating in compliance with laws and regulations. Furthermore, HUD's financial management systems do not comply with requirements, and HUD was unable to provide assurance that its internal controls over financial reporting were operating effectively in fiscal years 2014 and 2015. According to OIG, HUD's outdated and incomplete financial management handbooks contributed to the agency's significant control deficiencies. According to HUD officials, efforts to revise and update these handbooks were ongoing.
- Acquisition management.** HUD partially followed key practices for acquisition relating to organizational alignment and human capital. For example, OIG found that HUD has not always followed effective planning and program management practices for some recent acquisition improvement initiatives, including initiatives related to human capital. In February 2016, OIG recommended that HUD incorporate an acquisition human capital plan (among other practices) into its acquisition improvement strategy, which HUD agreed to do.

Additionally, in assessing HUD's efforts to oversee and evaluate its programs, GAO found that HUD has not formalized key practices for program oversight and evaluation. For oversight, HUD uses a risk-based approach but has not formally designated entities to manage fraud risk. GAO and OIG have identified oversight challenges, including a number that have been highlighted by instances of fraud, waste, and abuse. For example, investigations into loans insured by the Federal Housing Administration (FHA) identified a high percentage of loans that should not have been insured because of underwriting deficiencies. In fiscal years 2012 through 2015, the federal government reached civil settlements related to FHA loan underwriting totaling \$3.5 billion for alleged statutory violations. HUD's vulnerability to fraud stems partly from the large number of intermediaries—such as lenders and nonprofit organizations—that help administer its programs. HUD does not have a team or official formally dedicated to managing fraud risk because it seeks to manage it within existing program activities. In addition, HUD has implemented some practices to enhance program evaluation within the agency but not others. For instance, it has developed a strategic plan for its evaluations but lacks documented policies to help ensure their quality and consistency. HUD officials said that they had not considered creating such a policy because the evaluation principles they used were ingrained in HUD's culture. Leading practices indicate that having designated entities to manage fraud risk and formal policies for evaluations would strengthen the performance of HUD's oversight and evaluation functions.

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Abbreviations

| | |
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| ACM | Acquisition Career Manager |
| AEA | American Evaluation Association |
| ARC | Administrative Resource Center |
| CAP goals | cross-agency priority goals |
| CDBG | Community Development Block Grant |
| CIO | Chief Information Officer |
| CPD | Office of Community Planning and Development |
| CPO | Chief Procurement Officer |
| DHS | Department of Homeland Security |
| FFMIA | Federal Financial Management Improvement Act |
| FHA | Federal Housing Administration |

| | |
|------------|--|
| FHEO | Office of Fair Housing and Equal Opportunity |
| FTE | full-time equivalent |
| GAAP | generally accepted accounting principles |
| Ginnie Mae | Government National Mortgage Association |
| GPRA | Government Performance and Results Act of 1993 |
| GRPAMA | GPRA Modernization Act of 2010 |
| HOME | HOME Investment Partnerships |
| HUD | Department of Housing and Urban Development |
| IPERA | Improper Payments Elimination and Recovery Act of 2010 |
| IT | information technology |
| LEARN | Learning, Enrichment, and Resource Network |
| MFH | Office of Multifamily Housing |
| MFT | Multifamily for Tomorrow |
| MTW | Moving to Work |
| NAPA | National Academy of Public Administration |
| OCFO | Office of the Chief Financial Officer |
| OCHCO | Office of the Chief Human Capital Officer |
| OCIO | Office of the Chief Information Officer |
| OCPO | Office of the Chief Procurement Officer |
| OIG | Office of Inspector General |
| OMB | Office of Management and Budget |
| OPM | Office of Personnel Management |
| OSPM | Office of Strategic Planning and Management |
| PBCA | performance-based contract administrators |
| PD&R | Office of Policy Development and Research |
| PHA | public housing agency |
| PIH | Office of Public and Indian Housing |
| PII | personally identifiable information |
| SES | senior executive service |

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July 20, 2016

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
House of Representatives

The Honorable Blaine Luetkemeyer
Chairman
Subcommittee on Housing and Insurance
Committee on Financial Services
House of Representatives

For over 50 years, the Department of Housing and Urban Development (HUD) has administered a wide variety of programs aimed at helping households obtain quality, affordable housing and at building and strengthening communities. Each year, for example, these programs provide rental assistance to millions of lower-income households, mortgage insurance to hundreds of thousands of home buyers, and community development grants to hundreds of state and local governments. HUD's net budget authority for fiscal year 2016 totals about \$48 billion. In addition, its portfolio of insured mortgages was nearly \$1.3 trillion as of the end of fiscal year 2015.

Over a number of years, we and HUD's Office of Inspector General (OIG) have identified management deficiencies that limit the effectiveness and efficiency of HUD's operations. In all, we made nearly 400 recommendations to HUD in fiscal years 2001 through 2015, many of which have been implemented. But 63 of the 108 recommendations we made in fiscal years 2012 through 2015 have not been implemented (see app. II). In addition, OIG identified nine management and performance challenges facing HUD in fiscal year 2016 and beyond, five related to HUD's management functions and four to program oversight or evaluation.

In light of these challenges, you asked us to conduct a broad assessment of HUD's management of its operations and programs. This report examines HUD efforts to (1) meet federal requirements and implement key practices for management functions, including performance planning and reporting and human capital, financial, acquisition, and information technology (IT) management; and (2) oversee and evaluate programs.

To examine HUD's management functions, we reviewed relevant laws, regulations, and HUD documents and interviewed senior HUD officials from the administrative support offices responsible for these functions about their plans, policies, and practices. We assessed HUD's policies and practices against federal internal control standards and various key requirements and practices.¹ Specifically:

- For performance planning and reporting, including HUD's strategic planning efforts, we reviewed HUD's strategic plans for fiscal years 2010 through 2015 and 2014 through 2018, its annual performance plan for fiscal year 2017, and its annual performance report for fiscal year 2015 and compared them and HUD's planning and reporting practices with requirements in the Government Performance and Results Act of 1993 (GPRA), as updated by the GPRA Modernization Act of 2010 (GPRAMA).² We also interviewed officials from HUD's Office of Strategic Planning and Management (OSPM).
- To evaluate HUD's human capital management practices, we reviewed regulations issued by the U.S. Office of Personnel Management (OPM) and HUD's current human capital plans, employee engagement plans, and policies and procedures. We then compared HUD's human capital plans with key principles identified in our previously issued work.³ In addition, we reviewed HUD's 2011 through 2015 Federal Employee Viewpoint Survey results on employee engagement and training.⁴ To assess the reliability of the survey data, we reviewed the methodology used to conduct the survey and the employee response rate. We determined that the data we used were sufficiently reliable for our purposes. We also

¹GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014). These standards went into effect October 1, 2015.

²Pub. L. No. 103-62, 107 Stat. 285 (1993) and Pub. L. No. 111-352, 124 Stat. 3866 (2011).

³See GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, [GAO-04-39](#) (Washington, D.C.: Dec. 11, 2003); *Human Capital: Insights for U.S. Agencies from Other Countries' Succession Planning and Management Initiatives*, [GAO-03-914](#) (Washington, D.C.: Sept. 15, 2003); and *Human Capital: A Guide for Assessing Strategic Training and Development Efforts in the Federal Government*, [GAO-04-546G](#) (Washington, D.C.: March 2004).

⁴The Federal Employee Viewpoint Survey is an annual survey administered by OPM. HUD's response rate in 2014 was 51.5 percent; in 2015, it was 73.5 percent.

interviewed officials from HUD's Office of the Chief Human Capital Officer (OCHCO).

- To assess HUD's financial management efforts, we reviewed HUD's financial statement audits for fiscal years 2004 to 2015. We also interviewed OIG officials who oversaw the financial statement audits about their findings and recommendations for HUD. We did not independently assess the findings in these financial statement audits and internal control reviews. In addition, we assessed HUD's financial management practices using guidelines developed by the Office of Management and Budget (OMB) and criteria we developed in prior work.⁵ We also interviewed officials from HUD's Office of the Chief Financial Officer (OCFO).
- To evaluate HUD's acquisition management, we assessed HUD acquisition policies, practices, and internal reviews against statutory and OMB requirements and leading practices from our prior work.⁶ We also interviewed officials from the Office of the Chief Procurement Officer (OCPO).
- For IT management, we incorporated information gathered in prior and ongoing work, as well as prior work by OIG and others. Specifically, we reviewed and assessed documentation and interview responses obtained during our concurrent review of HUD's financial management system modernization effort and efforts to follow up on the status of open IT recommendations, as well as information from prior reports that assessed HUD's project planning practices and IT

⁵GAO, *Executive Guide: Creating Value Through World-class Financial Management*, [GAO/AIMD-00-134](#) (Washington, D.C.: April 2000); Office of Management and Budget, *Management's Responsibility for Internal Control*, OMB Circular No. A-123 (Washington, D.C.: Dec. 21, 2004); *Requirements for Effective Estimation and Remediation of Improper Payments*, Appendix C to OMB Circular No. A-123 (Washington, D.C.: Oct. 20, 2014); *Compliance with the Federal Financial Management Improvement Act of 1996*, Appendix D to OMB Circular No. A-123 (Washington, D.C.: Sept. 20, 2013); and *Financial Reporting Requirements*, OMB Circular No. A-136 (Washington, D.C.: Sept. 18, 2014).

⁶GAO, *Framework for Assessing the Acquisition Function At Federal Agencies*, [GAO-05-218G](#) (Washington, D.C.: September 2005). We developed this framework by consulting with federal government and industry experts in the areas of human capital, information management, financial management, and acquisition practices and drew on decades of experience within GAO in reviewing these areas.

governance against leading practices we identified in prior work.⁷ We also reviewed and summarized information from OIG's 2015 annual assessment of HUD's information security program against 10 requirements and its 2014 comprehensive review of HUD's privacy program against seven categories of requirements and guidelines.

To assess HUD's efforts to oversee its programs, we reviewed policies and procedures, risk assessments, and other pertinent documents. We compared HUD's oversight practices with leading practices outlined in our framework for managing fraud risks.⁸ We interviewed senior officials in HUD's program offices as well as several industry stakeholders, including representatives from public housing, community development, and mortgage industry associations, about HUD's monitoring, oversight, and evaluation efforts. To assess HUD's efforts to evaluate its programs and measure outcomes, we reviewed relevant HUD documents, including policies and procedures and HUD's strategic plan for research and evaluations, and assessed them against federal internal control standards and practices in American Evaluation Association (AEA) guidance.⁹ We also interviewed senior officials in HUD's Office of Policy Development and Research (PD&R).

⁷We plan to issue the report on HUD's financial management system modernization effort in July 2016. See also GAO, *Information Technology: HUD Needs to Improve Key Project Management Practices for Its Modernization Efforts*, [GAO-13-455](#) (Washington, D.C.: June 12, 2013) and *Information Technology: HUD Can Take Additional Actions to Improve Its Governance*, [GAO-15-56](#) (Washington, D.C.: Dec. 10, 2014).

⁸GAO, *A Framework for Managing Fraud Risks in Federal Programs*, [GAO-15-593SP](#) (Washington, D.C.: July 2015). To develop this framework, we solicited a wide range of views on developing leading practices and ensuring their applicability to the federal government. This process included interacting with selected federal agency program officials, Offices of Inspector General, the World Bank, the Organisation for Economic Co-operation and Development, as well as antifraud experts from state and local governments, private companies, other national audit institutions, and nongovernmental organizations.

⁹[GAO-14-704G](#) and American Evaluation Association, *An Evaluation Roadmap for a More Effective Government* (October 2013). AEA is an international professional association of evaluators devoted to the application and exploration of program evaluation, personnel evaluation, and many other forms of evaluation, as well as technology used in evaluations. AEA has approximately 7,000 members representing all 50 U.S. states and over 60 foreign countries. It has published guides for individual evaluators and for developing and implementing U.S. government evaluation programs.

For both objectives, we reviewed our prior reports as well as reports by OIG and other organizations, such as the National Academy of Public Administration and the National Research Council. In addition, we interviewed two former HUD Secretaries to obtain historical perspective on HUD's management challenges. (See app. I for a detailed description of our scope and methodology.)

We conducted this performance audit from November 2014 through July 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Organizational Structure and Resources

HUD's organizational structure comprises program offices and support offices spread across headquarters and field locations. Six program offices manage the bulk of the agency's programs, which provide services that contribute to various components of HUD's mission.

- The Office of Public and Indian Housing (PIH) provides assistance to low-income families through three programs. Public housing offers units for eligible tenants in properties generally owned and administered by state and local public housing agencies (PHA). The Housing Choice Voucher program provides tenant-based rental assistance that eligible households can use to rent houses or apartments in the private housing market. Native American programs provide block grants and loan guarantees to tribal entities for housing development and assistance and housing-related services. Within PIH, the Real Estate Assessment Center is responsible for providing information on the condition of HUD's housing portfolio (through tools like property inspections, analysis of financial and management reports, and resident surveys) and for identifying fraud, waste, and abuse of HUD resources.

-
- The Office of Housing/Federal Housing Administration (FHA) provides insurance on loans made by approved lenders for single-family mortgages and multifamily projects, including manufactured homes and hospitals. FHA insures a variety of mortgages for initial home purchases and refinancing and also insures reverse mortgages.¹⁰ In addition, the office provides support to a nationwide network of housing counseling agencies and counselors.
 - The Office of Community Planning and Development (CPD) provides financial and technical assistance to states and localities in order to promote community-based efforts to develop housing and economic opportunities through programs like the Community Development Block Grant (CDBG) and HOME Investment Partnerships (HOME), which are the federal government's largest block grant programs for community development and affordable housing production, respectively.¹¹ CPD also leads a number of HUD's efforts to combat homelessness.
 - The Office of Fair Housing and Equal Opportunity (FHEO) handles complaints of housing discrimination under the Fair Housing Act (Title VIII of the Civil Rights Act of 1968, as amended).¹² In addition, FHEO administers the Fair Housing Assistance Program, which provides funding annually to state and local agencies to enforce fair housing laws that are substantially equivalent to the Fair Housing Act. It also administers the Fair Housing Initiatives Program, which provides funding to fair housing organizations and other nonprofits to assist people who believe they have been victims of housing discrimination.

¹⁰A reverse mortgage is a loan that converts the borrower's home equity into payments from a lender and typically does not require any repayments as long as the borrower continues to live in the home. Available to homeowners aged 62 and older, most of these loans are made under HUD's Home Equity Conversion Mortgage program. HUD insures the mortgages, which are made by private lenders, and oversees agencies that provide mandatory counseling to prospective borrowers.

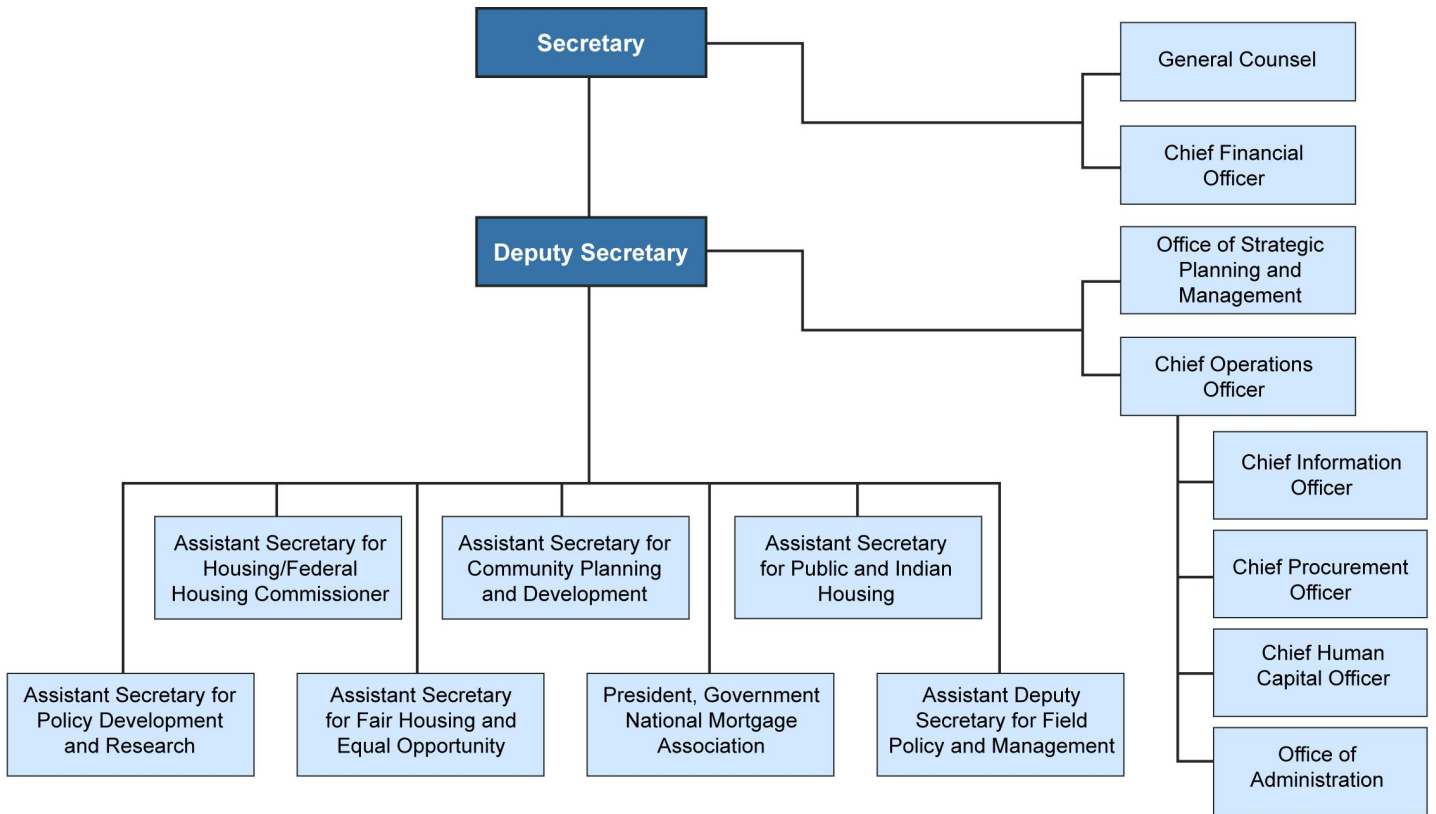
¹¹CDBG provides communities with resources to address a wide range of community development needs. HOME provides formula grants to states and localities that communities use, often in partnership with local nonprofit groups, to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to lower-income households.

¹²Pub. L. No. 90-284, 82 Stat. 81 (1968) (codified, as amended, at 42 U.S.C. §§ 3601-3619).

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- The Government National Mortgage Association (Ginnie Mae) is a wholly owned government corporation that guarantees the timely payment of principal and interest on securities issued by financial institutions and backed by pools of federally insured or guaranteed mortgage loans. Most of these loans are insured by FHA or guaranteed by the Department of Veterans Affairs or the Department of Agriculture.
 - The Office of Policy Development and Research (PD&R) maintains current information on housing needs, market conditions, and existing programs and conducts research on priority housing and community development issues. Using in-house staff and contractors, PD&R is the primary office responsible for data analysis, research, program evaluations, and policy studies to inform the development and implementation of programs and policies across HUD offices. PD&R also sponsors major surveys to provide information about housing markets.

These program offices are supported by a number of administrative offices that are responsible for agency-wide management functions, including financial management (OCFO), human capital management (OCHCO), information technology management (Office of the Chief Information Officer, or OCIO), acquisition management (OCPO), and performance planning and reporting (OSPM). In addition, the Departmental Enforcement Center was formed in 1998 to consolidate most enforcement functions of PIH, CPD, FHEO, and Housing/FHA under one authority. Figure 1 shows a simplified and partial organizational chart of HUD's program offices and administrative support offices that are responsible for agency-wide management functions.

Figure 1: Simplified Partial Organizational Chart for the Department of Housing and Urban Development (HUD), as of April 2016

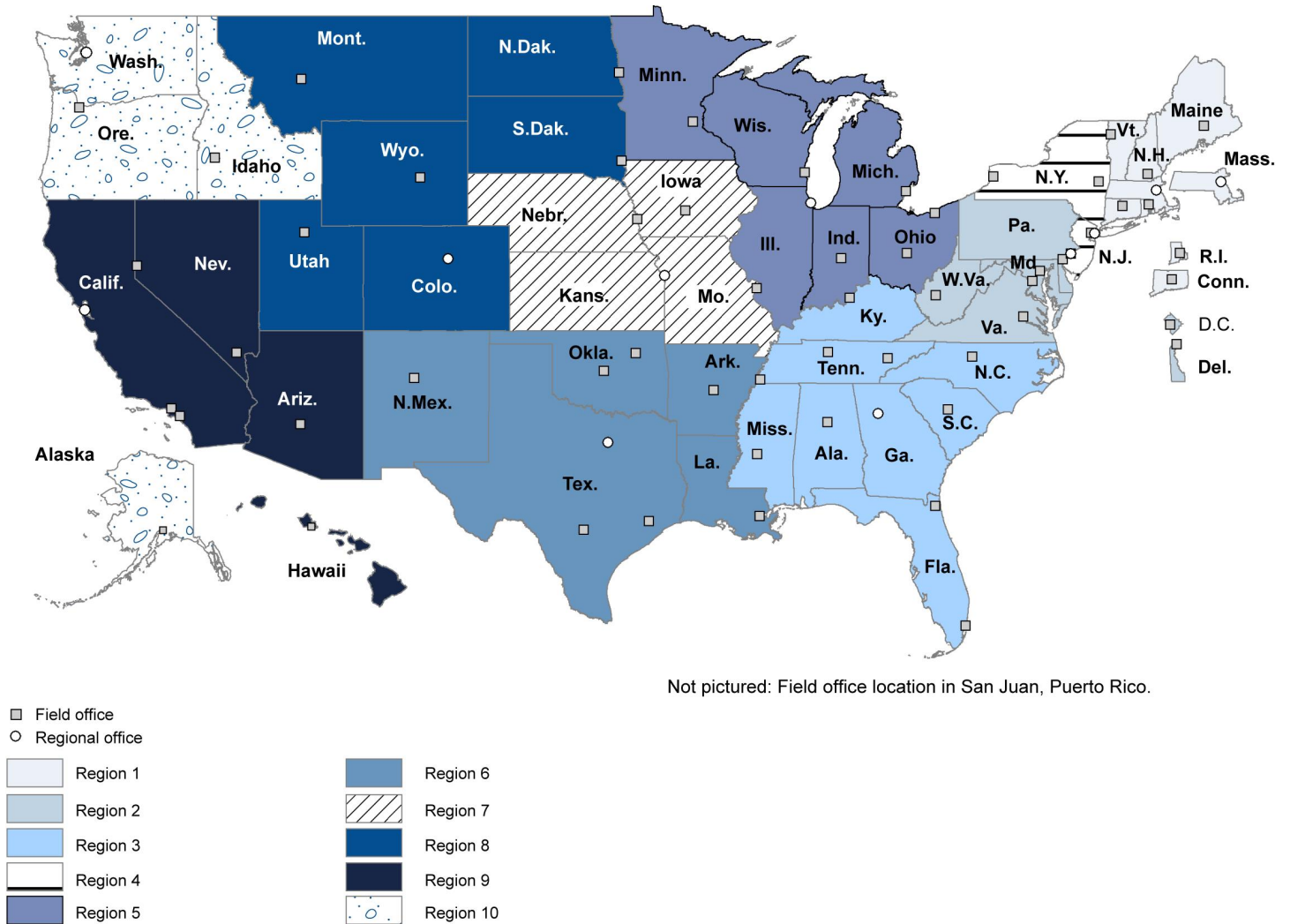


Source: HUD. | GAO-16-497

HUD’s field structure is organized into 10 regions that are managed by a regional administrator. There is at least one field office or regional office in each state, and a total of 65 offices nationwide (see fig. 2). The field offices are managed by field office directors who report to the regional administrators. The Office of Field Policy and Management develops policy for the field and regional offices and serves as a liaison between the field and regional offices and the program offices, which also have staff distributed across the field offices. Nearly two-thirds of HUD’s employees were in the field in fiscal year 2015, and most were assigned to a particular program or program support office rather than the Office of Field Policy and Management. The number and location of field staff varies across program and program support offices. For example, FHA has consolidated its single-family housing field staff in four homeownership centers, while PIH has staff in 46 field offices and 6 Native American program offices. HUD has updated and streamlined

parts of its organizational structure in recent years. Two of its streamlining initiatives are described in appendix III.

Figure 2: Department of Housing and Urban Development (HUD) Regional and Field Office Locations, as of April 2016



Not pictured: Field office location in San Juan, Puerto Rico.

Source: GAO analysis of HUD data; MapInfo (map). | GAO-16-497

For fiscal year 2016, HUD's net budget authority is \$47.9 billion, an increase of more than 8.5 percent from the fiscal year 2015 level of \$44.1 billion. HUD's budget has fluctuated over the past decade, ranging in nominal dollars from a low of \$35 billion in fiscal year 2007 to a high of nearly \$69 billion in fiscal year 2013. The increase in the fiscal year 2013 budget authority was largely due to supplemental appropriations for

disaster relief efforts. Meanwhile, the number of full-time equivalent staff employed by HUD (including OIG) decreased from nearly 9,500 in fiscal year 2010 to fewer than 8,300 in fiscal year 2015.

Management and Performance Challenges

In accordance with the Reports Consolidation Act of 2000, OIG issues annual reports in which it identifies HUD's most serious management and performance challenges. OIG's most recent report identified nine such challenges for fiscal year 2016 and beyond—five related to HUD's management functions and four to program management.¹³ In response, HUD stated that it was committed to overcoming these challenges and outlined a number of initiatives underway to address them.

Among the five challenges in management functions, OIG has cited two—financial management systems and human capital management—each year for at least 15 years. OIG initially identified the remaining three challenges—financial management governance, compliance with the Improper Payments Elimination and Recovery Act of 2010, and information security—in either fiscal year 2014 or 2015.

- **Human capital management.** In its most recent annual report, OIG noted that HUD continued to lack a valid basis for assessing its human resource needs and allocating staff within program offices. OIG also stated that HUD faced challenges in executing and managing temporary assignments of nonfederal personnel to positions within the agency because it lacked a central point of authority over the assignment agreements.¹⁴ In May 2014, OIG identified an inherent conflict of interest, overpayments, and a potential Antideficiency Act violation in connection with two temporary assignees.¹⁵ Additionally, in February 2015 the Inspector General testified on ethical, lobbying, and hiring violations at HUD and the

¹³HUD publishes the annual report from OIG as part of the annual agency financial report. See Department of Housing and Urban Development, *Agency Financial Report Fiscal Year 2015* (Washington, D.C.: Nov. 23, 2015).

¹⁴These types of assignments are authorized by the Intergovernmental Personnel Act of 1970, as amended.

¹⁵Among other things, the act prohibits agencies from obligating or expending federal funds in advance or in excess of an appropriation.

hiring of convicted criminals into key housing positions.¹⁶ OIG's annual report stressed the importance of effective implementation and maintenance of human capital management improvements in light of the high percentage of HUD employees nearing retirement eligibility. In its response to OIG, HUD noted, among other things, that it was finalizing revisions to policies for managing temporary assignments of nonfederal personnel and was overhauling its hiring plan process.

- **Financial management systems.** OIG noted that HUD lacked an integrated financial management system. According to OIG, HUD's financial management system limitations inhibit its ability to produce reliable, useful, and timely financial information. OIG also noted that other IT systems, such as those used by FHA, are outdated and that few initiatives to modernize them have been completed due to funding constraints. According to OIG, the use of aging systems has resulted in poor performance and high maintenance costs. OIG noted that weaknesses in internal controls and security also place HUD's financial management systems at risk of compromise. In its response to OIG, HUD cited progress in implementing OIG recommendations and in migrating its financial management systems and services to a federal shared service provider (as discussed later in this report).
- **Financial management governance.** According to OIG, HUD continued to struggle to establish and implement a successful financial management governance structure and system of internal control over financial reporting. OIG cited weaknesses in HUD's capability to monitor the issuance of accounting policies and standards and to interpret program offices' financial reporting policies to determine whether they comply with federal generally accepted accounting principles and other financial management regulations. In addition, OIG stated that HUD's current financial management structure relied on the delegation of several key financial management functions to program offices, where program-related issues often take a higher priority than financial management and the requirements for proper financial accounting. HUD responded, among other things, that it had established formal partnerships between financial management

¹⁶David Montoya, Inspector General, Department of Housing and Urban Development, *Exploring Alleged Ethical and Legal Violations at the U.S. Department of Housing and Urban Development*, testimony before the House Committee on Financial Services, Subcommittee on Oversight and Investigations, 114th Cong., 1st sess., February 4, 2015.

staff in the Office of the Chief Financial Officer and program office financial management staff to improve accountability.

- **Compliance with the Improper Payments Elimination and Recovery Act of 2010.** HUD continued to face challenges in complying with the requirements of the Improper Payments Elimination and Recovery Act of 2010, according to OIG.¹⁷ OIG determined that HUD did not comply with the act's requirements for a second straight year due to deficiencies in its reporting and risk assessments. HUD responded that it had designated the Chief Financial Officer as the lead official for overseeing actions to bring HUD into compliance with the act.
- **Weaknesses in information systems security controls.** OIG cited weaknesses in information security controls as another ongoing challenge, noting that 36 recommendations from the fiscal year 2013 information security evaluation had not been implemented, along with all 23 recommendations from the fiscal year 2014 evaluation (also see app. VII). OIG also stated that HUD had not adequately planned for its future IT and IT security needs. In its response, HUD said it had published guidance to address some areas of concern and had initiated a number of projects to improve HUD's IT security posture.

OIG's four management and performance challenges related to HUD's programs generally focus on monitoring and oversight issues, as the following summaries show.

- **Single-family programs.** OIG noted that effective management of FHA's single-family mortgage insurance portfolio represented a continuing challenge for HUD. OIG stated that HUD was often hesitant to take strong enforcement actions against lenders because of its competing mandate to continue FHA's role in restoring the housing market and ensuring the availability of mortgage credit and

¹⁷An improper payment is defined as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. The Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010 and the Improper Payments Elimination and Recovery Improvement Act of 2012, requires executive branch agencies to annually identify programs and activities susceptible to significant improper payments, estimate the amount of improper payments, and report these estimates along with actions planned or taken to reduce them.

continued lender participation in the FHA mortgage insurance program. According to OIG, FHA also faces a number of more specific challenges. These include ensuring that homeowners comply with the occupancy requirements for Home Equity Conversion Mortgages (that is, are using the mortgaged property as their principal residence) and that guidance for the loss mitigation program is clearly written for effective implementation.¹⁸ HUD's response discussed improvements in the health of FHA's primary insurance fund and HUD's effort to make its guidance clear and unambiguous.

- **Public and assisted housing program administration.** According to OIG, HUD faced a number of challenges related to its public and assisted housing programs. For example, HUD's monitoring of the Housing Choice Voucher program relied on self-assessments from PHAs and other self-reported information that were not always accurate or reliable. In addition, OIG stated that HUD's monitoring and oversight of PHAs participating in the Moving to Work (MTW) program was also a challenge, particularly as it relates to developing program-wide performance indicators that would not inhibit participants' abilities to creatively impact the program.¹⁹ OIG also noted that HUD continued to face challenges related to environmental review requirements, including a lack of resources, unclear guidance, and a perceived lack of authority to impose corrective actions or sanctions. Furthermore, OIG pointed to challenges with financial management, specifically monitoring public housing agencies' compliance with federal cash management requirements. Among other things, HUD's response noted the agency's efforts to improve monitoring and evaluation of MTW PHAs (discussed later in this report) and enhance guidance and procedures for environmental reviews.
- **Office of Community Planning and Development (CPD) programs.** OIG noted that at least seven audits from fiscal years 2014 and 2015 found that little or no monitoring of CPD programs had

¹⁸When home buyers fall behind on their mortgage obligations, FHA instructs mortgage servicers (typically large financial institutions) to assist the home buyers in bringing their mortgage payments current, because foreclosure proceedings can impose high costs on financial institutions and homeowners. These efforts are referred to as "loss mitigation."

¹⁹Moving to Work is a demonstration program intended to give participating public housing agencies the flexibility to design and test innovative strategies for providing and administering housing assistance.

occurred in some instances, particularly at the subgrantee level.²⁰ OIG stated that it had concerns regarding subgrantee capacity. In addition, OIG identified serious deficiencies in CPD's community development loan guarantee program, finding a number of loans in which loan agreement provisions and HUD requirements were not followed. As a result, projects were incomplete or abandoned and funds were used for ineligible and unsupported efforts. Further, OIG identified challenges related to IT and financial management associated with CPD programs. Efforts to remove an incorrect accounting methodology from CPD's information system were delayed due to funding issues, and additional modifications will be needed to bring the system into compliance with requirements.²¹ Similarly, OIG cited ongoing issues with the method HUD used to determine grantees' compliance with statutory deadlines for committing funds for the HOME Investment Partnerships Program.²² HUD's response included a disagreement with OIG over the steps needed to identify and recapture funds that were not committed within deadlines.

- **Administering programs directed toward victims of natural disasters.** OIG identified six subchallenges for HUD regarding disaster recovery programs: (1) ensuring that expenditures were eligible and supported; (2) approving the program waiver process; (3) certifying that grantees were following federal procurement regulations; (4) conducting consistent and sufficient monitoring efforts on disaster grants; (5) promoting disaster resiliency within communities trying to recover; and (6) keeping up with communities in the recovery process. OIG stated that HUD would continue to face these challenges until it had controls and adequate resources in place to provide the necessary oversight and enforcement of requirements.

²⁰For some CPD grant programs, grant recipients may use independent governmental agencies and nonprofit organizations to carry out certain activities. These entities are referred to as subgrantees or subrecipients.

²¹Specifically, CPD used a methodology under which disbursements by grantees were not matched to the original obligations. According to OIG, this methodology is not consistent with federal generally accepted accounting principles.

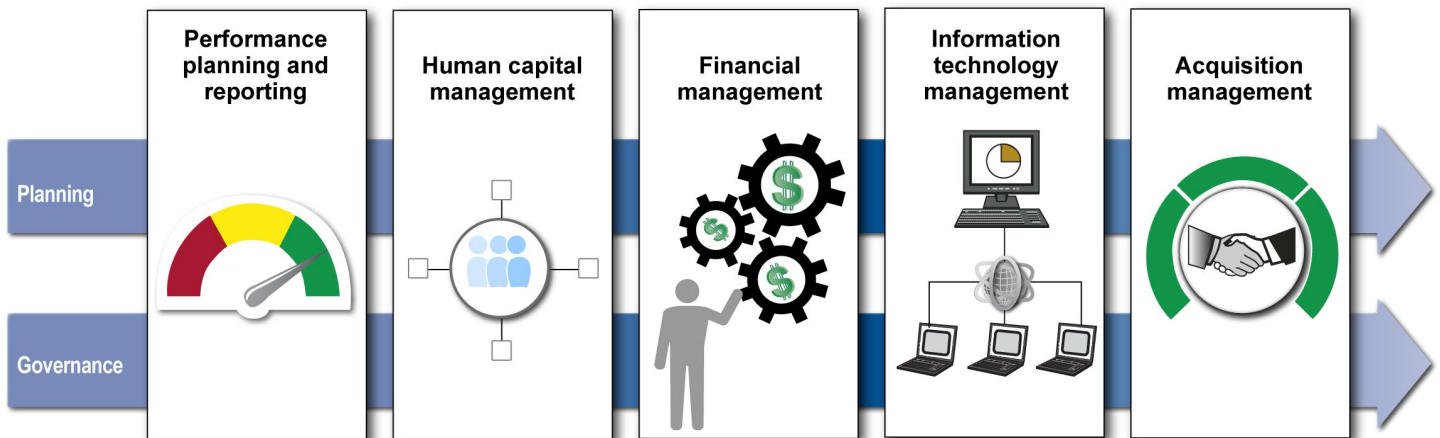
²²The HOME Investment Partnership Act requires any uncommitted funds to be reallocated or recaptured after the expiration of the 24-month commitment deadline. CPD measured grantees' compliance with the commitment requirement without regard to the year in which the grant funds were allocated. See GAO, *Decision on Matter of HUD Home Program Grants—Statutory Commitment Deadline*, B-322077 (Washington, D.C.: July 17, 2013).

In its response, HUD contended that grantees had documentation to support some of the questioned expenditures and took issue with OIG’s characterization of certain program violations and challenges.

Weaknesses in Planning and Governance Exist across HUD Management Functions

Weaknesses in HUD’s planning and governance across various management functions may reduce the agency’s ability to effectively and efficiently accomplish its mission and resolve the challenges identified by OIG (see fig. 3). While HUD has met many requirements and implemented key practices related to planning, we identified shortcomings in a number of its planning efforts. In addition, HUD’s governance deficiencies include outdated or incomplete policies and procedures and lines of reporting that could limit direct communication. Appendixes to this report provide additional details on compliance with requirements and key practices within each of the following management functions: performance planning and reporting (app. IV), human capital planning (app. V), financial management (app. VI), IT management (app. VII), and acquisition management (app. VIII).

Figure 3: Cross-cutting Challenges Affecting HUD’s Management Functions, as of April 2016



Source: GAO. | GAO-16-497

Some of HUD’s Planning Efforts Do Not Fully Align with Requirements and Key Practices

HUD has developed a number of key plans to manage agency performance, guide human capital activities, and address IT needs. But we identified a number of shortcomings in HUD’s planning efforts that could limit the effectiveness of these plans in guiding HUD’s actions.

Performance Planning and Reporting

HUD's performance management planning efforts did not fully meet some of the requirements outlined in GPRAMA. Consistent with GPRAMA, HUD has produced a strategic plan and annual performance plan to help it achieve its mission, measure progress towards goals, and improve coordination. These plans and HUD's processes met most of the requirements outlined in GPRAMA. However, HUD's strategic plan for fiscal years 2014 through 2018 (its current plan) did not fully meet certain content and process requirements. In addition, the combined fiscal year 2017 annual performance plan and fiscal year 2015 annual performance report did not fully meet 2 of the 17 content requirements for these documents.²³ (See app. IV for additional information on the content of these plans and HUD's performance review efforts and use of performance data.)

GPRAMA requires agencies to describe how goals and objectives contribute to federal government priority goals in their strategic plans and annual performance plans.²⁴ HUD contributed to a number of federal priority goals (called cross-agency priority (CAP) goals) in fiscal year 2015. For example, quarterly progress updates for two CAP goals—customer service and infrastructure permitting modernization—explicitly listed HUD as a contributing agency.²⁵ In addition, the progress update for another CAP goal listed as contributors all Chief Financial Officers Act agencies, of which HUD is one. While the strategic plan provides a link to a federal government website (Performance.gov) that contains information on CAP goals, the strategic plan and annual performance plan and report do not contain a description of how HUD's goals and

²³According to OMB guidance, in order to reduce duplication and communicate plans in the context of historical trends, agencies are strongly encouraged to consolidate the annual performance plan with the annual performance report, deliver them concurrently with the Congressional Budget Justification, and post them on Performance.gov by strategic objective. See Office of Management and Budget, *Preparation and Submission of Strategic Plans, Annual Performance Plans, and Annual Performance Reports*, OMB Circular No. A-11, Part 6 (Washington, D.C.: June 2015).

²⁴Pub. L. No. 111-352, § 2, 124 Stat. 3866 (2011) (codified at 5 U.S.C. § 306).

²⁵The customer service CAP goal aims to make it faster and easier for individuals and businesses to complete transactions and have a positive experience with government. The infrastructure permitting modernization CAP goal aims to modernize the federal permitting and review process for major infrastructure projects to reduce uncertainty for project applicants, reduce the aggregate time it takes to conduct reviews and make permitting decisions by half, and produce better environmental and community outcomes.

objectives contribute to these goals.²⁶ HUD officials stated that the strategic plan and annual performance plan and report did not include a description of how goals and objectives contributed to CAP goals because OMB had not listed the agency as a CAP goal leader or direct contributor. However, information from the progress updates for several CAP goals listed HUD as contributing to these goals, as noted earlier. Therefore, HUD is required to describe how its goals and objectives contribute to the CAP goals in its strategic plan and annual performance plan. Without explicitly linking HUD's strategic goals to CAP goals, the agency cannot provide assurance that its efforts fully align with broader federal efforts.

In addition, GPRAMA requires that agencies consult with and obtain majority and minority views from congressional authorizing, appropriations, and oversight committees at least every 2 years, solicit and consider stakeholder input when developing or adjusting the strategic plan, and describe how these views have been incorporated into the plan.²⁷ According to documentation provided by HUD, HUD officials met with congressional appropriations committee staff in December 2013 to discuss HUD's draft strategic goals and objectives. HUD also provided comments submitted by individuals through an online tool and a summary of comments collected by field office staff from local stakeholders on the draft strategic plan. However, HUD officials could not recall and did not document meeting with authorizing and oversight committee staff to obtain input on the draft strategic plan and had not sought input from congressional stakeholders on its strategic goals and objectives in more than 2 years. Similarly, representatives from five industry associations representing lenders, PHAs and PHA officials, and community development agencies told us that HUD's efforts to reach out to them and obtain comments on the strategic plan had decreased over time or were not occurring. Officials from several of HUD's program offices also said that they did not believe their offices reached out to external stakeholders to obtain input on the current strategic plan.

²⁶GPRAMA required OMB to establish a single, performance-related website by October 1, 2012, to provide program and performance information that would be accessible to members and committees of Congress and the public. First developed by OMB in 2010 for executive branch use, Performance.gov was made available to the public in August 2011.

²⁷Pub. L. No. 111-352, § 2, 124 Stat. 3866 (2011) (codified at 5 U.S.C. § 306).

HUD officials stated that they did not conduct more outreach for the strategic plan because they needed to produce the plan quickly and faced resource constraints. Additionally, they said that the current plan did not differ significantly from the previous strategic plan (which covered fiscal years 2010 through 2015), for which the agency engaged in an extensive outreach effort. Furthermore, HUD officials said they did not establish formal procedures or controls related to conducting outreach to help ensure they met all requirements. Federal internal control standards require agencies to implement control activities through policies. Further defining policies through procedures, including the timing of when control activities occur, can help agencies ensure that proper control activities are implemented. Without such procedures or controls, HUD may continue to only partially meet GPRAMA requirements for conducting outreach. By not fully engaging congressional stakeholders and external stakeholders throughout the process of developing and updating the strategic plan, HUD may not have identified specific congressional and industry concerns and priorities that could affect the implementation of its strategic plan or ensured that it is providing the types of performance information that Congress needs.

Finally, GPRAMA requires that agencies describe the reasons a performance goal was not met and plans for achieving it in their annual performance reports.²⁸ HUD only partially met this requirement. HUD identified which performance goals were not met and in a number of cases described the reasons the goals were not met and its plans for achieving them. However, for some goals it did not describe the reasons they were not met or the plans for achieving them.²⁹ According to OMB guidance, an agency that is not making sufficient progress in meeting a performance goal should briefly address future improvement, including explaining why the performance goal was not met and plans for achieving it.³⁰ HUD officials told us they attempted to comment on all areas in which

²⁸Pub. L. No. 111-352, § 4, 124 Stat. 3871 (2011) (codified at 31 U.S.C. § 1116).

²⁹For example, HUD stated that it missed its target for the percentage of mortgage loans insured with a borrower credit score under 680, but did not describe the reasons this happened or how the target will be achieved in the future. HUD also stated that it missed its target for the number of clients counseled through its housing counseling program and provided reasons for the shortfall, but did not describe plans to achieve the goal in the future.

³⁰OMB Circular No. A-11, Part 6.

HUD did not meet its performance goals, but were unable to do so because of time constraints and reporting delays. Without providing complete information on the reasons performance goals were not met and how they will be met in the future, HUD cannot demonstrate that it has effectively planned how it will achieve its goals. The incomplete information also provides a limited basis for ensuring HUD's accountability for meeting its goals.

Human Capital Management

HUD incorporated most of the key principles for strategic workforce, succession, and training planning that we identified in prior work in its recently developed human capital plans (see appendix V for a more complete discussion). These plans include:

- a human capital strategic plan that identifies HUD's strategic goals and objectives for addressing human capital challenges;
- a strategic workforce plan that assesses workforce needs and determines staff resources required to fulfill its mission;
- a succession plan that describes approaches and strategies for identifying and preparing employees for future work performance; and
- a learning plan that outlines efforts to foster a continual learning culture, minimize skill gaps, and promote career development.

Although HUD recently made updates to its human capital plans, it historically has not consistently maintained current plans, as required by federal regulation.³¹ Over the years, we and others have repeatedly recommended that HUD develop or revise these plans. HUD has generally taken action in response to the recommendations but has not taken the initiative to sustain these efforts on its own. For example, in 1984 we recommended that HUD establish a staff development planning program linked to overall organizational planning to coordinate departmental efforts to forecast personnel needs.³² HUD implemented this recommendation by completing a skills inventory for program staff to determine how well they met present and future skill needs. In July 2002, we again recommended that HUD develop a comprehensive strategic

³¹5 C.F.R. § 250.203.

³²GAO, *Increasing The Department of Housing and Urban Development's Effectiveness Through Improved Management*, [GAO/RCED-84-9](#) (Washington, D.C.: Jan. 10, 1984).

workforce plan, and in 2004 HUD completed a strategic workforce plan for Housing/FHA, CPD, PIH, and FHEO, with plans to expand it to cover the entire agency by 2005.³³ HUD published an agency-wide workforce plan in 2005 covering fiscal years 2005–2009 and a revised plan in 2008 for fiscal years 2008–2009. However, we noted in a 2013 report that HUD had no current plans in place and, echoing a June 2012 OPM report, recommended that HUD finalize and implement a strategic human capital plan and strategic workforce plan.³⁴ HUD completed these efforts in 2015.

HUD has not been able to maintain current human capital plans because it did not have a process in place to help ensure that it reviewed and updated the plans before existing plans expired. In addition, changes to priorities and HUD leadership have sometimes disrupted efforts to update plans. HUD has stated that it faces challenges integrating a new generation of employees into the workforce while maximizing the talents of its existing workforce. HUD has also noted that it stands to lose much of its institutional knowledge because of retirements and attrition in key positions over the next few years. Without assessing and updating its human capital planning documents on a regular basis, HUD cannot ensure that it has a strategic vision for managing its workforce and addressing these challenges. While OCHCO has developed operations plans to identify and track key human capital activities and objectives, OCHCO does not currently have a mechanism to prompt revisions of overarching human capital plans, such as the human capital strategic plan and succession plan.

Separately, HUD has also developed plans to improve employee engagement, an area that has posed challenges for the agency. Employee engagement is generally defined as the sense of purpose and commitment employees feel toward their employer and its mission. Based on results from the 2015 Federal Employee Viewpoint Survey, HUD's score on OPM's Employee Engagement Index was 62 percent—a 5

³³GAO, *HUD Human Capital Management: Comprehensive Strategic Workforce Planning Needed*, [GAO-02-839](#) (Washington, D.C.: July 24, 2002).

³⁴GAO, *Housing and Urban Development: Strategic Human Capital and Workforce Planning Should be an Ongoing Priority*, [GAO-13-282](#) (Washington, D.C.: Mar. 15, 2013). See also U.S. Office of Personnel Management, *U.S. Department of Housing and Urban Development Human Capital Management Evaluation Report Quarter 3—FY 2012* (Washington, D.C.: June 11, 2012).

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percentage point increase over the prior year—which placed HUD in a tie for 32nd out of 37 departments and large agencies.³⁵ HUD also increased its participation rate for the Federal Employee Viewpoint Survey from 51 percent in 2014 to 74 percent in 2015. In December 2014, OMB and OPM issued employee engagement guidance to federal agencies stating, among other things, that they should create action plans to address issues raised by employee survey responses. In response, HUD offices we met with had developed a number of strategies and action steps, such as establishing a mentoring program and holding periodic informal gatherings with senior leadership to open up lines of communication. Following through on these plans will be critical to improving employee engagement.

HUD has developed a number of plans in recent years to guide its IT management efforts, including plans that outline how it intended to spend IT funds, an information resource management strategic plan, and an enterprise architecture roadmap. These plans contain information related to IT modernization efforts and actions aimed at improving its capacity to manage IT. Among other things, HUD has taken action to structure its enterprise architecture, establish technology and data standards, and establish project management processes. In general, however, HUD acknowledged that historically it has had a fragmented approach to adopting technology that has led to multiple platforms and services competing for resources. HUD has also faced challenges finding the right balance of contracting support and in-house expertise to manage the agency's data and systems effectively and affordably.

HUD has a history of persistent weaknesses in its planning for some IT projects, which has been particularly evident in its repeated efforts to

³⁵The Employee Engagement Index is composed of 15 survey questions covering the following areas: (1) leaders lead, which surveys employees' perceptions of the integrity of leadership and leadership behaviors such as communication and workforce motivation; (2) supervisors, which surveys employees' perceptions of the interpersonal relationship between workers and supervisors, including trust, respect, and support; and (3) intrinsic work experience, which surveys employees' feelings of motivation and competency relating to their role in the workplace. In July 2015, we reported on trends in employee engagement from 2006 through 2014, practices for improving employee engagement, and OPM's tools and resources to support employee engagement. See GAO, *Federal Workforce: Additional Analysis and Sharing of Promising Practices Could Improve Employee Engagement and Performance*, [GAO-15-585](#) (Washington, D.C.: July 14, 2015).

modernize outdated financial management systems. Between 1991 and 2016, the department invested approximately \$370 million in efforts that did not result in fully modernizing its financial management systems and have left the department needing to pursue additional efforts to replace its aging systems. For example, the failure in 2012 of the HUD Integrated Financial Management Improvement Project, which cost more than \$35 million, was partly attributable to inadequate planning.³⁶ More recently, the department initiated an effort to move certain financial management capabilities to the Department of the Treasury's Administrative Resource Center (ARC), a federal shared service provider.³⁷ In 2014 and 2015, HUD transitioned to using ARC's shared service solutions for travel, time and attendance, core accounting and budget, and procurement.³⁸ However, in November 2015 HUD suspended plans to modernize an additional 10 planned capabilities, citing insufficient funding as a primary reason. But in our concurrent review of HUD's implementation of this effort, we found that inadequate planning, including the lack of a roadmap for decommissioning legacy systems or fully moving accounting transactions to the federal shared service provider, also contributed to this result. Congress halted funding for additional modernization for fiscal year 2016 and required HUD to submit plans for retiring its legacy financial management system and for completing the development of other modernization efforts.

Since 2008, Congress has raised concerns about HUD's IT planning and required that HUD develop IT expenditure plans that satisfied statutory conditions before fully obligating available funds in fiscal years 2010

³⁶A government assessment team, which was formed to conduct an operational assessment of the project after it was deemed to be at risk of missing key project milestones, identified a number of planning issues, including the lack of a truly integrated master schedule for the project.

³⁷ARC provides a full range of administrative services for other federal agencies, including financial management, Internet-based procurement, travel services, IT, human resources management, and investment portfolio management.

³⁸HUD indicated that it expected to spend a total of about \$96 million by the end of fiscal year 2016 to deliver, operate, and maintain the new financial management system.

through 2014.³⁹ We were required to review the department's expenditure plans submitted through fiscal year 2013 and, accordingly, have reported on the results of our assessments.⁴⁰ In summary, we found that the initial fiscal year 2010 plan did not fully meet statutory conditions but that HUD revised its subsequent plan, consistently satisfied the conditions, and outlined IT management controls. As a result, Congress eliminated the requirement for HUD to submit annual IT expenditure plans beginning in fiscal year 2015.⁴¹

Nevertheless, HUD has not yet demonstrated that it has fully matured its capacity to plan for and manage IT projects effectively. Our experience with major modernization efforts has shown that adhering to federal law and best practices can help agencies effectively plan, manage, and

³⁹The Consolidated Appropriations Act, 2010, Pub. L. No. 111-117, 123 Stat. 3034, 3094 (2009); Department of Defense and Full-Year Continuing Appropriations Act, 2011; Pub. L. No. 112-10, § 2259, 125 Stat. 38, 197-98 (2011); Consolidated and Further Continuing Appropriations Act, 2012, Pub. L. No. 112-55 (2011); Consolidated and Further Continuing Appropriations Act, 2013; Pub. L. No. 113-6 § 1101, 127 Stat. 198, 412-13 (2013); Consolidated Appropriations Act, 2014, Pub. L. No. 113-76, 128 Stat. 5, 623 (2014). The statutory conditions called for HUD to identify for each project the functional and performance capabilities to be delivered, expected mission benefits, estimated life-cycle costs, and planned key milestones and to demonstrate that each project complied with the department's enterprise architecture, was being managed in accordance with applicable life-cycle policies and guidance, conformed to capital planning and investment control requirements, and was supported by an adequately staffed project office. For fiscal year 2012, HUD reported that it did not obligate more than 25 percent of the appropriations made available to it for IT modernization and thus did not develop an expenditure plan.

⁴⁰GAO, *Information Technology: HUD Needs to Better Define Commitments and Disclose Risks for Modernization Projects in Future Expenditure Plans*, [GAO-11-72](#) (Washington, D.C.: Nov. 23, 2010); *Information Technology: HUD's Expenditure Plan Satisfies Statutory Conditions, and Implementation of Management Controls Is Under Way*, [GAO-11-762](#) (Washington, D.C.: Sept. 7, 2011); *Information Technology: HUD's Fiscal Year 2011 Expenditure Plan Satisfies Statutory Conditions*, [GAO-12-654](#) (Washington, D.C.: May 24, 2012); and *Information Technology: HUD's Expenditure Plan Satisfied Statutory Conditions; Sustained Controls and Modernization Approach Needed*, [GAO-14-283](#) (Washington, D.C.: Feb. 12, 2014).

⁴¹See Consolidated and Further Continuing Appropriations Act, 2015, Pub. L. No. 113-235, 128 Stat. 2747 (2014).

oversee modernization efforts.⁴² Developing plans that define the scope, implementation strategy, and schedule is essential to successful modernization, as are results-oriented goals and measures to provide the information needed for effective management and oversight. However, we observed that the 2013 expenditure plan did not discuss the scope, implementation strategy, or schedule for efforts beyond fiscal year 2013 and therefore had limited value as an oversight tool.⁴³ We also found that the plan did not articulate HUD's overall approach for completing the priority modernization efforts or provide related outcome-based goals and measures. On the basis of key practices for organizational transformation and IT investment management identified in our previous reports, we recommended that HUD define the scope, implementation strategy, and schedule of its overall modernization approach, with related goals and measures for effectively overseeing the effort.⁴⁴ In August 2015, the Comptroller General designated this recommendation as being among the highest priorities for implementation.⁴⁵ As of April 2016, HUD had not yet completed actions to address our recommendation to define an overall approach to effectively plan and oversee its modernization efforts.

Acquisition Management

HUD has not always followed proven effective planning and program management practices for some of its recent acquisition improvement initiatives. These initiatives include professionalizing the contracting

⁴²See 40 U.S.C. §§ 11303, 11313; 5 U.S.C. §306; 31 U.S.C. §§1115, 1116. Also see GAO, *Office of Personnel Management: Retirement Modernization Planning and Management Shortcomings Need to Be Addressed*, [GAO-09-529](#) (Washington, D.C.: Apr. 21, 2009) and *OPM Retirement Modernization: Progress Has Been Hindered by Longstanding Information Technology Management Weaknesses*, [GAO-12-430T](#) (Washington, D.C.: Feb. 1, 2012).

⁴³[GAO-14-283](#).

⁴⁴GAO, *Organizational Transformation: A Framework for Assessing and Improving Enterprise Architecture Management*, Version 2.0, [GAO-10-846G](#) (Washington, D.C.: Aug. 5, 2010) and *Information Technology Investment Management: A Framework for Assessing and Improving Process Maturity*, [GAO-04-394G](#) (Washington, D.C.: Mar. 1, 2004).

⁴⁵As part of an effort to call attention to unimplemented recommendations that we believe warrant priority attention, in August 2015 the Comptroller General sent a letter to the HUD Secretary identifying 18 recommendations as being among the highest priorities for implementation. The recommendations related to four key areas: (1) management and financial condition of FHA, (2) housing assistance, (3) assistance to address homelessness, and (4) IT management.

officer representative position (that is, making the role a full-time position rather than the collateral duties of individuals holding other positions), developing program and project managers, reorganizing OCPO, and improving acquisition policies and the quality of documents outlining contract requirements. In February 2016, OIG found that a number of initiatives were not supported by detailed plans or fully implemented.⁴⁶ OIG cited staff turnover and changing priorities for improving the acquisition function as contributing factors. HUD agreed with the assessment that staff turnover was a significant concern, noting in its response to OIG that, on average, about 20 percent of OCPO's staff departed each year. In addition, HUD concurred with OIG's recommendation that OCPO, HUD leadership, and program offices reach agreement on the focus and priorities for improving acquisitions. Furthermore, OIG stated that OCPO should implement and follow a systematic program management plan for its improvement initiatives and recommended that OCPO incorporate successful acquisition practices, including the development and implementation of a communications strategy, an acquisition human capital plan, and a training strategy, into its acquisition improvement strategy. HUD concurred with the recommendation and noted that some steps were already underway to implement it.

Governance Weaknesses Exist in Some HUD Policies and Reporting Relationships

Some Policies and Procedures Were Outdated or Incomplete

Across HUD management functions, we identified two types of issues related to agency governance. First, some of HUD's policies and procedures were outdated or incomplete. Second, recent changes in reporting relationships could limit direct communication.

HUD has struggled to maintain up-to-date and complete policies and procedures across its management functions, and gaps in its policies have adversely affected the performance of these functions. Internal control standards require that management implement control activities through policies.⁴⁷ Periodically reviewing policies, procedures, and related control activities for continued relevance and effectiveness in achieving

⁴⁶Department of Housing and Urban Development, Office of Inspector General, *Comprehensive Strategy Needed to Address HUD Acquisition Challenges*, Audit Report No. 2015-OE-0004 (Washington, D.C.: Feb. 2, 2016).

⁴⁷[GAO-14-704G](#).

objectives and addressing related risks can help agencies meet this requirement. HUD has struggled to maintain up-to-date policies and procedures because it does not have effective controls, such as a systematic process and schedule, to help ensure that they are reviewed, revised, and updated in a timely manner. According to HUD officials, staff and senior leadership turnover and resource limitations also have hindered efforts to review and revise its policies. A lack of complete and up-to-date policies and procedures increases the risk of ineffective and inconsistent performance of management duties and noncompliance with laws and regulations. And while HUD has taken some steps to review and update policies, as outlined below, some deficiencies remain.

Information Technology Management

HUD has made progress in adopting a number of needed IT policies and procedures in recent years. However, as we found in previously issued work, HUD does not yet have complete and current IT policies and procedures. According to HUD officials, frequent turnover in the HUD Chief Information Officer (CIO) position has contributed to governance challenges in IT management, including the establishment of policies and procedures.⁴⁸ For instance, in December 2014 we found that HUD had developed 8 of 11 key policies for its IT framework, which was established by the department to integrate IT strategy development, enterprise architecture, IT capital planning and investment management, project management, and investment performance measurement.⁴⁹ But three key policies—for performance, privacy, and risk management—had not yet been developed. We recommended that HUD fully establish and maintain a complete set of IT framework policies, identify time frames for establishing policies planned but not yet developed, and update key documents to reflect changes made to established practices. HUD agreed

⁴⁸High turnover in the CIO position has been a long-standing challenge at HUD. In 2011, we identified the department as having the highest CIO turnover among federal agencies—with eight officials serving in the position between 2004 and 2011. See GAO, *Federal Chief Information Officers: Opportunities Exist to Improve Role in Information Technology Management*, [GAO-11-634](#) (Washington, D.C.: Sept. 15, 2011). Since July 2013, three more officials have filled the role of HUD CIO, two of whom acted in the position until a permanent official was put in place in June 2014.

⁴⁹[GAO-15-56](#). See appendix VII for additional information about the extent to which HUD met key IT governance practices.

with our recommendations. OCIO officials have stated that HUD planned to develop a strategy for updating its comprehensive IT framework and keeping the policies current but has yet to do so. HUD indicated it planned to have all IT framework policies updated and in place by the third quarter of 2016.

We also found in December 2014 that HUD lacked fully developed selection processes to help ensure consistent application of selection criteria, adequate documentation of the entire selection process, and robust processes for monitoring the progress of IT investments and evaluating their performance against expected outcomes.⁵⁰ We recommended that HUD fully establish an IT investment selection process that included key elements and a well-defined process incorporating key practices for overseeing investments. HUD agreed with our recommendations and had taken steps to implement them but had yet not completed needed actions as of April 2016.

We previously found that although HUD had developed parts of policies and procedures to guide its response to cybersecurity incidents, such as procedures for containing incidents and providing training to incident response personnel, its efforts were not comprehensive or fully consistent with federal requirements.⁵¹ We recommended that HUD finalize policies for incident response that include requirements for prioritizing the severity ratings of incidents and establish measures of performance and revise procedures for incident response to prioritize the handling of incidents by impact. HUD agreed with these recommendations and in 2015 finalized incident response policies that included requirements for prioritizing the severity ratings of incidents and establishing performance measures. In addition, HUD revised its procedures for incident response to prioritize the handling of incidents by impact.

We also identified examples of procedures that HUD has adopted but not yet fully implemented and that were needed to fill gaps in its IT framework. For example, work remained to be done on implementing effective processes and procedures for project management and IT

⁵⁰GAO-15-56.

⁵¹GAO, *Information Security: Agencies Need to Improve Cyber Incident Response Practices*, GAO-14-354 (Washington, D.C.: Apr. 30, 2014).

governance. In 2011, HUD developed a project planning and management framework to provide standards and guidance for managing a project's life cycle in accordance with leading practices. However, in 2013 we found that HUD had not fully implemented and applied the project planning and management framework for its FHA Transformation Initiative and Next Generation Management System.⁵² Specifically, while HUD had developed project management documentation such as charters and requirements management plans, none of these documents included all of the key details that could facilitate effective management of its projects. For instance, they did not contain full descriptions of the work necessary to complete the projects, cost and schedule baselines, or prioritized requirements. More complete documentation and plans could help ensure progress on modernization initiatives, especially during periods of leadership and staff changes. Among other things, we recommended that HUD establish a plan of action that identified specific time frames for correcting project management deficiencies for both its ongoing and planned projects. In August 2015, we designated this recommendation as a high priority for implementation. HUD did not concur with the entirety of the recommendation and described activities that it planned to undertake to address a number of the deficiencies cited. Additionally, HUD told us OCIO had begun holding weekly project management meetings during the second quarter of fiscal year 2016 to review schedule, cost, and risk elements of each IT development project currently underway. However, our recommendation had not been fully implemented as of April 2016, and our ongoing review of HUD's financial management system modernization efforts provided evidence that the project management weaknesses we previously identified have not yet been fully addressed.

⁵²[GAO-13-455](#). The FHA Transformation Initiative was intended to improve FHA's management of insurance programs through the development and implementation of a modern financial services IT environment that is expected to improve loan endorsement processes, collateral risk capabilities, and fraud prevention. This environment is expected to provide case management for the life cycle of a loan and capture data from the loan origination and underwriting processes. The Next Generation Management System was intended to provide an integrated system with a seamless view of financial and program data that had been warehoused in disparate data sources and a new set of monitoring, oversight, and software tools directed at ensuring that funds are used to assist affordable housing participants and reduce improper payment errors.

Moreover, in December 2014 we found that HUD lacked the operational executive-level investment board prescribed in the IT governance policy HUD implemented in July 2011. As a result, we recommended that the department ensure that the executive-level investment review board meet as outlined in its charter, document criteria for use by the other boards, and distribute its decisions to appropriate stakeholders. In May 2016, HUD had completed steps to revise charters for the executive-level investment review board and related committees to help ensure that the charters aligned with HUD's current processes but had not yet finalized them.

Financial Management

HUD's lack of up-to-date and complete financial management policies and procedures contributed to deficiencies identified in the annual audits of HUD's financial statements. For the last 3 years, HUD has not received a clean audit opinion on its consolidated financial statements.⁵³ In its fiscal year 2014 and 2015 financial statement audit reports, OIG was unable to render an audit opinion because of improper budgetary accounting related to CPD grants, improper accounting for HUD's assets, unvalidated grant accrual estimates, and a disclaimer of opinion issued

⁵³According to the American Institute of Certified Public Accountants' *Forming an Opinion and Reporting on Financial Statements* (AU-C Section 700), effective for audits of financial statements for periods ending on or after December 15, 2012, an unmodified opinion states that the financial statements are presented fairly, in all material respects, in accordance with the applicable accounting principles. For periods ending before December 15, 2012, an unmodified opinion was known as an unqualified opinion. For the purposes of this report, we use the term "clean opinion" to refer to either an unmodified opinion or an unqualified opinion. A qualified opinion, in relation to the financial statements, states that certain reported balances cannot be audited, that the financial statements contain a material departure from generally accepted accounting principles, or both. A disclaimer of opinion states that the auditor does not express an opinion on whether the financial statements are free of significant errors and comply with applicable accounting principles because of—among other things—the lack of supporting documents or restrictions imposed by management that significantly limit the scope of the audit. HUD received a clean audit opinion on its consolidated financial statements for 13 consecutive years before receiving a qualified opinion in fiscal year 2013. In 2013, OIG also withdrew its previously reported unqualified opinion on HUD's fiscal year 2012 consolidated financial statements and replaced it with a qualified opinion due to improper budgetary accounting and a lack of accounting for cash management and restated the fiscal year 2012 financial statements to correct material errors. See Department of Housing and Urban Development, *Agency Financial Report Fiscal Year 2013* (Washington, D.C.: Dec. 16, 2013).

on Ginnie Mae's stand-alone financial statements.⁵⁴ In addition, in the fiscal year 2015 audit of HUD's consolidated financial statements, OIG reported on nine material weaknesses (up from eight in the prior year's consolidated financial statements audit), eight significant deficiencies (the same as in fiscal year 2014), and six instances of noncompliance with laws and regulations (up from five the prior year).⁵⁵

According to OIG, HUD's financial management handbooks were often outdated and incomplete.⁵⁶ In 2013, OIG noted that OCFO had attempted to implement accounting policies and procedures through memorandums. But this method does not provide easily accessible guidance and reference for staff and is not a permanent source of financial management standard operating policies. A number of control deficiencies, which are reflected in the material misstatements and noncompliance with laws and regulations documented in HUD's annual financial statement audits, can be linked in part to incomplete or outdated policies and procedures. For example, in the 2015 financial statements

⁵⁴Prior to fiscal year 2014, an independent public accountant audited Ginnie Mae's stand-alone financial statements. For fiscal year 2013, the independent public accountant identified a significant deficiency in internal control related to inaccurate accounting by Ginnie Mae's largest master servicer but gave Ginnie Mae an unqualified audit opinion. In 2014 OIG began performing this audit in order to conduct a more in-depth review. OIG subsequently determined that it was unable to obtain sufficient, appropriate evidence to support asset amounts reported in Ginnie Mae's financial statements that came from the master servicer. According to OIG, this was one of the scope limitations in its audit work that contributed to the disclaimer of opinion on the fiscal year 2014 financial statements. In addition, OIG notified the independent public accountant that audited Ginnie Mae's fiscal year 2013 financial statements of material misstatements in the financial statements that it had identified. The independent public accountant withdrew its opinion on the fiscal year 2013 financial statements because the opinion could no longer be relied upon.

⁵⁵Department of Housing and Urban Development, Office of Inspector General, *Fiscal Years 2015 and 2014 (Restated) U.S. Department of Housing and Urban Development Consolidated Financial Statements Audit*, Audit Report No. 2016-FO-0004 (Washington, D.C.: Nov. 23, 2015).

⁵⁶Since 2013, OIG has identified financial management governance more broadly as an ongoing challenge in its annual report on management and performance challenges facing HUD. See Department of Housing and Urban Development, *Agency Financial Report Fiscal Year 2013*. In addition, OIG has highlighted governance issues in the annual financial statement audits. See, for example, Department of Housing and Urban Development, Office of Inspector General, Audit Report No. 2016-FO-0004. We discuss these reports in greater detail in appendix VI.

audit, OIG noted that Ginnie Mae's governance deficiencies included a failure to establish adequate and appropriate accounting policies and procedures.⁵⁷ Similarly, a deficiency in HUD's administrative control of funds was caused in part by a lack of policies and procedures, according to OIG.

Since 2013, OIG has noted that OCFO lacked a position or division to monitor the issuance of accounting standards and policies to determine their effect on HUD and to interpret program office policies to determine whether they comply with federal generally accepted accounting principles and other financial management regulations. In addition, in 2015 OIG stated that OCFO's significant staff turnover was contributing to challenges associated with HUD's financial management policies and procedures.

HUD has taken a number of steps in response to OIG's findings. In October 2015 HUD officials told us that OCFO had hired two individuals to work on developing and updating financial management policies. In general, they said that they planned to look broadly across existing policy documents to identify ways to streamline and clarify policies rather than simply filling gaps. For example, they planned to consolidate funds control policies for different offices into one newly rewritten funds control handbook, supplemented by program-specific guidance where needed. These efforts are ongoing, and officials told us they expected these actions to be completed by September 2016. In addition, in April 2016 HUD officials indicated that OCFO's Financial Policies and Procedures Division had been tasked with monitoring the issuance of accounting standards and policies to determine their effect on HUD and to interpret program office policies.

Furthermore, to assist the agency in improving its oversight and financial management governance, HUD contracted with the National Academy of Public Administration (NAPA) in the fall of 2014 to conduct an organizational assessment of its agency-wide financial management. The study panel issued a report in March 2015 reiterating that HUD must have comprehensive documentation of its financial policies and processes to

⁵⁷Department of Housing and Urban Development, Office of Inspector General, Audit Report No. 2016-FO-0004.

guide staff performing finance and accounting functions across the agency.⁵⁸ The panel noted that HUD's need for comprehensive process documentation would take on even greater importance as financial processes changed with its transfer of financial management functions to ARC. According to NAPA, agencies that have undergone similar transitions to shared service providers emphasized the importance of having comprehensive process documentation in place that shows how financial transactions are to be executed and recorded. HUD responded to NAPA's report by issuing new financial management guidance in September 2015 to begin aligning policies and procedures with the new processes being implemented as part of the transition to ARC. Specifically, HUD issued Transitional Budget Execution Standard Operating Procedures that describe how to record and manage budgetary resources across all appropriations using shared services provided by ARC, including roles and responsibilities. In addition, in March 2016 HUD officials indicated that the department was working to revise all financial management policies to accommodate changes as a result of transitioning to ARC and planned to complete these revisions by January 2017.

Human Capital Management

For a number of years, HUD did not have policies, procedures, and oversight during the hiring process to help ensure that employees were effectively vetted before they were hired, resulting in a number of poor hiring decisions. In 2015, HUD's Inspector General testified that his office identified weaknesses within HUD's personnel security and suitability program in 2013, including a lack of policies and procedures for personnel adjudication.⁵⁹ These findings followed the discovery that HUD had hired an employee shortly after the individual was criminally charged by federal indictment with mortgage fraud. In another case, HUD hired an individual in 2011 who had prior arrests and convictions for theft, larceny, armed robbery, check deception, and receiving stolen property. He was convicted in 2014 of stealing \$843,000 from the government by diverting

⁵⁸Panel of the National Academy of Public Administration, *Department of Housing and Urban Development Office of the Chief Financial Officer Organizational Assessment*, a report prepared for the Department of Housing and Urban Development (Washington, D.C.: Mar. 19, 2015).

⁵⁹Montoya testimony, Feb. 4, 2015.

sales proceeds of HUD-owned properties to his own bank accounts while employed in HUD's Office of Loan Guarantee for Native American programs. Additionally, in 2012 OPM identified weaknesses in other human capital practices at HUD. For example, while assessing HUD's practices for examining job applicants, OPM identified seven illegal appointments in its review of 19 files processed from January 1, 2008, through December 31, 2011, as well as major competency gaps among HUD's human capital specialists.⁶⁰

Subsequently, HUD drafted a National Security and Suitability Policy Handbook, which HUD expected to be implemented by the end of fiscal year 2016. In addition, HUD provided staff with a Desk Reference of instructions for processing applicant security packages and in October 2015 issued a procedural manual for determining the suitability of contract employees. OCHCO also included revisions to a number of other human capital handbooks, along with quarterly milestones, in its operations plan for fiscal years 2016–2018. To address some of the weaknesses in its other human capital practices, HUD contracted out a number of human capital functions to ARC beginning in fiscal year 2013.⁶¹ A recent evaluation by HUD of work completed by ARC revealed that delegated examining operations supported the accomplishment of HUD's mission, were generally conducted in accordance with applicable laws and regulations, and did not identify any illegal or erroneous appointments.

Acquisition Management

From 2009 to 2015, HUD did not update its acquisition handbook despite issuing numerous acquisition instructions and other guidance documents

⁶⁰Office of Personnel Management, *U.S. Department of Housing and Urban Development Human Capital Management Evaluation Report Quarter 3-FY 2012* (Washington, D.C.: June 11, 2012).

⁶¹Before securing the contractor, HUD worked with OPM to improve the agency's processes and overcome its deficiencies. Services under the contract include, among other things, job classification, staff acquisition, personnel security, and help desk and reporting service. According to the officials, ARC personnel provide support to HUD by reviewing completed background investigations for all new federal hires. However, HUD maintains authority and delegation over the functions and work performed by ARC and is solely accountable for the administration of the personnel security program. Under its current process, HUD makes the final determinations of suitability.

during that time. The lack of updated and consolidated guidance likely contributed to inconsistent interpretation and application of acquisition policies. OCPO officials said that the 2009 revision to the handbook also had not included all of the guidance that had been issued up to that point.

As an example, in a 2010 report, NAPA found that the content of OCPO's policies and guidance was generally sound but that numerous contract specialists and program staff were unaware of the breadth of the guidance available or found it difficult to navigate. NAPA also identified inconsistencies in HUD's acquisition management. Some program customers reported receiving widely divergent levels of services from different staff within the OCPO headquarters division assigned to support them. Additionally, NAPA cited variation in the interpretation and implementation of policies among contracting officers and contract specialists within the same division, raising a broader concern of variations that were likely occurring among divisions within OCPO. To address this concern, OCPO officials told us that in recent years they had developed a number of mandatory templates—more than 60 of which they provided to us to review—for different aspects of the acquisition process to reduce variation in policy implementation.

In addition, OCPO's annual assessments of the acquisition function documented significant weaknesses in following HUD acquisition policies that were identified during reviews of contract files. The two most recent assessments, which covered acquisition actions from fiscal years 2013 and 2014, identified inadequate documentation related to contract modifications as the most common issue. OCPO officials developed corrective action plans to address these and other issues, and told us that they also provided training directly to the staff who made errors to help ensure the mistakes were corrected quickly.

In 2015 and 2016, OCPO staff completed an update to the acquisition handbook that incorporated policies and guidance that had been issued and aligned the handbook with the Federal Acquisition Regulation. OCPO officials anticipated that the updated acquisition handbook would be implemented in May 2016.

Changes in Reporting Relationships Could Limit Direct Communication

In addition to challenges with outdated or incomplete policies and procedures, HUD's recently adopted governance structure could limit direct communication between senior officials on IT and acquisition matters. HUD created a Chief Operations Officer position in 2015 after recognizing the need to devote senior-level attention to various management functions and to enhance coordination and oversight.⁶² Specifically, in a May 2015 notice in the Federal Register, HUD's Deputy Secretary delegated to the Chief Operations Officer management and supervisory authority for the offices of the Chief Information Officer, Chief Human Capital Officer, Chief Procurement Officer, and Chief Administrative Officer (see fig. 1).⁶³

The Paperwork Reduction Act, as amended, requires the Chief Information Officer to report directly to the agency head, which helps to ensure high visibility and support for far-reaching information management initiatives.⁶⁴ Under HUD's current structure, the Chief Information Officer reports to the Chief Operations Officer rather than the agency head. HUD officials said that the Chief Information Officer met regularly with the Deputy Secretary and had the ability to discuss any issues that might arise. Additionally, officials in HUD's Office of General Counsel said that because the Secretary delegated full concurrent authority to the Deputy Secretary, meetings between the Deputy Secretary and the Chief Information Officer satisfied the statutory requirement for a direct reporting relationship between the Chief Information Officer and the agency head.⁶⁵

⁶²HUD had previously created a Chief Operating Officer position in 2009 to provide leadership for HUD's management functions after acknowledging that its compartmentalized organizational structure and lack of integration had resulted in turf struggles instead of collaborative decision making. However, GPRAMA effectively abolished the position at HUD by designating the deputy head of each agency (in HUD's case, the Deputy Secretary) as the Chief Operating Officer (Pub. L. No. 111-352, § 8, 124 Stat. 3878 (2011)) (codified at 31 U.S.C. § 1123).

⁶³Delegation of Authority to the Chief Operations Officer, 80 Fed. Reg. 26,946 (May 11, 2015).

⁶⁴44 U.S.C. § 3506(a)(2)(A).

⁶⁵Delegation of Concurrent Authority to the Deputy Secretary, 77 Fed. Reg. 66,864 (Nov. 7, 2012).

We have previously noted that some degree of flexibility in Chief Information Officers' reporting relationships may be appropriate as long as their effectiveness is not impeded.⁶⁶ In both 2004 and 2011, we found that a number of agencies did not comply with the statutory provision specifying this reporting relationship and that current and former Chief Information Officers had mixed views on whether a direct reporting relationship with the agency head was important.⁶⁷ In 2004, we suggested that Congress consider the results of our review in assessing whether the existing statutory requirements concerning the responsibilities of the Chief Information Officer and reporting to the agency heads reflected the most effective assignment of information and technology management responsibilities and reporting relationships. Congress has yet to act on this matter. In 2011, we recommended that OMB issue additional guidance to agencies requiring that Chief Information Officers' authorities and responsibilities, as defined by law and by OMB, be fully implemented, taking into account the issues raised in our report.

OMB generally agreed with our recommendation and issued guidance in June 2015 that provided a "common baseline" (framework) to implement roles and responsibilities of Chief Information Officers and other senior agency officials involved in IT management.⁶⁸ The guidance recognized that some agencies had implemented alternative reporting arrangements to the one specified in the Paperwork Reduction Act, as amended. But it also stressed the importance of Chief Information Officers having direct access to the agency head (which OMB defined as the Secretary or the Deputy Secretary acting on the Secretary's behalf) in those cases. Furthermore, federal internal control standards state that management should internally communicate the necessary quality information to achieve the entity's objectives.⁶⁹ Establishing reporting lines can help ensure that this internal communication occurs. However, the baseline

⁶⁶GAO, *Federal Chief Information Officers: Opportunities Exist to Improve Role in Information Technology Management*, [GAO-11-634](#) (Washington, D.C.: Sept. 15, 2011).

⁶⁷GAO, *Federal Chief Information Officers: Responsibilities, Reporting Relationships, Tenure, and Challenges*, [GAO-04-823](#) (Washington, D.C.: July 21, 2004) and [GAO-11-634](#).

⁶⁸Office of Management and Budget, *Management and Oversight of Federal Information Technology*, OMB Memorandum M-15-14 (Washington, D.C.: June 10, 2015).

⁶⁹[GAO-14-704G](#).

assessment HUD prepared in response to the guidance did not address whether HUD's Chief Information Officer had direct access to the agency head.⁷⁰ Also, HUD has not formalized lines of communication to help ensure the Chief Information Officer's continued access to the agency head, consistent with OMB guidance and internal control standards.

Additionally, under the Services Acquisition Reform Act of 2003, the agency's designated Senior Procurement Executive is to report directly to the designated Chief Acquisition Officer without intervening authority.⁷¹ At HUD, the Senior Procurement Executive is the Chief Procurement Officer, and the Deputy Secretary serves as the Chief Acquisition Officer.⁷² Congress established these positions with a specific reporting relationship to help ensure that the agency's management of acquisition activities achieved its mission. Under the governance structure HUD adopted in May 2015, the Chief Procurement Officer reports to the Chief Operations Officer rather than the Deputy Secretary. According to HUD, the Chief Operations Officer is a member of the Office of the Deputy Secretary, and therefore reporting to the Chief Operations Officer is functionally the equivalent of reporting to the Deputy Secretary. HUD officials also said that the Chief Procurement Officer met regularly with the Deputy Secretary and had the ability to discuss any issues that might arise.

HUD's annual reviews of its acquisition function provide an opportunity to examine the lines of communication between the Chief Procurement Officer and the Deputy Secretary under HUD's revised governance

⁷⁰The OMB memorandum required agencies to conduct a self-assessment against the common baseline and develop a plan for ensuring implementation of all common baseline responsibilities.

⁷¹41 U.S.C. § 1702. The Services Acquisition Reform Act of 2003 requires 16 federal civilian agencies, including HUD, to establish the position of a Chief Acquisition Officer to advise and assist agency leadership to help ensure that the management of its acquisition activities helps achieve the agency's mission. The act requires Chief Acquisition Officers to be noncareer employees; have acquisition management as their primary duty; and have the agency's Senior Procurement Executive report directly to them without intervening authority, or serve as both the Chief Acquisition Officer and the Senior Procurement Executive. See appendix VIII for additional information on organizational alignment and leadership in HUD's acquisition function.

⁷²Designations of Chief Acquisition Officer and Senior Procurement Executive, 78 Fed. Reg. 46,240 (July 30, 2013).

structure.⁷³ In September 2005, we issued a framework to enable high-level, qualitative assessments of the strengths and weaknesses of the acquisition function at federal agencies.⁷⁴ In May 2008, OMB issued guidelines based on our framework that provide a template for agencies to use in conducting required annual reviews of their acquisition functions, including an assessment of organizational alignment and leadership.⁷⁵ The guidelines state that the assessment should consider recent changes within the agency that affect the acquisition function and require adaptation. As of May 2016, HUD had not yet completed the annual review covering fiscal year 2015, the year in which the Chief Operations Officer position was created. HUD officials said they expected to finish the review later in 2016 and that they planned to consider the recent changes in reporting relationships when assessing organizational alignment and leadership issues.

HUD Has Not Formalized Key Practices to Address Program Oversight and Evaluation Challenges

HUD uses a risk-based approach for overseeing its programs but has not formally designated entities to lead fraud risk management efforts. In addition, while HUD has adopted several practices to enhance its program evaluations, it has not established formal policies to help ensure the quality and consistency of its program evaluations.

⁷³As previously discussed, federal internal control standards state that management should internally communicate the necessary quality information to achieve the entity's objectives. Establishing reporting lines can help ensure that this internal communication occurs. See [GAO-14-704G](#).

⁷⁴GAO, *Framework for Assessing the Acquisition Function at Federal Agencies*, [GAO-05-218G](#) (Washington, D.C.: Sept. 1, 2005).

⁷⁵Office of Management and Budget, Office of Federal Procurement Policy, *Conducting Acquisition Assessments under OMB Circular A-123* (Washington, D.C.: May 21, 2008).

HUD Uses a Risk-Based Approach to Oversight but Has Not Formally Designated Entities to Manage Fraud Risk

HUD has adopted a risk-based approach to overseeing and monitoring its programs that helps address oversight challenges and identify potential fraud. HUD’s oversight challenges include the number and variety of intermediaries it uses to implement programs and the complexity, scale, and discretionary nature of its programs. HUD program offices use tens of thousands of intermediaries to help administer programs, ranging from state and local government agencies to lenders to nonprofit organizations, as shown in figure 4. HUD programs are also often complex—for instance, the tenant income calculation for the Office of Public and Indian Housing’s (PIH) rental assistance programs includes dozens of mandated income exclusions and deductions. Although HUD has developed tools to assist PHAs with the calculations, numerous errors occur each year that result in improper payments totaling hundreds of millions of dollars. And HUD programs can be large. HUD manages a nearly \$1.3 trillion portfolio of insured mortgages through FHA’s mortgage insurance programs, which insure private lenders against losses on millions of mortgages. Further, some HUD programs give intermediaries discretion in how they spend their funds. For example, CPD manages CDBG, which allows states and communities wide discretion in how they distribute the funds for eligible projects. The range of eligible activities that can be funded makes oversight difficult. Combined with finite resources for monitoring activities, these challenges strain HUD’s ability to effectively oversee its programs.

Figure 4: Department of Housing and Urban Development Intermediaries



Source: GAO analysis. | GAO-16-497

In addition, HUD officials identified various examples of major fraud risks facing their program areas. For example, CPD officials cited the risk of

theft and embezzlement, ineligible beneficiaries, and payment of questionable costs within CPD grant programs. PIH officials noted the risks of PHA officials diverting contracts to entities in which they had a personal interest and of PHA staff diverting housing assistance payments to personal accounts, among other things. FHA officials indicated that risks within its mortgage insurance programs included fraudulent property appraisals and gifts from prohibited sources to cover borrowers' down payments.⁷⁶

HUD's risk-based approach to monitoring its programs is based on agency-wide policies that define monitoring responsibilities and provide guidance on the risk assessment methodology.⁷⁷ The Departmental Management Control Program Handbook provides an overview of risk-based monitoring, with the overall objective of allocating a larger share of monitoring resources to those program functions that pose the highest risk and are the most susceptible to fraud, waste, and mismanagement. The major steps for implementing risk-based monitoring include

- identifying program missions, goals, risks, and monitoring objectives to determine what needs to be monitored;
- developing methods to rate participants, programs, and functions based on risk, including assessing the agency's exposure to fraud, waste, and mismanagement;
- developing and communicating strategies and plans for oversight of identified risks;

⁷⁶According to HUD Handbook 4000.1, *FHA Single Family Housing Policy Handbook*, in order for funds to be considered a gift that is an acceptable source of borrower funds for an FHA-insured mortgage, there must be no expected or implied repayment of the funds to the donor by the borrower. In addition, the gift donor may not be a person or entity with an interest in the sale of the property, such as the seller, the real estate agent or broker, the builder, or an associated entity.

⁷⁷To meet the requirements of the Federal Managers' Financial Integrity Act of 1982 and OMB circulars, HUD established a system of management controls and set forth these policies in Handbook 1840.1, Departmental Management Control Program. The purpose of the Management Control Program is to protect against fraud, waste, abuse, and mismanagement in HUD's programs, among other things. Chapter 2 provides guidance for defining risk and determining how susceptible HUD programs are to fraud, waste, abuse, and mismanagement.

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- selecting programs or program participants for monitoring within available resources, based on monitoring objectives and risk profiles established by program areas;
 - identifying instances that require follow-up corrective actions; and
 - documenting the process and recording the rationale for choosing participants.

The HUD Monitoring Desk Guide augments the Departmental Management Control Handbook. In an effort to bring consistency to all HUD monitoring processes, it describes the process for conducting risk assessments and developing a local monitoring strategy.

HUD's program offices have created specific risk-based monitoring strategies for their respective programs. In addition, HUD officials said that each office had requirements for officials and intermediaries to report fraudulent activity and help manage fraud risks within the execution of their existing program activities. For example:

- CPD developed a quantitative approach for rating and ranking grantees and their programs in order to identify those grantees that posed the greatest risk to the integrity of CPD's programs and better ensure that the greatest share of limited monitoring resources were used to manage that risk. CPD issues a biennial notice outlining the risk analyses to be conducted for each of the next 2 years, providing field staff with a consistent methodology and procedures to apply across grantees.⁷⁸ Specifically, CPD evaluators are to rate and rank grantees by four risk factors—(1) grant management, (2) financial management, (3) services and satisfaction, and (4) physical condition of properties—and document the results in CPD's grants management system. Management representatives conduct quality control reviews and certify the results, which provide the basis for developing the office work plan and individual grantee monitoring strategies. These strategies include identifying which grantees and

⁷⁸The notice covering fiscal years 2015 and 2016 contained an updated methodology developed by CPD's grants management process working group. The revisions were designed to reduce the number of subfactors evaluated, minimize definitional differences among the programs, and use, to the greatest extent feasible, subfactors that could be populated using data from existing IT systems available to CPD.

specific programs are to be monitored and the method and type of monitoring (on-site or remote, in-depth or limited) that is to be used.⁷⁹

- PIH established a Risk Division within the Real Estate Assessment Center in 2014 to manage risk for the office, according to HUD officials. The division's responsibilities include coordinating annual risk assessments of PIH offices, performing targeted risk assessments, and exploring teaming with OIG to quantify risk associated with programs susceptible to fraud and abuse. In 2013, the Real Estate Assessment Center developed a new national risk assessment tool for designating the risk level of PHAs in management, financial, physical, and governance categories. PIH's Office of Field Operations, whose 650 staff monitor about 4,000 PHAs, performs these risk assessments quarterly using a standard protocol that employs structured qualitative and quantitative analysis of the entities' physical and financial condition, management capacity, and governance.⁸⁰ The assessments help PIH target its oversight and monitoring efforts to those PHAs that are most at risk of becoming "troubled" agencies.⁸¹

⁷⁹A 2009 study undertaken by PD&R concluded that the risk analysis process for CDBG and HOME accurately identified risk. See Department of Housing and Urban Development, Office of Policy Development and Research, *Risk-Based Monitoring of CPD Formula Grants* (December 2009). However, in a report on the Neighborhood Stabilization Program, OIG found that CPD did not ensure that its process for selecting grantees for monitoring identified those grantees and activities that represented the greatest risk to the program for fraud and waste, among other things. As a result, CPD did not ensure that it identified those grantees with developers that may have incurred questionable project costs. See Department of Housing and Urban Development, Office of Inspector General, *CPD Did Not Monitor NSP Grantees' Payments of Developer Fees to Developers*, Audit Report No. 2014-LA-0002 (Los Angeles, Calif.: Mar. 10, 2014).

⁸⁰To develop the risk assessment protocol, a team comprised of officials from three HUD regions reviewed prior risk assessments as well as national and regional priorities. Common risks from prior risk assessments were identified and incorporated into the current risk assessment. In addition, brainstorming sessions with agency groups, including a national risk team, local subject-matter experts, and program staff, identified additional areas of risk.

⁸¹PHAs that perform poorly on either of two other HUD assessments—the Public Housing Assessment System and the Section Eight Management Assessment Program—may be designated as "troubled," triggering enhanced oversight from HUD. The Public Housing Assessment System evaluates the overall condition of PHAs and measures their performance in several areas, including physical condition, financial condition, and management operations. The Section Eight Management Assessment Program measures the performance of PHAs that administer the voucher program. The national risk assessment tool combines data from these systems with other information PIH collects.

The Office of Field Operations also issues an annual memorandum outlining monitoring priorities for the year. PIH officials said that they considered fraud risks during the annual enterprise risk management assessments with each of the PIH offices. In addition, in the process of reviewing PHA financial statements, the officials stated that their systems incorporate checks that may alert officials to financial fraud, errors, or anomalies. The officials also noted that the national risk assessment tool incorporates metrics for PHAs' costs, liquidity, and cash trends that can help staff identify potential fraud risks.

- FHA monitors lenders and appraisers (among others) for compliance with mortgage underwriting and collateral requirements. In prior work, we found that FHA made changes in 2010 and 2011 to several processes intended to help ensure that lenders and appraisers follow its policies and procedures. For example, FHA enhanced the criteria it uses to select loans for post-endorsement technical reviews.⁸² Specifically, it considered high-risk loan or borrower characteristics, such as certain types of refinanced loans and loans to borrowers with low credit scores. In addition, FHA increased the number of risk factors used to select lenders and appraisers for review.⁸³ For lenders, the risk factors include loan volume, product type, process (direct endorsement or lender insurance), performance, and peer group performance. When targeting appraisers for review, FHA has considered factors such as the appraiser's volume and past sanctions, as well as the type of property being appraised.

In 2015 FHA refined its risk-based monitoring processes by developing a Single Family Loan Quality Assessment Methodology to be used for loan file reviews. The new methodology aims to capture greater detail on the fundamental issues that affect a loan's quality so that defects are identified and analyzed based on their severity. In addition, FHA's Office of Risk Management and Regulatory Affairs works collaboratively with other offices and divisions to monitor risks including fraud risks, according to officials. HUD officials said that quality assurance divisions in FHA field offices conduct loan

⁸²Post-endorsement technical reviews are a primary lender oversight function that evaluate the underwriting quality of a selection of individual loans already insured by FHA. Reviewers assess the quality of the mortgage credit evaluation of the borrower and the valuation of the mortgaged property.

⁸³GAO, *Federal Housing Administration: Improvements Needed in Risk Assessment and Human Capital Management*, [GAO-12-15](#) (Washington, D.C.: Nov. 7, 2011).

monitoring reviews in an effort to discover deficiencies related to origination, underwriting, or servicing policy requirements. The Credit Watch termination enforcement tool sanctions lenders that demonstrate potentially abusive lending practices.⁸⁴

- FHEO officials establish monitoring levels for Fair Housing Initiatives Program grants each fiscal year, taking into account the availability of FHEO resources. The criteria include factors such as the grant award amount, financial and project management, and technical expertise. Officials also conduct an annual risk assessment as another criterion for determining whether to conduct remote reviews or onsite monitoring. During these assessments, grantees are evaluated on 12 risk profile factors, including whether the grantee has open audit findings, persistent performance problems, or existing financial problems, among others. The Award and Administration Guide (found in the guidance for the program's application and award policies and procedures) governs these grant monitoring strategies.

Despite the efforts of HUD program offices to address various risks through monitoring, we and OIG have identified a number of HUD oversight challenges and weaknesses in recent years, as shown in the following examples:

- In 2012, we highlighted concerns that we and others had about HUD's capacity to effectively oversee PHAs participating in the Moving to Work (MTW) demonstration program, which provides participating PHAs with the flexibility to design and test innovative strategies for providing and administering housing assistance.⁸⁵ In light of Congress's recent decision to expand MTW by 100 PHAs, addressing these concerns is even more critical.

⁸⁴Under Credit Watch, FHA considers terminating a lender's authority to originate loans in a specific geographic area if a lender's branch office default and claim rates exceed the average local HUD field office default and claim rates by 200 percent and also exceed the national average. If a lender has more than one branch office facing a Credit Watch termination action in a particular period, FHA can decide to evaluate the overall performance of the lender in the field office jurisdiction and, if it is unacceptable, terminate a lender's ability to originate and underwrite loans in the entire jurisdiction.

⁸⁵GAO, *Moving to Work Demonstration: Opportunities Exist to Improve Information and Monitoring*, [GAO-12-490](#) (Washington, D.C.: Apr. 19, 2012).

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- In 2013, we found that HUD did not routinely determine and report on grantee compliance with statutory limits on the use of CDBG funds for administrative purposes.⁸⁶
 - In 2014, OIG concluded that HUD's process for monitoring PHAs' projects for demolishing or otherwise disposing of public housing units was not adequate to ensure that data on public housing inventory were accurate.⁸⁷
 - In 2015, OIG found that HUD's Office of Single Family Housing did not have effective controls to prevent borrower violations of HUD's reverse mortgage program residency requirements that involved concurrently receiving HUD rental assistance.⁸⁸

Furthermore, instances of fraud, waste, and abuse that have been uncovered in recent years have highlighted oversight weaknesses. For example, investigations into FHA-insured loans identified a high

⁸⁶GAO, *Community Development Block Grants: Reporting on Compliance with Limit on Funds Used for Administration Can Be Improved*, GAO-13-247 (Washington, D.C.: Mar. 21, 2013). We recommended that HUD develop a process for generating annual reports on compliance across the program, including making any requisite changes to its IT system to better ensure that the agency had complete and analyzable data to support such reporting. HUD neither agreed nor disagreed with the recommendation and had not implemented it as of May 2016. HUD officials said they that lacked funding to upgrade their IT system to produce these reports.

⁸⁷Department of Housing and Urban Development, Office of Inspector General, *HUD's Monitoring of Public Housing Demolition and Disposition Projects Was Not Always Adequate to Ensure Data in IMS/PIC Was Accurate*, Audit Report No. 2014-NY-0002 (New York, N.Y.: June 11, 2014). The report pointed to a lack of standardized field office procedures, inadequate guidance to PHA officials, and HUD's failure to correct PHA-reported inventory errors in a timely manner. As a result, 8 of the 14 PHAs reviewed received funding to which they were not entitled. OIG made eight recommendations to HUD to address the issues identified. OIG indicated that all of these recommendations were implemented in 2015.

⁸⁸Department of Housing and Urban Development, Office of Inspector General, *HUD Policies Did Not Always Ensure That HECM Borrowers Complied With Residency Requirements*, Audit Report No. 2015-PH-0004 (Philadelphia, Pa.: Aug. 21, 2015). A reverse mortgage is a loan that converts the borrower's home equity into payments from a lender and typically does not require any repayments as long as the borrower continues to live in the home. Available to homeowners aged 62 and older, most of these loans are made under HUD's Home Equity Conversion Mortgage program. HUD insures the mortgages, which are made by private lenders, and oversees agencies that provide mandatory counseling to prospective borrowers. OIG made three recommendations to HUD to address the issues identified. OIG indicated that HUD's target for completing actions to implement the recommendations was December 2016.

percentage of loans that should not have been insured because of underwriting deficiencies. In fiscal years 2012 through 2015, the federal government reached civil settlements regarding FHA loan underwriting totaling \$3.5 billion for alleged violations of the False Claims Act and other statutes. In addition, OIG investigations recovered millions of dollars of fraudulent payments, including instances in which a CDBG contractor obtained reimbursement for noncovered expenses and multifamily property owners used government funds for personal expenses. OIG also found weaknesses in HUD's rental housing assistance program monitoring—for example, PHAs that accumulated excess funds from MTW and improper payments that made PIH programs susceptible to fraud, waste, and abuse.⁸⁹

HUD has not designated an entity or entities to oversee fraud risk management activities—a leading practice for managing fraud risks. Our *Framework for Managing Fraud Risks in Federal Programs* identified creating a structure with a dedicated entity or entities to lead fraud risk management activities as a recommended leading practice.⁹⁰ The Framework recommends that the antifraud entity

- understand the agency and its operations, as well as the fraud risks and controls throughout the agency;
- have defined responsibilities and the necessary authority across the agency;
- have a direct reporting line to senior-level managers within the agency; and
- be located within the agency and not in the agency's OIG, so the latter can retain its independence to serve its oversight role.

The framework provides managers with flexibility in deciding whether to carry out this and other aspects of fraud risk management at the program

⁸⁹Department of Housing and Urban Development, Office of Inspector General, Audit Report No. 2015-FO-0002. Improper payments have consistently been a government-wide issue despite efforts to reduce them and identify root causes including fraud. While any fraud involving a federal payment is considered an improper payment, not every improper payment constitutes fraud. For additional information on HUD's efforts to reduce improper payments in the context of financial management, see appendix VI.

⁹⁰[GAO-15-593SP](#).

or agency level. Although entities across the agency perform a number of fraud risk management activities (as previously noted), no divisions or offices have been formally tasked with leading fraud risk management efforts within the program offices. For example, PIH's Risk Division has a number of responsibilities that are broadly consistent with an entity tasked with managing fraud risks, but its charter and standard operating procedures do not indicate that it has a formal role in managing fraud risks.

In addition, HUD has not designated a fraud risk management entity at the agency level. For instance, HUD has not yet established a formal enterprise risk management office or function to lead fraud risk management activities agency-wide.⁹¹ Other offices within the agency with explicit responsibilities related to addressing fraud and fraud risks have also not been formally tasked with leading fraud risk management activities. These offices include OCFO, which is responsible for providing guidance to program offices on front-end risk assessments designed to identify and analyze risks, including the potential for fraud, waste, abuse, and mismanagement. Also included is the Departmental Enforcement Center, which focuses on eliminating fraud, waste, and abuse by program recipients who are in violation of statutes or other program requirements. HUD has indicated that it does not have teams or officials formally dedicated to managing fraud risks because it seeks to manage these risks within the execution of existing program activities. Without identifying dedicated teams or entities to lead antifraud initiatives, HUD may not be designing and overseeing fraud risk management activities as effectively as possible.

⁹¹According to OMB, enterprise risk management is an agency-wide approach to addressing the full spectrum of an organization's risks by understanding the combined effects of risks as an interrelated portfolio, rather than only addressing risks within silos. In a February 2016 report, OIG noted that establishing enterprise risk management at HUD would improve controls over critical risks, support allocation of resources, and reduce financial management problems and failures. See Department of Housing and Urban Development, Office of Inspector General, *Risk Based Enforcement Could Improve Program Effectiveness*, 2014-OE-0002 (Washington, D.C.: Feb. 12, 2016).

HUD Has Taken Steps to Enhance Program Evaluation but Lacks Policies to Help Ensure Evaluation Quality and Consistency

HUD has implemented a number of practices to enhance program evaluation within the agency.⁹² These include developing a strategic plan for its research projects and establishing research partnerships, as follows.

- **Evaluation plan.** According to American Evaluation Association (AEA) guidance, each federal agency should require its major programs to prepare evaluation plans that, among other things, take into account ongoing program development and management and are developed in consultation with diverse program stakeholders.⁹³ In addition, we, along with OMB and AEA, have noted that developing an evaluation agenda is important for helping ensure that an agency's often scarce research and evaluation resources are targeted to the most important issues and can shape budget and policy priorities and management practices.⁹⁴ HUD developed such a document—the Research Roadmap—to guide its evaluation and research efforts.⁹⁵ Published in July 2013 by PD&R, the Research Roadmap is a 5-year plan that details priority research projects to be funded and initiated for fiscal years 2014 through 2018. These projects, which cover multiple programs, are organized into four categories that align with the programmatic goals established in HUD's agency-wide strategic plan. PD&R identified the projects through consultation and

⁹²Program evaluations are systematic studies that use research methods to address specific questions about program performance. Program evaluation typically assesses the achievement of a program's objectives and other aspects of performance in the context in which the program operates. In particular, evaluations can be designed to isolate the causal effects of programs from other external economic or environmental conditions in order to assess a program's effectiveness. See GAO, *Program Evaluation: Some Agencies Reported that Networking, Hiring, and Involving Program Staff Help Build Capacity*, [GAO-15-25](#) (Washington, D.C.: Nov. 13, 2014).

⁹³American Evaluation Association, *An Evaluation Roadmap*.

⁹⁴GAO, *Program Evaluation: Experienced Agencies Follow a Similar Model for Prioritizing Research*, [GAO-11-176](#) (Washington, D.C.: Jan. 14, 2011); Office of Management and Budget, *Evaluating Programs for Efficacy and Cost-Efficiency*, M-10-32 (Washington, D.C.: July 29, 2010); American Evaluation Association, *An Evaluation Roadmap*.

⁹⁵HUD's Research Roadmap was developed in response to a 2008 evaluation of the agency's program evaluation function by the National Research Council. Among other things, the National Research Council found that HUD's agenda-setting process for research had become too insular and focused on the short term. See National Research Council, *Rebuilding the Research Capacity at HUD* (Washington, D.C.: The National Academies Press, 2008).

deliberation with HUD senior leadership and staff, stakeholder organizations, and industry partners.⁹⁶ PD&R officials said that they were working on a new Research Roadmap and planned to complete a comprehensive revision of it every 3 to 5 years.

- **Research partnerships.** According to AEA guidance, federal agencies should ensure that the required diversity of disciplines, including the necessary expertise in the subject area being evaluated, is appropriately represented in internal and independent evaluation teams.⁹⁷ HUD created the Research Partnership Initiative to help provide greater flexibility in addressing important policy questions and to better use external expertise in evaluating local innovations and program effectiveness.⁹⁸ Through this initiative, HUD enters into noncompetitive cooperative agreements with partners to complete research projects that help inform its policies and programs. These partnerships also create leverage for federal investments by requiring a 50 percent cost share from philanthropic organizations, other governmental agencies, or a combination of these entities.
- **Research dissemination.** AEA guidance states that evaluations of promising and effective program practices should be systematically and broadly disseminated to potential beneficiaries and to potential evaluation users.⁹⁹ Evaluation data and methods should also (to the extent feasible and with sufficient privacy protections) be made available to professionals and to the public to enable secondary analysis and assure transparency. PD&R has taken steps to expand its outreach and dissemination efforts.¹⁰⁰ For example, during fiscal years 2013 and 2014 PD&R substantially redesigned the web pages

⁹⁶For example, PD&R met with members of Congress, officials from GAO and OMB, federal sister agencies, and numerous research, practitioner, and advocacy organizations to gather relevant feedback. PD&R received over 950 comments from stakeholders during the development process.

⁹⁷American Evaluation Association, *An Evaluation Roadmap*.

⁹⁸HUD created this initiative under the authority of the Consolidated and Further Continuing Appropriations Act of 2012. Pub. L. No. 112-55, 125 Stat. 552, 690 (2011).

⁹⁹American Evaluation Association, *An Evaluation Roadmap*.

¹⁰⁰PD&R's research and communication are transmitted through the HUDUser.org website. According to PD&R, HUDUser.org is updated regularly with the latest publication and data releases. PD&R also indicated that it uses social media, expert panels, periodicals, and awards to meet its outreach and dissemination goals.

that disseminate one of HUD's major surveys and reports, according to PD&R. In addition, PD&R noted that it released two new mobile applications and expanded its social media presence. PD&R also indicated that it coordinated with housing, planning, and community development bloggers to leverage content from its website on external blogs.

HUD has established policies to guide some of its evaluation processes but lacks documented policies to help ensure the quality and consistency of its program evaluations.¹⁰¹ According to AEA guidance, each federal agency should publish policies and procedures and adopt quality standards to guide evaluations within its purview.¹⁰² Such policies and procedures should identify, among other things, the criteria and administrative steps for

- selecting evaluation approaches and methods to use;
- consulting subject-matter experts;
- ensuring evaluation product quality;
- ensuring independence of the evaluation function;
- using an appropriate mix of staff and outside consultants and contractors;
- focusing evaluation designs and contracts appropriately; and
- promoting the professional development of evaluation staff.

Further, federal internal control standards require agencies to design control activities to achieve objectives and respond to risks. Such activities may include, among others, clearly documenting internal controls in management directives, establishing administrative policies, and maintaining operating manuals that are readily available for examination.¹⁰³

¹⁰¹For example, PD&R's guide for report publication provides HUD staff and contractors with information on publication standards and guidelines. The guide goes through a typical report section by section, providing explanations and tips. See Department of Housing and Urban Development, Office of Policy Development and Research, Research Utilization Division, *Guidelines for Preparing a Report for Publication* (May 2014).

¹⁰²American Evaluation Association, *An Evaluation Roadmap*.

¹⁰³[GAO-14-704G](#).

HUD officials stated that they ensured the quality of program evaluations through a process that included convening expert panels. According to PD&R officials, the office first convenes experts as a precursor to scoping an evaluation or research project, an activity that is helpful in raising questions about the work to be completed. PD&R officials said expert panels are also formed after the work has been scoped to help review the design of the study and the data collection plans. The panels consist of groups of practitioners who have experience working on housing issues and are selected by PD&R, at times with the assistance of program offices, or based on suggestions by the contractor conducting the work. PD&R officials also stated that they captured some evaluation requirements in the statements of work provided to contractors.

However, HUD has not developed agency-wide, written policies for its program evaluations, and the criteria HUD uses to select the expert panels and review the quality of program evaluations are not documented. HUD officials told us they had not considered developing an evaluation policy because the evaluation principles they used were ingrained in PD&R's culture. However, organizational cultures can change as long-term employees leave or retire and new employees come in. Without documented program evaluation policies, PD&R lacks assurance that current practices to ensure quality and consistency in evaluations will be continued. In addition, PD&R staff may not have clear direction on how to ensure evaluation quality or how to determine which evaluation approaches and methods to use. Further, not having a single consolidated document increases the potential for inconsistent application of policies and requirements.

In addition to lacking documented evaluation policies, HUD faces other evaluation challenges, including challenges related to collecting and analyzing some program data. According to HUD officials, for example, the frequency of obtaining and analyzing data sets is a challenge in achieving HUD's strategic goals. This challenge is particularly apparent in homelessness efforts, for which HUD has limited data outside the annual point-in-time count. Our past reports have also found that HUD has not consistently collected the data needed to track progress toward its goals and evaluate the effect of its programs and has also missed opportunities to better analyze program data it does collect, as outlined in the following examples. To help address some of its data challenges, HUD has taken steps to begin implementing our recommendations and identify and collect data needed to assess some of its programs.

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- **Block grant programs.** In a May 2012 report, we found that HUD faced several challenges in evaluating the effect of the CDBG and HOME programs.¹⁰⁴ First, HUD officials stated that the mix of eligible activities that grantees implemented could vary greatly. Second, neither program requires grantees to target the use of funds in a specific geographic area. According to HUD officials and researchers we spoke with for that report, the diversity of activities and lack of statutory targeting requirements made it difficult to collect information to assess the overall effect of the programs. Further, officials noted that to study neighborhood effects, an evaluation would have to compare neighborhoods where program investments had been made with those without such investments.¹⁰⁵ We spoke with HUD officials in August 2015 to determine whether these evaluation challenges continued to exist. According to HUD officials, the mix of eligible activities that grantees implement continues to present a challenge in evaluating CDBG and HOME as a whole.
 - **Moving to Work (MTW) demonstration.** In an April 2012 report, we found that HUD could take additional steps to assess and understand outcomes for MTW.¹⁰⁶ We identified several challenges that hindered efforts to evaluate the program, including the way it was initially designed and the resulting lack of standard performance data as well as the lack of performance indicators for the MTW program as a whole. Federal internal control standards state that good guidance is a key component of a strong internal control framework, require the establishment of performance indicators, and emphasize the need for federal agencies to have control activities in place to help ensure that

¹⁰⁴GAO, *HUD Has Identified Performance Measures for Its Block Grant Programs, but Information on Impact is Limited*, [GAO-12-575R](#) (Washington, D.C.: May 15, 2012). We did not make any recommendations in this report.

¹⁰⁵Our previous work has also identified difficulties in evaluating the impact of block grant programs that do not represent a uniform package of activities or desired outcomes across the country, as well as the common problem of attributing differences in communities' outcomes to the effect of a program in the absence of controls for (or without being able to rule out) other explanations. See GAO, *Designing Evaluations: 2012 Revision (Supersedes PEMD-10.1.4)*, [GAO-12-208G](#) (Washington, D.C.: Jan. 31, 2012).

¹⁰⁶[GAO-12-490](#). As previously noted, MTW is a demonstration program intended to give participating public housing agencies the flexibility to design and test innovative strategies for providing and administering housing assistance.

program participants report information accurately.¹⁰⁷ We recommended, among other things, that HUD (1) improve its guidance to MTW agencies on providing performance information in their annual reports by requiring that such information be quantifiable and outcome-oriented to the extent possible; (2) develop and implement a plan for quantitatively assessing the effectiveness of similar activities and the program as a whole; (3) establish performance indicators for the MTW program as whole; and (4) implement control activities designed to verify the accuracy of a sample of the performance information that MTW agencies self-report. HUD generally or in part agreed with three of these recommendations but disagreed with the recommendation that it create overall performance indicators. In May 2013, HUD revised its reporting requirements for public housing agencies participating in MTW. HUD now requires them to report quantifiable and outcome-oriented information on MTW activities. HUD has also developed standard metrics for the MTW program that may allow HUD to calculate quantitative results and assess whether the result for the program as a whole has been positive, neutral, or negative. These and other actions fully addressed the recommendations.

- **Foreclosure mitigation programs.** In a June 2012 report, we found that FHA did not (1) collect key information on borrowers, such as borrower income and expenses at the time of foreclosure mitigation action or (2) analyze the performance of loss mitigation activities by loan and borrower characteristics.¹⁰⁸ For this reason, FHA had a limited understanding of the ultimate costs of its loss mitigation programs. As a result, its loss mitigation activities may not have been effectively balancing the trade-offs between assisting borrowers to keep their homes and helping ensure the lowest cost to taxpayers.

¹⁰⁷GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999). These internal control standards were in effect at the time of our report. Revised internal control standards went into effect October 1, 2015. See [GAO-14-704G](#).

¹⁰⁸GAO, *Foreclosure Mitigation: Agencies Could Improve Effectiveness of Federal Efforts with Additional Data Collection and Analysis*, [GAO-12-296](#) (Washington, D.C.: June 28, 2012). FHA's loss mitigation activities are a prescribed set of options that allow lenders to effectively work with delinquent FHA borrowers to find solutions to avoid foreclosure. Some of these options include long-term special forbearance, mortgage modification, and partial claim (an option exclusive to HUD that allows the agency to make a no-interest loan to a borrower in an amount sufficient to reinstate the mortgage).

According to OMB guidance, loss mitigation actions should be used only if the borrower is likely to repay and the actions are less expensive than the cost of default or foreclosure.¹⁰⁹ We recommended that FHA conduct periodic analyses of the effectiveness and the long-term costs and benefits of its loss mitigation strategies and actions and use the results of these analyses to reevaluate its loss mitigation approach and to provide additional guidance to servicers on effectively targeting foreclosure mitigation actions. In August 2015, we designated this recommendation as a high priority for implementation. FHA agreed with the recommendation and has begun to evaluate the effectiveness of changes it made in November 2012 to its loss mitigation efforts. These changes revised the type of mitigation actions lenders could take and the manner in which they were offered. For example, FHA has produced quarterly reports that examine redefault rates by type of loss mitigation assistance. In addition, HUD indicated that it had commissioned the Urban Institute to conduct a comprehensive assessment of FHA's loss mitigation program that is scheduled to be completed by the first quarter of fiscal year 2017. We will continue monitoring HUD's efforts to address our recommendation.

- **Self-sufficiency programs.** In a July 2013 report, we found that HUD lacked a strategy for using collected data to expand what was known about outcomes in four self-sufficiency programs.¹¹⁰ We concluded that using such data could help HUD identify PHAs from which it could

¹⁰⁹Office of Management and Budget, *Federal Credit*, OMB Circular No. A-11, Part 5 (Washington, D.C.: November 2011). Although OMB subsequently updated this guidance, we refer to the 2011 guidance because it was in effect at the time of our prior report.

¹¹⁰GAO, *Rental Housing Assistance: HUD Data on Self-Sufficiency Programs Should Be Improved*, [GAO-13-581](#) (Washington, D.C.: July 9, 2013). Specifically, HUD had performed limited analysis of the data related to self-sufficiency outcomes for the Housing Choice Voucher Family Self-Sufficiency and Public Housing Family Self-Sufficiency programs. In fiscal year 2014, Congress combined funding for both programs into one program serving both populations. The combined Family Self-Sufficiency program enables eligible families to increase their earned income and reduce their dependency on welfare assistance and rental subsidies. HUD had also not analyzed similar data reported for its Resident Opportunity and Self-Sufficiency Service Coordinators and Moving to Work programs. The former provides funding to hire service coordinators to assess the needs of public housing residents and coordinate available resources in the community to meet those needs. The latter provides PHAs the opportunity to design and test innovative and locally designed strategies that use federal dollars more efficiently, help residents find employment and become self-sufficient, and increase housing choices for low-income families.

draw lessons to help improve HUD management of the programs as well as PHA management of activities related to self-sufficiency. Federal internal control standards and GPRAMA emphasize the need for reliable information that can be used to manage programs and improve congressional decision making.¹¹¹ We recommended that HUD develop and implement (1) a process to better ensure that Family Self-Sufficiency participant data were complete; (2) a process to ensure that PHAs that were awarded Resident Opportunity and Self-Sufficiency Service Coordinators grants annually reported required participation and outcome data; (3) a strategy for regularly analyzing Family Self-Sufficiency participation and outcome data; and (4) a strategy for regularly analyzing Service Coordinator program participation and outcome data.¹¹² HUD agreed with three of the recommendations but disagreed that it should analyze data for the Service Coordinator program. HUD addressed two of these recommendations and has taken actions to begin implementing the other two. Specifically, in October 2015 HUD provided documentation for its strategy to analyze Family Self-Sufficiency data. Additionally, in January 2016 HUD provided a copy of a study it commissioned to identify potential strategies for improving Family Self-Sufficiency participation data. Further, in May 2016 HUD issued a notice to PHAs that administer Family Self-Sufficiency programs that provided guidance on how to improve the accuracy of the information submitted into HUD's information system, including guidance on how to overcome data submission challenges. We will continue monitoring HUD's efforts to fully address the two remaining recommendations that had not been implemented as of June 2016.

- **Indian housing.** In a 2010 report, we found that HUD did not collect information on grantees' housing-related infrastructure needs for the

¹¹¹[GAO/AIMD-00-21.3.1](#) and Pub. L. No. 111-352, 124 Stat. 3866 (2011). These internal control standards were in effect at the time of our report. Revised internal control standards went into effect October 1, 2015. See [GAO-14-704G](#).

¹¹²In August 2015, the Comptroller General designated the first, third, and fourth recommendations from this report as being among the highest priorities for implementation.

Indian Housing Block Grant program.¹¹³ We recommended that in its revision of the Indian Housing Plan/Annual Performance Report form for the grant program, HUD ensure that the form capture data on tribes' infrastructure-related needs. HUD agreed with our recommendation. In 2012, HUD implemented a new form that captures information on Indian tribes' infrastructure-related needs for the Indian Housing Block Grant program, addressing the recommendation. The form now clearly lists "infrastructure to support housing" among grantees' potential housing needs and allows grantees to indicate infrastructure among their existing housing needs.

HUD is also engaging in broader efforts to improve data quality and reporting across the agency through, for example, HUD's Data Stewards Advisory Group and data sharing with other agencies. Chaired by PD&R, the Data Stewards Advisory Group's goals include assisting in the development and application of data management principles, standards, and practices to help support HUD's mission and coordinating all of HUD's systems to improve data quality. According to PD&R officials, the group is currently working on developing a common set of business rules for all the systems to ensure that each system produces the same numbers. PD&R is also engaging in efforts to match data between HUD's administrative systems and those of other agencies to further support several analyses described in the Research Roadmap. Two efforts currently under way involve matching administrative data on HUD-assisted renters with health-related data in order to inform both HUD's efforts to use housing as a platform to improve quality of life and the national policy priority of containing healthcare costs while improving outcomes.

According to HUD officials we spoke with, limited resources also present challenges to program evaluation. According to PD&R officials, for example, the biggest challenge PD&R faces is funding. Officials told us that the amount of funding PD&R had received over the last several years had fluctuated significantly, making it difficult for the office to effectively

¹¹³GAO, *Native American Housing: Tribes Generally view Block Grant Program as Effective, but Tracking of Infrastructure Plans and Investments Needs Improvement*, [GAO-10-326](#) (Washington, D.C.: Feb. 25, 2010). The Indian Housing Block Grant Program is a formula grant that provides a range of affordable housing activities on Indian reservations and Indian areas.

plan for and launch big impact studies.¹¹⁴ Staffing is another challenge. For example, CPD officials stated that they did not have the resources to conduct program evaluations. Office of Housing officials also stated that resource constraints, specifically in the areas of technology, data, and staffing, posed challenges to conducting program evaluations.

Other challenges include conducting evaluations at a time when the impact can be measured and addressing obstacles that arise during the course of an evaluation. For example, HUD commissioned an evaluation of the Neighborhood Stabilization Program in 2011, during the third year of the program, and found no detectable effect on housing prices and other housing outcomes in the surrounding neighborhoods.¹¹⁵ According to CPD officials, the evaluation may have been conducted too early to discern the program's long-term impact.¹¹⁶ However, officials stated that because the evaluation funding had to be expended by a certain date, HUD could not push the evaluation to a later time. In addition to timing challenges, PD&R officials we spoke with stated that they faced a number of practical challenges with each study, including finding study participants. For example, in its research on Indian housing PD&R learned from experience that it needed to obtain the support of tribal councils to secure study participants from tribal communities.

To help address some of its challenges with resources, PD&R has begun participating in research partnerships. As previously discussed, these partnerships support research projects that help inform HUD programs and policies and are conducted using a 50 percent match of funds from

¹¹⁴For example, in fiscal year 2010, PD&R received about \$72 million in research, evaluation, and demonstration funds in addition to its core funding. But in subsequent years, funding for research and demonstrations fell to about \$16 million in fiscal year 2011 and below \$4 million in fiscal year 2015.

¹¹⁵Abt Associates and University of Southern California, *The Evaluation of the Neighborhood Stabilization Program* (March 2015). The Neighborhood Stabilization Program provides grants to states and local governments to help reduce the number of foreclosed and abandoned properties and restore depressed local housing markets.

¹¹⁶As noted in the Neighborhood Stabilization Program evaluation, the outcomes described in the study were measured when nearly 27 percent of the property investments were not complete or had just been completed. The effects of these properties on nearby housing values were unlikely to be captured by the study if (1) there was a lag between the completion of investments and the effects on housing values or (2) the effects were triggered by the completion of the investment activities.

an external source. To help address some of its practical challenges, such as finding study participants, PD&R officials told us they had taken steps to obtain local support by hiring local people to help conduct studies. PD&R officials also stated that they had reached out to other federal agencies to develop communities of practice and to leverage what each agency had learned while conducting evaluations.

Conclusions

Each year HUD helps millions of households obtain safe, decent, and affordable housing and supports efforts to build and strengthen communities. To efficiently and effectively carry out its mission, HUD must continue to address challenges in its management functions and program areas. HUD's past remedial actions and initiatives—for example, in human capital management, IT management, and acquisition management—were not always effective in large part because they were not sustained. Like other federal agencies, HUD has experienced significant turnover in senior positions and has limited resources. While these factors have complicated some of HUD's management improvements efforts, increased focus on integrating requirements and key practices into regular operations could help HUD improve its planning and governance and effectively execute management functions during periods of turnover, transition, and budgetary constraints.

Weaknesses in HUD's planning and governance increase the risk of ineffective and inconsistent performance of management duties. By filling gaps in its plans for managing agency performance, including its strategic plan, HUD would provide greater assurance that its activities were aligned with broader federal efforts. Making additional efforts to solicit congressional and stakeholder input as required by GPRAMA would provide HUD with an important opportunity to learn about the concerns of congressional stakeholders and external groups that could affect plan implementation. Also, HUD could better demonstrate that it had effectively planned how it would achieve its goals by providing complete information on the reasons performance goals were not met and how they would be met in the future. Furthermore, assessing and updating its human capital planning documents, including the human capital strategic plan, the strategic workforce plan, and succession plan, on a regular basis to keep them current, as required by federal regulation, would help HUD ensure that it was using current analysis and had a strategic vision for managing its workforce.

In addition, taking action to improve governance would strengthen HUD's management functions. Internal control activities, such as establishing

policies and procedures and maintaining them through periodic updates, are essential mechanisms to help ensure that management's directives are carried out. While HUD's recent efforts to revise and update existing policies and procedures that govern its management operations are important, it is also necessary for HUD to institutionalize effective processes to help ensure that plans, policies, and procedures are periodically reviewed, revised, and updated in a timely manner. Establishing such processes would help HUD hold managers accountable for keeping policy and procedural documents up to date, which in turn would provide staff with clear guidance for delivering services across management functions and program areas. In addition, formalizing lines of communication among senior officials would help ensure reporting lines are consistent with OMB guidance and internal control standards.

Finally, limitations in aspects of HUD's program oversight and evaluation efforts echo those in its management functions. Preventing fraud, waste, and abuse and understanding program impacts are important elements of fiscal stewardship. Leading practices indicate that designating an entity or entities to manage fraud risk and establishing policies for evaluations could strengthen the governance and execution of the program oversight and evaluation functions. Specifically, a designated entity or entities tasked specifically with managing fraud risks would help HUD ensure the visibility and accountability of its antifraud function. Similarly, developing a documented policy for its program evaluations would help HUD ensure consistent application of policies and requirements key to producing quality evaluations.

Recommendations for Executive Action

In order to more fully implement key practices and meet requirements and to better institutionalize standards and practices, the Secretary of HUD should take the following eight actions:

- clearly link HUD's strategic goals and objectives with federal priority goals in the next annual performance plan;
- describe the reasons that goals were not met and HUD's plans for achieving them in the next annual performance report;
- establish procedures and time frames for conducting outreach with Congress and stakeholders to help ensure that the strategic plan meets statutory requirements;
- establish a process and schedule for regularly reviewing, revising, and updating HUD's human capital strategic plan, strategic workforce plan, and succession plan;

-
- establish a process and schedule for reviewing and updating policies and procedures to help ensure that policies and procedures for key management functions remain current and complete;
 - formalize lines of communication between the Chief Information Officer and the agency head, consistent with OMB guidance and internal control standards;
 - designate entities within the program offices or an entity with agency-wide responsibilities for overseeing fraud risk management activities; and
 - develop written policies for conducting program evaluations.

Agency Comments

We provided a draft of this report to HUD for review and comment. We received written comments from HUD, which are reprinted in appendix IX.

In its letter, HUD agreed with our recommendations and committed to doing a better job of institutionalizing management improvements. HUD highlighted a number of efforts under way—many of which we discussed in our draft report—to improve operational performance by investing in people, improving processes, and developing and improving systems. HUD also outlined several actions it planned to take or had taken in response to the recommendations in our draft report. For example, consistent with our recommendation to establish a fraud risk management entity, HUD stated that the Deputy Secretary had recently designated the Departmental Enforcement Center as that entity. Concerning our recommendations to review and update plans, policies, and procedures, HUD noted that it would be maintaining an internal management calendar and schedule for this purpose. Furthermore, consistent with our recommendations for improving performance planning and management, HUD said that its next annual performance plan and report would address gaps we identified and that it was taking steps to improve its processes for collecting and documenting feedback from congressional committees on its strategic plan. When HUD provides documentation of these actions we will review the information to determine whether our recommendations have been fully implemented.

Finally, HUD said it endeavored to implement recommendations from our prior reports, with a particular focus on those the Comptroller General has designated as being among the highest priority for implementation. We will continue to coordinate with HUD to determine whether actions to implement them have been completed.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies of this report to HUD and appropriate congressional committees. This report also will be available at no charge on our website at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please contact me at (202) 512-8678 or garcia Diaz@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix X.

A handwritten signature in black ink, appearing to read "Daniel Garcia-Diaz". The signature is fluid and cursive, with a long horizontal stroke at the bottom.

Daniel Garcia-Diaz
Director, Financial Markets
and Community Investment

Appendix I: Objectives, Scope, and Methodology

This report examines the U.S. Department of Housing and Urban Development's (HUD) efforts to (1) meet federal requirements and implement key practices for management functions, including performance planning and reporting and human capital, financial, acquisition, and information technology (IT) management; and (2) oversee and evaluate programs.

For the background, we reviewed HUD's organizational structure, including the six program offices that manage the bulk of the agency's programs and the administrative offices that support agency-wide management functions. We also reviewed the agency's field office structure and reporting relationships. In addition, we reviewed documentation on HUD's two recent organizational streamlining initiatives and interviewed officials about the nature of these efforts. The two streamlining initiatives relate to HUD's field office structure. During the course of our work, we became aware of allegations of misconduct related to a possible reorganization of one office that had been referred to HUD's Office of Inspector General for investigation.¹ These issues and plans and analysis for future reorganization proposals were outside the scope of our work.

To address our objectives, we reviewed relevant federal laws and regulations and interviewed senior HUD officials and the president of HUD's union council. We interviewed headquarters officials within the following HUD offices to obtain information on pertinent policies, plans, and practices: Administration, Chief Financial Officer, Chief Human Capital Officer, Chief Procurement Officer, Community Planning and Development, Fair Housing and Equal Opportunity, Field Policy and Management, General Counsel, Housing, Policy Development and Research, Strategic Planning and Management, Departmental Enforcement Center, Government National Mortgage Association, and Public and Indian Housing. Additionally, we interviewed two former HUD secretaries to obtain historical perspective on HUD's management challenges. We also reviewed our prior reports, HUD Office of Inspector General (OIG) reports, and reports by other organizations such as the

¹In 2014, several officials in HUD's Office of Housing made allegations linking a possible reorganization of parts of that office to potential acquisition, ethics, and other violations. In June 2015, HUD's Inspector General was requested by three members of Congress to review HUD's handling of the allegations.

National Academy of Public Administration and the National Research Council.² Among the OIG reports we reviewed were the annual reports for fiscal years 2002 through 2016 on performance and management challenges facing HUD. Finally, we reviewed information from GAO's system for tracking agency recommendations to determine which recommendations made to HUD in fiscal years 2012 through 2015 had not been fully implemented.

To examine HUD's efforts to meet federal requirements and implement key practices for its management functions, we assessed HUD's plans, policies, and practices for those functions using the *Standards for Internal Control in the Federal Government*, Office of Management and Budget (OMB) guidelines, and criteria that GAO developed in prior work.³ We identified key requirements and practices from these criteria and assessed the extent to which HUD met each requirement or followed each practice using three categories. "Met" or "following" indicates that, in our judgment, HUD met or mostly met all aspects of the requirement or was following or mostly following all aspects of the practice. "Partially met" or "partially following" indicates that HUD met or was following some but not all or most aspects of the requirement or practice. "Not met" or "not following" indicates that HUD did not meet or was not following any aspects of the requirement or practice. Specifically, one GAO analyst reviewed HUD's policies and practices and made the initial assessment. A second analyst then verified these steps to ensure consistent results. In addition, subject-matter experts reviewed the assessments and provided additional input. The specific information we reviewed for each management area was as follows:

- For performance planning and reporting, including HUD's strategic planning efforts, we reviewed various HUD documents—including its strategic plans for fiscal years 2010 through 2015 and 2014 through 2018, its annual performance plan for fiscal year 2017, and its annual

²The National Academy of Public Administration is an independent, nonpartisan organization chartered by Congress to help federal, state, and local governments improve the management and administration of government agencies. The National Research Council is the principal operating agency of the National Academy of Sciences and the National Academy of Engineering.

³GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

performance report for fiscal year 2015—and compared them and HUD’s planning and reporting practices with requirements in the Government Performance and Results Act of 1993 (GPRA), as updated by the GPRA Modernization Act of 2010 (GPRAMA).⁴ Specifically, we first identified GPRA and GPRAMA requirements related to the elements that must be included in a federal agency’s strategic plan, such as a mission statement and goals and objectives, and requirements related to the strategic planning process, such as obtaining stakeholder input. We then reviewed HUD’s strategic plan to determine whether it included the required elements and interviewed HUD officials to determine the process and practices HUD used to develop the strategic plan. We also assessed the extent to which HUD followed federal requirements in developing its combined fiscal year 2017 annual performance plan and 2015 annual performance report.⁵ We identified federal requirements by reviewing GPRA as updated by GPRAMA and selecting those requirements that applied to an agency’s annual performance plan and performance report. To determine the extent to which HUD complied with GPRAMA’s performance planning and reporting requirements, we analyzed HUD’s annual performance plan and annual performance report and interviewed HUD officials about their planning and reporting practices. Details about these requirements and our assessment are in appendix IV.

- For human capital management, we reviewed regulations published by the Office of Personnel Management (OPM) and relevant HUD documentation, including HUD’s current human capital plans, employee engagement plans from fiscal year 2015, and human capital policies and procedures in effect in fiscal years 2015 and 2016. In addition, we interviewed HUD officials to determine HUD’s workforce planning and training practices. We then compared HUD’s human capital plans and practices related to workforce planning, succession planning, and training with key principles identified in our

⁴Pub. L. No. 103-62, 107 Stat. 285 (1993) and Pub. L. No. 111-352, 124 Stat. 3866 (2011).

⁵According to OMB guidance, agencies are strongly encouraged to consolidate the annual performance plan and the annual performance report. HUD combined its 2017 plan and 2015 report into one document.

previous work.⁶ These principles are described in detail in appendix V. We also reviewed a 2012 evaluation report by OPM of HUD's human capital management.⁷ Finally, we reviewed HUD's 2011 through 2015 Federal Employee Viewpoint Survey results on employee engagement and training.⁸ To assess the reliability of the survey data, we reviewed the methodology used to conduct the survey and the employee response rate. We determined that the data we used were sufficiently reliable for purposes of describing employees' engagement and perspectives on the training HUD offered.

- For financial management, we reviewed HUD's financial statement audits for fiscal years 2004 to 2015. We also interviewed OIG officials who oversaw the financial statement audits about their findings and recommendations to HUD. We did not independently assess the findings in these financial statement audits and internal control reviews. We assessed HUD's financial management practices as described in the financial statement audits and OIG major management challenges reports against key practices for financial

⁶See GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, [GAO-04-39](#) (Washington, D.C.: Dec. 11, 2003); *Human Capital: Insights for U.S. Agencies from Other Countries' Succession Planning and Management Initiatives*, [GAO-03-914](#) (Washington, D.C.: Sept. 15, 2003); and *Human Capital: A Guide for Assessing Strategic Training and Development Efforts in the Federal Government*, [GAO-04-546G](#) (Washington, D.C.: March 2004). We developed the key principles for workforce planning by synthesizing information from meetings with organizations with government-wide responsibilities for or expertise in workforce planning; our own guidance, reports, and testimonies on federal agencies' workforce planning and human capital management efforts; leading human capital periodicals; and our own experiences in human capital management. We developed the key principles for succession planning through discussions with officials from central human capital agencies, national audit offices, and agencies in Australia, Canada, New Zealand, and the United Kingdom, and a screening survey sent to senior human capital officials at selected agencies. We developed the key principles for training through consultations with government officials and experts in the private sector, academia, and nonprofit organizations; examinations of laws and regulations related to training and development in the federal government; and reviews of the sizeable body of literature on training and development issues, including our previous reports on a range of human capital topics.

⁷Office of Personnel Management, *U.S. Department of Housing and Urban Development Human Capital Management Evaluation Report, Quarter 3 - FY 2012* (June 2012).

⁸The Federal Employee Viewpoint Survey is an annual survey administered by OPM, and the response rate for HUD in 2014 was 51.5 percent and in 2015 was 73.5 percent.

management drawn from prior GAO work and OMB guidance.⁹ The specific practices are described in appendix VI.

- For acquisition management, we assessed HUD acquisition policies and annual reviews against OMB requirements and leading practices from our prior work.¹⁰ These practices are described in appendix VIII. Specifically, we reviewed internal annual assessments of HUD's acquisition function covering procurement actions from fiscal years 2012 to 2014 that were conducted using OMB Circular No. A-123 and acquisition instructions, templates, and best practice documents issued by the Office of the Chief Procurement Officer.
- For IT management, we examined information gathered in prior and ongoing work, as well as prior work by OIG and others. Specifically, we reviewed and analyzed documentation and interview responses obtained during our concurrent review of HUD's financial management system modernization effort and efforts to follow up on open IT-related recommendations, as well as prior GAO reports on project planning practices and IT governance against key practices we identified in prior work.¹¹ We also reviewed and summarized information from OIG's 2015 annual assessment of HUD's information security program against 10 federal requirements and 2014 comprehensive review of HUD's privacy program against seven categories of requirements and guidelines.

⁹GAO, *Executive Guide: Creating Value Through World-class Financial Management*, [GAO/AIMD-00-134](#) (Washington, D.C.: April 2000); Office of Management and Budget, *Management's Responsibility for Internal Control*, OMB Circular No. A-123 (Washington, D.C.: Dec. 21, 2004); *Requirements for Effective Estimation and Remediation of Improper Payments*, Appendix C to OMB Circular No. A-123 (Washington, D.C.: Oct. 20, 2014); *Compliance with the Federal Financial Management Improvement Act of 1996*, Appendix D to OMB Circular No. A-123 (Washington, D.C.: Sept. 20, 2013); and *Financial Reporting Requirements*, OMB Circular No. A-136 (Washington, D.C.: Sept. 18, 2014).

¹⁰See GAO, *Framework for Assessing the Acquisition Function At Federal Agencies*, [GAO-05-218G](#) (Washington, D.C.: September 2005). We developed this framework by consulting with federal government and industry experts in the areas of human capital, information management, financial management, and acquisition practices, as well as drawing on decades of experience within GAO in reviewing these areas.

¹¹We plan to issue the report on HUD's new financial management system in July 2016. See also GAO, *Information Technology: HUD Needs to Improve Key Project Management Practices for Its Modernization Efforts*, [GAO-13-455](#) (Washington, D.C.: June 12, 2013) and *Information Technology: HUD Can Take Additional Actions to Improve Its Governance*, [GAO-15-56](#) (Washington, D.C.: Dec. 10, 2014).

To assess HUD's efforts to oversee its programs, we reviewed HUD's policies and procedures for monitoring its programs, including the *Departmental Management Control Program Handbook*, *Monitoring Desk Guide*, and program-specific guidebooks. Specifically, we reviewed the processes HUD used for risk-based monitoring and for implementing fraud risk management. We also interviewed external HUD stakeholders, including representatives from public housing, community development, and mortgage industry associations about HUD's monitoring, oversight, and evaluation efforts. We compared HUD's efforts with leading practices outlined in our framework for managing fraud risks.¹²

To assess HUD's efforts to evaluate its programs and measure outcomes, we reviewed related HUD policies and procedures and HUD's strategic plan for research and evaluations and assessed them against federal internal control standards and American Evaluation Association guidance.¹³ We also reviewed examples of completed evaluations from 2014 and 2015 for additional context.

We conducted this performance audit from November 2014 through July 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

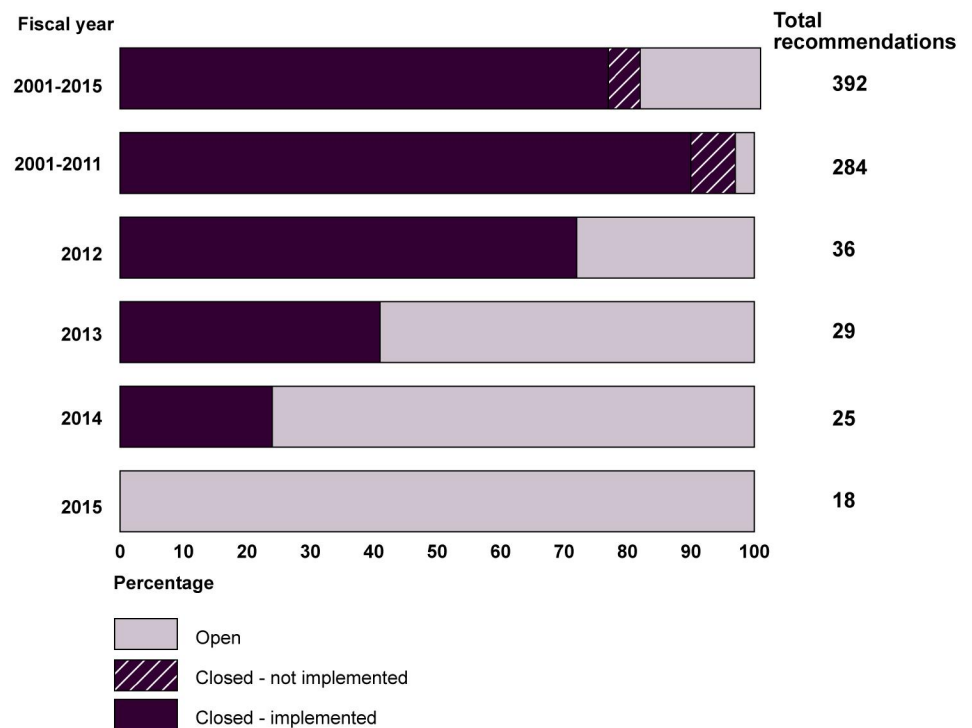
¹²See GAO, *A Framework for Managing Fraud Risks in Federal Programs*, [GAO-15-593SP](#) (Washington, D.C.: July 28, 2015). To develop this framework, we solicited a wide range of views in developing leading practices and ensuring their applicability to the federal government. This process included interactions with selected federal agency program officials, Offices of Inspector General, the World Bank, the Organisation for Economic Co-operation and Development, as well as antifraud experts from state and local governments, private companies, other national audit institutions, and nongovernmental organizations.

¹³See American Evaluation Association, *An Evaluation Roadmap for a More Effective Government* (October 2013). The American Evaluation Association (AEA) is an international professional association of evaluators devoted to the application and exploration of program evaluation, personnel evaluation, technology, and many other forms of evaluation. AEA has approximately 7,000 members representing all 50 states in the United States as well as over 60 foreign countries. AEA has published guides for the individual evaluator's practice and for developing and implementing U.S. government evaluation programs.

Appendix II: Open GAO Recommendations to the Department of Housing and Urban Development

From fiscal year 2001 through fiscal year 2015, we made nearly 400 recommendations to the Department of Housing and Urban Development (HUD), of which 77 percent have been implemented. HUD implemented 90 percent of the recommendations we made in fiscal years 2001 through 2011 and continues to make progress in implementing recommendations we made in subsequent fiscal years (see fig. 5).

Figure 5: Status of GAO Recommendations to the Department of Housing and Urban Development (HUD) Overall and by Fiscal Year, as of June 2016



Source: GAO analysis. | GAO-16-497

As of June 2016, 58 percent (63 of 108) of the recommendations that we made to HUD in fiscal years 2012 through 2015 had not yet been fully implemented (see table 1). HUD has efforts in process to address a number of these recommendations, including several for which GAO staff are currently reviewing documentation provided by HUD to assess whether they have been fully implemented. As part of an effort to call attention to unimplemented recommendations that we believe warrant priority attention, in August 2015 the Comptroller General sent a letter to the HUD Secretary identifying 18 recommendations as being among the highest priorities for implementation. The recommendations related to four key areas: (1) management and financial condition of the Federal

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Housing Administration, (2) housing assistance, (3) assistance to address homelessness, and (4) information technology (IT) management. Addressing these recommendations could yield significant improvements in the department's operations. As of June 2016, HUD had fully addressed 9 priority recommendations and provided documentation to us, which is currently under review, to demonstrate another 4 priority recommendations had been implemented. HUD also continued to make progress on implementing the other 5 priority recommendations.

Table 1: Open and In-Process GAO Recommendations to the Department of Housing and Urban Development (HUD) from Fiscal Years 2012 through 2015 by Program Office, Including Recommendations Designated as High Priority for Implementation by the Comptroller General, as of June 2016

| Office of Housing | | | |
|----------------------------|--|---|----------------------|
| Report number | Report title | Recommendation | High priority |
| GAO-12-296 | Foreclosure Mitigation: Agencies Could Improve Effectiveness of Federal Efforts with Additional Data Collection and Analysis | To more fully understand the strengths and risks posed by foreclosure mitigation actions and protect taxpayers from absorbing avoidable losses to the maximum extent possible, the Federal Housing Administration (FHA) should conduct periodic analyses of the effectiveness and the long-term costs and benefits of its loss mitigation strategies and actions. These analyses should consider (1) the redefault rates associated with each type of home retention action and (2) the impact that loan and borrower characteristics have on the performance of different home retention actions. FHA should use the results from these analyses to reevaluate its loss mitigation approach and provide additional guidance to servicers to effectively target foreclosure mitigation actions. If FHA does not maintain data needed to consider this information, it should require servicers to provide them. | Yes |
| GAO-12-554 | Housing Assistance: Opportunities Exist to Increase Collaboration and Consider Consolidation | To build on task force and working group efforts already underway to coordinate, consolidate, or improve housing programs, and help inform Congress's decision-making process, the Secretaries or other designated officials of HUD, Treasury, U.S. Department of Agriculture, and the Department of Veterans Affairs should evaluate and report on the specific opportunities for consolidating similar housing programs, including those that would require statutory changes. | Yes |
| GAO-13-52 | Manufactured Housing Standards: Testing and Performance Evaluation Could Better Ensure Safe Indoor Air Quality | To better ensure that air ventilation systems in manufactured homes perform as specified and meet the HUD Code, HUD should develop an appropriate method to test and validate the performance of the ventilation system as part of the HUD certification process. | No |
| GAO-13-52 | Manufactured Housing Standards: Testing and Performance Evaluation Could Better Ensure Safe Indoor Air Quality | To ensure that its specification for airflow continues to be appropriate, HUD should reassess the assumptions for the whole-house ventilation specification, working with the Manufactured Housing Consensus Committee, to determine the appropriate rates, taking into consideration current natural air infiltration, to achieve the whole-house ventilation performance, considering the expected impact such ventilation would have on indoor air quality. | No |

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| Report number | Report title | Recommendation | High priority |
|----------------------------|---|---|----------------------|
| GAO-13-542 | Federal Housing Administration: Improving Disposition and Oversight Practices May Increase Returns on Foreclosed Property Sales | To increase the potential for higher financial returns from FHA's disposition of real estate-owned properties, the Secretary of HUD should direct the FHA Commissioner to identify and implement changes in current practices or requirements that could improve real estate-owned disposition outcomes, including requiring the use of multiple estimates of market value when determining initial list prices. | Yes |
| GAO-13-542 | Federal Housing Administration: Improving Disposition and Oversight Practices May Increase Returns on Foreclosed Property Sales | To increase the potential for higher financial returns from FHA's disposition of real estate-owned properties, the Secretary of HUD should direct the FHA Commissioner to identify and implement changes in current practices or requirements that could improve real estate-owned disposition outcomes, including ensuring that the timing and amount of price reductions for its listed properties are made on the basis of an evaluation of market conditions rather than on standardized schedules. | Yes |
| GAO-13-542 | Federal Housing Administration: Improving Disposition and Oversight Practices May Increase Returns on Foreclosed Property Sales | To improve its oversight of the real estate-owned disposition program, the Secretary of HUD should direct the FHA Commissioner to implement controls to ensure that listing brokers are located within close enough proximity to their listed properties to effectively market real estate-owned properties. | No |
| GAO-13-542 | Federal Housing Administration: Improving Disposition and Oversight Practices May Increase Returns on Foreclosed Property Sales | To improve its oversight of the real estate-owned disposition program, the Secretary of HUD should direct the FHA Commissioner to take steps to develop a legally acceptable means of assigning work to real estate-owned contractors that uses more frequent assessments of past performance. | No |
| GAO-13-542 | Federal Housing Administration: Improving Disposition and Oversight Practices May Increase Returns on Foreclosed Property Sales | To improve its oversight of the real estate-owned disposition program, the Secretary of HUD should direct the FHA Commissioner to update its real estate-owned program disposition handbook, or equivalent document, to include a current and consolidated set of policies and procedures for managing and disposing of FHA's real estate-owned properties. | No |
| GAO-13-722 | FHA Mortgage Insurance: Applicability of Industry Requirements Is Limited, but Certain Features Could Enhance Oversight | To provide additional perspective on the Fund's financial status, FHA should disclose estimates of the individual cash flows associated with the liability for loan guarantees (premiums, claims, and recoveries), including their value for each year of the 30-year estimation period. | No |
| GAO-14-410 | Manufactured Housing: Efforts Needed to Enhance Program Effectiveness and Ensure Funding Stability | To better ensure the viability and safety of manufactured housing produced in accordance with the HUD Code, the Secretary of HUD should strengthen the oversight of inspections and enforcement-related activities by (1) consistently documenting actions taken to resolve recommendations from completed audits and the outcome of such actions, (2) completing a Transition Plan for the monitoring contractor activity, and (3) exploring the feasibility of developing a cost-effective systematic process for collecting and evaluating information on the content of complaints. | No |

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| Report number | Report title | Recommendation | High priority |
|----------------------------|--|---|----------------------|
| GAO-14-410 | Manufactured Housing: Efforts Needed to Enhance Program Effectiveness and Ensure Funding Stability | To better ensure that Congress, stakeholders, and agencies have complete information about changing costs and whether a fee needs to be changed, HUD should assess the feasibility, including an analysis of the benefits and costs, of putting in place user fees for its dispute resolution and installation programs. | No |
| GAO-14-410 | Manufactured Housing: Efforts Needed to Enhance Program Effectiveness and Ensure Funding Stability | To better ensure that Congress, stakeholders, and agencies have complete information about changing costs and whether a fee needs to be changed, HUD should complete the necessary rulemaking changes to allow the Office of Manufactured Housing Programs to adjust its label fees from the \$39 per label toward levels up to the congressionally authorized level that better reflect the current levels of manufactured home production, while considering the impact that such fees may have on the industry; put in place a process for regular fee reviews to determine whether the fees currently being charged will allow the program to respond to spikes and surges in label fee revenue and to identify any factors that may drive label fee revenue instability; and identify any additional sources of funding that may mitigate initial revenue shortfalls and the program's fixed and variable costs. | No |
| GAO-14-410 | Manufactured Housing: Efforts Needed to Enhance Program Effectiveness and Ensure Funding Stability | To better ensure that Congress, stakeholders, and agencies have complete information about changing costs and whether a fee needs to be changed, HUD should establish the goals for use of reserves of the Manufactured Housing Fees Trust Fund, and the minimum and maximum thresholds for the reserves appropriate for meeting these goals. | No |
| GAO-14-410 | Manufactured Housing: Efforts Needed to Enhance Program Effectiveness and Ensure Funding Stability | To better ensure the viability and safety of manufactured housing produced in accordance with the HUD Code, the Secretary of HUD should develop and implement a plan for updating construction and safety standards for manufactured homes on a timely, recurring basis to include: (1) addressing unresolved issues related to defining and developing sufficient economic analyses tied to proposed changes to the construction and safety standards; and (2) ensuring sufficient resources and capacity within HUD and the Manufactured Housing Consensus Committee and its administering organization; or if such a plan cannot be devised and implemented, identify and report to Congress on alternative methods of ensuring the quality, durability, safety, and affordability of manufactured homes, including the possibility of relying more extensively on existing industry standards. | No |
| GAO-14-410 | Manufactured Housing: Efforts Needed to Enhance Program Effectiveness and Ensure Funding Stability | To better ensure the viability and safety of manufactured housing produced in accordance with the HUD Code, the Secretary of HUD should develop a plan to assess how FHA financing might further promote the affordability of manufactured homes and identify the potential for better securitization of manufactured housing financing. | No |

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| Report number | Report title | Recommendation | High priority |
|----------------------------|---|--|----------------------|
| GAO-12-182 | Homeless Women Veterans: Actions Needed to Ensure Safe and Appropriate Housing | In order to help achieve the goal of ending homelessness among veterans, the Secretaries of Veterans Affairs and HUD should collaborate to ensure appropriate data are collected on homeless women veterans, including those with children and those with disabilities, and use these data to strategically plan for services. ^a | No |
| GAO-12-300 | Housing Choice Vouchers: Options Exist to Increase Program Efficiencies | To help reduce voucher program costs or better ensure the efficient use of voucher program funds, the HUD Secretary should provide information to Congress on housing agencies' estimated amount of excess subsidy reserves. In taking these steps, the Secretary should determine a level of subsidy reserves housing agencies should retain on an ongoing basis to effectively manage their voucher programs. | No |
| GAO-12-300 | Housing Choice Vouchers: Options Exist to Increase Program Efficiencies | To help reduce voucher program costs or better ensure the efficient use of voucher program funds, the HUD Secretary should provide information to Congress on its criteria for how it will redistribute excess reserves among housing agencies so that they can serve more households. In taking these steps, the Secretary should determine a level of subsidy reserves housing agencies should retain on an ongoing basis to effectively manage their voucher programs. | No |
| GAO-12-819 | Entrepreneurial Assistance: Opportunities Exist to Improve Programs' Collaboration, Data-Tracking, and Performance Management | The Secretary of HUD should conduct more program evaluations to better understand why programs have not met performance goals and their overall effectiveness. | No |
| GAO-12-819 | Entrepreneurial Assistance: Opportunities Exist to Improve Programs' Collaboration, Data-Tracking, and Performance Management | The Secretary of HUD should consistently collect information that would enable them to track the specific type of assistance programs provide and the entrepreneurs they serve and use this information to help administer their programs. | No |
| GAO-12-819 | Entrepreneurial Assistance: Opportunities Exist to Improve Programs' Collaboration, Data-Tracking, and Performance Management | The Director of the Office of Management and Budget (OMB), the Secretaries of the Departments of Agriculture, Commerce, and HUD, and the Administrator of the Small Business Administration should work together to identify opportunities to enhance collaboration among programs, both within and across agencies. | No |
| GAO-13-581 | Rental Housing Assistance: HUD Data on Self-Sufficiency Programs Should Be Improved | To better inform Congress and improve what is known about residents' participation in key grant programs designed to facilitate resident self-sufficiency, and their progress towards self-sufficiency, the Secretary of HUD should develop and implement a strategy for regularly analyzing participation and outcome data for the Resident Opportunity and Self-Sufficiency Service Coordinators program; such a strategy could include identification of public housing agencies (PHA) from which lessons could be learned and PHAs that may need assistance improving participation rates or outcomes. | Yes |

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| Report number | Report title | Recommendation | High priority |
|----------------------------|---|--|----------------------|
| GAO-13-581 | Rental Housing Assistance: HUD Data on Self-Sufficiency Programs Should Be Improved | To better inform Congress and improve what is known about residents' participation in key grant programs designed to facilitate resident self-sufficiency, and their progress towards self-sufficiency, the Secretary of HUD should develop and implement a process to better ensure that PHAs awarded Resident Opportunity and Self-Sufficiency Service Coordinators grants annually report required participation and outcome data that are comparable among grant recipients; this process should include the issuance of program-specific reporting guidance. | No |
| GAO-14-255 | Native American Housing: Additional Actions Needed to Better Support Tribal Efforts | To increase consistency and reduce time and predevelopment cost for Native American Housing Assistance and Self Determination Act of 1996 grant recipients, an interagency effort similar to that of the federal infrastructure task force but specific to tribal housing should be initiated with participants from the Indian Health Service, HUD, Department of the Interior, and the U.S. Department of Agriculture to develop and implement a coordinated environmental review process for all agencies overseeing tribal housing development. In addition, the agencies should determine if it would be appropriate to designate a lead agency in this effort. | No |

Office of Community Planning and Development

| Report number | Report title | Recommendation | High priority |
|----------------------------|---|---|----------------------|
| GAO-13-247 | Community Development Block Grants: Reporting on Compliance with Limit on Funds Used for Administration Can Be Improved | In order to demonstrate compliance across the program with the statutory limit on funds that can be used for administration, the Secretary of HUD should direct the Assistant Secretary for Community Planning and Development to develop a process for generating annual reports on compliance across the program, including making any requisite changes to the Integrated Disbursement and Information System to better ensure that the agency has complete and analyzable data to support such reporting. | No |
| GAO-14-739 | Federal Real Property: More Useful Information to Providers Could Improve the Homeless Assistance Program | HUD, the General Services Administration, the Department of Health and Human Services, and the United States Interagency Council on Homelessness should work together to address the challenges that homeless assistance providers face with the Title V homeless assistance program by (1) identifying what kinds of properties are most practical for homeless assistance, and (2) developing a web-based source of information on the program for homeless assistance providers. | No |
| GAO-14-739 | Federal Real Property: More Useful Information to Providers Could Improve the Homeless Assistance Program | To improve HUD's database on Title V homeless assistance properties, HUD should modify its existing database or create an electronic, searchable database to meet reporting needs to the extent that the benefits outweigh the costs. | No |

**Appendix II: Open GAO Recommendations to
the Department of Housing and Urban
Development**

| Report number | Report title | Recommendation | High priority |
|----------------------------|--|--|---------------|
| GAO-15-209 | Disaster Relief: Agencies Need to Improve Policies and Procedures for Estimating Improper Payments | To help reduce the risk that improper payment estimates related to Disaster Relief Appropriations Act, 2013 funding developed and reported by selected agencies may not be accurate or reliable, and to help ensure that HUD produces reliable estimates of its improper payments associated with this funding, the Secretary of HUD should direct appropriate officials to revise its policies and procedures for estimating improper payments by (1) requiring payments to federal employees to be included in populations for testing as required by the Improper Payments Information Act of 2002, as amended, and (2) including steps to assess the completeness of the population of transactions used for selecting the samples to be tested. | No |
| GAO-15-274 | Military Base Realignments and Closures: Process for Reusing Property for Homeless Assistance Needs Improvements | To assist homeless assistance providers and local redevelopment authorities in completing the steps of the base realignment and closure homeless assistance process within required time frames, to provide additional information to reduce unfulfilled expectations about the decisions made in executing the homeless assistance agreements, and to promote a greater dissemination of this information, the Secretaries of HUD and Defense, for each of the following four elements, should update the base realignment and closure homeless assistance regulations; establish information-sharing mechanisms, such as a website or informational pamphlets; or develop templates to include guidance for legally binding agreements and clarification on the implications of unsigned agreements. | No |
| GAO-15-274 | Military Base Realignments and Closures: Process for Reusing Property for Homeless Assistance Needs Improvements | To assist homeless assistance providers and local redevelopment authorities in completing the steps of the base realignment and closure homeless assistance process within required time frames, to provide additional information to reduce unfulfilled expectations about the decisions made in executing the homeless assistance agreements, and to promote a greater dissemination of this information, the Secretaries of HUD and Defense, for each of the following four elements, should update the base realignment and closure homeless assistance regulations; establish information-sharing mechanisms, such as a website or informational pamphlets; or develop templates to include information for homeless assistance providers to use for preparing their notices of interest. | No |
| GAO-15-274 | Military Base Realignments and Closures: Process for Reusing Property for Homeless Assistance Needs Improvements | To assist homeless assistance providers and local redevelopment authorities in completing the steps of the base realignment and closure homeless assistance process within required time frames, to provide additional information to reduce unfulfilled expectations about the decisions made in executing the homeless assistance agreements, and to promote a greater dissemination of this information, the Secretaries of HUD and Defense, for each of the following four elements, should update the base realignment and closure homeless assistance regulations; establish information-sharing mechanisms, such as a website or informational pamphlets; or develop templates to include specific guidance that clearly identifies the information that should be provided to homeless assistance providers during tours of on-base property, such as the condition of the property. | No |

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the Department of Housing and Urban
Development**

| Report number | Report title | Recommendation | High priority |
|----------------------------|---|---|----------------------|
| GAO-15-274 | Military Base Realignments and Closures: Process for Reusing Property for Homeless Assistance Needs Improvements | To assist homeless assistance providers and local redevelopment authorities in completing the steps of the base realignment and closure homeless assistance process within required time frames, to provide additional information to reduce unfulfilled expectations about the decisions made in executing the homeless assistance agreements, and to promote a greater dissemination of this information, the Secretaries of HUD and Defense, for each of the following four elements, should update the base realignment and closure homeless assistance regulations; establish information-sharing mechanisms, such as a website or informational pamphlets; or develop templates to include specific information on legal alternatives to providing on-base property, including acceptable alternative options such as financial assistance or off-base property in lieu of on-base property, information about rules of sale for on-base property conveyed to homeless assistance providers, and under what circumstances it is permissible to sell property for affordable housing alongside the no-cost homeless assistance conveyance. | No |
| GAO-15-274 | Military Base Realignments and Closures: Process for Reusing Property for Homeless Assistance Needs Improvements | To help determine the effectiveness of base realignment and closure homeless assistance conveyances, the Secretaries of HUD and Defense should update the base realignment and closure homeless assistance regulations to require that conveyance statuses be tracked. These regulatory updates could include requiring DOD to track and share disposal actions with HUD and requiring HUD to track the status following disposal, such as type of assistance received by providers and potential withdrawals by providers. | No |
| GAO-15-274 | Military Base Realignments and Closures: Process for Reusing Property for Homeless Assistance Needs Improvements | To help improve the timeliness of the HUD review process, the Secretary of HUD should develop options to address the use of staff resources dedicated to the reviews of bases during a base realignment and closure round, such as assigning temporary headquarters staff or utilizing current field HUD staff. | No |
| GAO-15-298 | Persons with HIV: Funding Formula for Housing Assistance Could Be Better Targeted, and Performance Data Could Be Improved | To help ensure that HUD is using grantee performance data to identify and address any irregularities or issues in grantee reporting, the Secretary of HUD should direct the Assistant Secretary for Community Planning and Development to develop and implement a specific process to make comparisons between the unmet housing need data submitted by individual grantees from year to year, including a process to follow up with grantees when significant changes are identified. | No |
| GAO-15-298 | Persons with HIV: Funding Formula for Housing Assistance Could Be Better Targeted, and Performance Data Could Be Improved | To improve information on the unmet housing needs of persons with human immunodeficiency virus and follow through on its efforts to develop a standard methodology, the Secretary of HUD should direct the Assistant Secretary for Community Planning and Development to require grantees to use comparable methodologies to analyze HUD's recommended data sources on unmet housing need. | No |

Office of the Chief Human Capital Officer

| Report number | Report title | Recommendation | High priority |
|----------------------|---------------------|-----------------------|----------------------|
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**Appendix II: Open GAO Recommendations to
the Department of Housing and Urban
Development**

| Report number | Report title | Recommendation | High priority |
|----------------------------|---|---|----------------------|
| GAO-13-282 | Housing and Urban Development: Strategic Human Capital and Workforce Planning Should be an Ongoing Priority | To improve the human capital planning, workforce planning, and resource management processes at HUD, the Secretary of HUD should collect data that are used for decision-making, thus creating incentives for staff to report accurate data for the resource management system. | No |
| GAO-13-282 | Housing and Urban Development: Strategic Human Capital and Workforce Planning Should be an Ongoing Priority | To improve the quality of HUD's congressional budget justification, the Secretary of HUD should consult with users of the congressional budget justification, such as congressional decision makers, to determine what additional information about resource decisions should be presented, and how, in its congressional budget justification. | No |

Office of the Chief Information Officer

| Report number | Report title | Recommendation | High priority |
|----------------------------|---|--|----------------------|
| GAO-13-455 | Information Technology: HUD Needs to Improve Key Project Management Practices for Its Modernization Efforts | To ensure that HUD effectively and efficiently manages its modernization efforts aimed at improving its information technology (IT) environment to support mission needs, the Secretary of HUD should direct the Deputy Secretary to establish a plan of action that identifies specific time frames for correcting the deficiencies highlighted in this report for both its ongoing projects, as applicable, and its planned projects, to include (1) developing charters that define what constitutes project success and establish accountability, (2) finalizing deliverable-oriented work breakdown structures and associated dictionaries that define the detailed work needed to accomplish project objectives, (3) completing comprehensive project management plans that reflect cost and schedule baselines and fully incorporate subsidiary management plans, (4) establishing requirements management plans that include prioritization methods to be applied and metrics for determining how products address requirements, (5) completing matrixes to include requirements traceability from mission needs through implementation, and (6) establishing strategies to guide how acquisitions are managed in accordance with other processes and that performance metrics are established. ^a | Yes |
| GAO-13-455 | Information Technology: HUD Needs to Improve Key Project Management Practices for Its Modernization Efforts | To improve development and use of the department's project management framework, the Secretary should direct the Chief Information Officer to ensure that revisions to the framework incorporate specific information to address the areas of deficiency in project planning, requirements management, and acquisition planning identified in this report. ^a | No |
| GAO-13-455 | Information Technology: HUD Needs to Improve Key Project Management Practices for Its Modernization Efforts | To improve development and use of the department's project management framework, the Secretary should direct the Customer Care Committee to review the role and responsibilities of the Technical Review Subcommittee and ensure that the department's governance structure operates as intended and adequately oversees the management of all of its modernization efforts. ^a | No |

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the Department of Housing and Urban
Development**

| Report number | Report title | Recommendation | High priority |
|----------------------------|---|--|----------------------|
| GAO-13-455 | Information Technology: HUD Needs to Improve Key Project Management Practices for Its Modernization Efforts | To improve development and use of the department's project management framework, the Secretary should direct the FHA Transformation and Next Generation Management System steering committees to ensure that project management expertise needed to apply the guidance outlined in the framework is provided to execute and manage their respective projects. ^a | No |
| GAO-14-65 | Information Technology: Additional OMB and Agency Actions Are Needed to Achieve Portfolio Savings | To improve the department's implementation of PortfolioStat, in future reporting to OMB, the Secretary of HUD should direct the Chief Information Officer to fully describe the following PortfolioStat action plan element: establish criteria for identifying wasteful, low-value, or duplicative investments. ^a | No |
| GAO-14-65 | Information Technology: Additional OMB and Agency Actions Are Needed to Achieve Portfolio Savings | To improve the department's implementation of PortfolioStat, the Secretary of HUD should direct the Chief Information Officer to develop a complete commodity IT baseline. ^a | No |
| GAO-14-65 | Information Technology: Additional OMB and Agency Actions Are Needed to Achieve Portfolio Savings | To improve the department's implementation of PortfolioStat, the Secretary of HUD should direct the Chief Information Officer to report on the department's progress in consolidating the Human Resources End-to-End Performance Management Module to a shared service as part of the OMB integrated data collection quarterly reporting until completed. ^a | No |
| GAO-14-283 | Information Technology: HUD's Expenditure Plan Satisfied Statutory Conditions; Sustained Controls and Modernization Approach Needed | 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. ^a | Yes |
| GAO-14-283 | Information Technology: HUD's Expenditure Plan Satisfied Statutory Conditions; Sustained Controls and Modernization Approach Needed | To ensure effective management and modernization of HUD's IT environment, the Secretary of HUD should direct the department's Chief Information Officer to establish a means for evaluating progress toward institutionalizing management controls and commit to time lines for activities and next steps. ^a | No |
| GAO-14-354 | Information Security: Agencies Need to Improve Cyber Incident Response Practices | To improve the effectiveness of cyber incident response activities, the Secretary of HUD should develop a departmentwide incident response plan that includes, among other elements, senior management's approval, and metrics for measuring the incident response capability and its effectiveness. ^a | Yes |
| GAO-14-413 | Federal Software Licenses: Better Management Needed to Achieve Significant Savings Government-Wide | To ensure the effective management of software licenses, the Secretary of HUD should analyze agency-wide software license data, such as costs, benefits, usage, and trending data, to identify opportunities to reduce costs and better inform investment decision making. ^a | No |
| GAO-14-413 | Federal Software Licenses: Better Management Needed to Achieve Significant Savings Government-Wide | To ensure the effective management of software licenses, the Secretary of HUD should develop an agency-wide comprehensive policy for the management of software licenses that addresses the weaknesses we identified. ^a | No |

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the Department of Housing and Urban
Development**

| Report number | Report title | Recommendation | High priority |
|----------------------------|--|---|----------------------|
| GAO-14-413 | Federal Software Licenses: Better Management Needed to Achieve Significant Savings Government-Wide | To ensure the effective management of software licenses, the Secretary of HUD should provide software license management training to appropriate agency personnel addressing contract terms and conditions, negotiations, laws and regulations, acquisition, security planning, and configuration management. ^a | No |
| GAO-14-413 | Federal Software Licenses: Better Management Needed to Achieve Significant Savings Government-Wide | To ensure the effective management of software licenses, the Secretary of HUD should regularly track and maintain a comprehensive inventory of software licenses using automated tools and metrics. ^a | No |
| GAO-15-56 | Information Technology: HUD Can Take Additional Actions to Improve Its Governance | To ensure that HUD fully implements and sustains effective IT governance practices, the Secretary of HUD should direct the Deputy Secretary and the department's Chief Information Officer to place a high priority and ensure that the executive-level investment review board meets as outlined in its charter, documents criteria for use by the other boards, and distributes its decisions to appropriate stakeholders. ^a | No |
| GAO-15-56 | Information Technology: HUD Can Take Additional Actions to Improve Its Governance | To ensure that HUD fully implements and sustains effective IT governance practices, the Secretary of HUD should direct the Deputy Secretary and the department's Chief Information Officer to place a high priority and fully establish a well-defined process that incorporates key practices for overseeing investments, including (1) monitoring actual project performance against expected outcomes for project cost, schedule, benefit, and risk; (2) establishing and documenting cost-, schedule-, and performance-based thresholds for triggering remedial actions or elevating project review to higher-level investment boards; and (3) conducting post-implementation reviews to evaluate results of projects after they are completed. ^a | No |
| GAO-15-56 | Information Technology: HUD Can Take Additional Actions to Improve Its Governance | To ensure that HUD fully implements and sustains effective IT governance practices, the Secretary of HUD should direct the Deputy Secretary and the department's Chief Information Officer to place a high priority and fully establish an IT investment selection process that includes (1) articulating how reviews of project proposals are to be conducted; (2) planning how data (including cost estimates) are to be developed and verified and validated; (3) establishing criteria for how cost, schedule, and project risk are to be analyzed; (4) developing procedures for how proposed projects are to be compared to one another in terms of investment size (cost), project longevity (schedule), technical difficulty, project risk, and cost-benefit analysis; and (5) ensuring that final selection decisions made by senior decision makers and governance boards are supported by analysis, consider predefined quantitative measures, and are consistently documented. ^a | No |
| GAO-15-56 | Information Technology: HUD Can Take Additional Actions to Improve Its Governance | To ensure that HUD fully implements and sustains effective IT governance practices, the Secretary of HUD should direct the Deputy Secretary and the department's Chief Information Officer to place a high priority and fully establish and maintain a complete set of governance policies, establish time frames for establishing policies planned but not yet developed, and update key governance documents to reflect changes made to established practices. ^a | No |

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| Report number | Report title | Recommendation | High priority |
|----------------------------|--|--|----------------------|
| GAO-15-56 | Information Technology: HUD Can Take Additional Actions to Improve Its Governance | To establish an enterprise-wide view of cost savings and operational efficiencies generated by investments and governance processes, the Secretary of HUD 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. ^a | Yes |
| GAO-15-617 | Information Technology Reform: Billions of Dollars in Savings Have Been Realized, but Agencies Need to Complete Reinvestment Plans | To improve the department's IT savings reinvestment plans, the Secretary of HUD should direct the Chief Information Officer to ensure that the department's integrated data collection submission to OMB includes, for all reported initiatives, complete plans to reinvest any resulting cost savings and avoidances from OMB-directed IT reform-related efforts. | No |

Office of the Chief Procurement Officer

| Report number | Report title | Recommendation | High priority |
|----------------------------|--|--|----------------------|
| GAO-14-126 | Strategic Sourcing: Selected Agencies Should Develop Performance Measures on Inclusion of Small Businesses and OMB Should Improve Monitoring | Consistent with OMB guidance and to track the effect of strategic sourcing on small businesses, the Secretary of HUD should collect baseline data and establish performance measures on the inclusion of small businesses in strategic sourcing initiatives. | No |

Office of Policy Development and Research

| Report number | Report title | Recommendation | High priority |
|----------------------------|--|--|----------------------|
| GAO-15-185 | Mortgage Reforms: Actions Needed to Help Assess Effects of New Regulations | To enhance the effectiveness of its preparations for conducting a retrospective review of its qualified mortgage regulations, HUD should develop a plan that identifies the metrics, baselines, and analytical methods to be used. Furthermore, to account for and help mitigate the limitations of existing data and the uncertain availability of enhanced datasets, HUD should include in its plan alternate metrics, baselines, and analytical methods that could be used data were to remain unavailable. | No |

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| Report number | Report title | Recommendation | High priority |
|----------------------------|--|---|----------------------|
| GAO-15-185 | Mortgage Reforms: Actions Needed to Help Assess Effects of New Regulations | To enhance the effectiveness of their preparations for conducting a retrospective review of the qualified residential mortgage regulations, the agencies responsible for the regulations—Federal Deposit Insurance Corporation, Federal Housing Finance Agency, Board of Governors of the Federal Reserve System, HUD, Office of the Comptroller of the Currency, and Securities and Exchange Commission—should develop a plan that identifies the metrics, baselines, and analytical methods to be used and specify the roles and responsibilities of each agency in the review process. Furthermore, to account for and help mitigate limitations of existing data and the uncertain availability of enhanced datasets, the six agencies should include in their plan alternate metrics, baselines, and analytical methods that could be used if data were to remain unavailable. | No |
| GAO-15-645 | Affordable Rental Housing: Assistance Is Provided by Federal, State, and Local Programs, but There Is Incomplete Information on Collective Performance | To build upon HUD and the Rental Policy Working Group's efforts to improve coordination of rental assistance, the Secretary of HUD, in consultation with the Rental Policy Working Group, should work with states and localities to develop an approach for compiling and reporting on the collective performance of federal, state, and local rental assistance programs. Such an effort may begin with one or more pilots to test approaches before they are considered for wider application. | No |

Multiple Offices

| Report number | Report title | Recommendation | High priority |
|---------------------------|---|--|----------------------|
| GAO-12-79 | Green Building: Federal Initiatives for the Nonfederal Sector Could Benefit from More Interagency Collaboration | To help assess the results of investments in individual federal initiatives to foster green building in the nonfederal sector, as well as their combined results, the Secretaries of Energy and of HUD should work with the Administrator of the Environmental Protection Agency in leading an effort with other agencies that are implementing green building initiatives to collaborate on identifying performance information, such as shared goals and common performance measures, for green building initiatives for the nonfederal sector. This effort should include, if necessary, an exploration of the need for additional legislative or executive authority, such as the authority to establish a coordinating entity (e.g., an interagency working group). | No |

Source: GAO. | GAO-16-497

^aHUD has taken a number of actions to implement this recommendation, and we are currently reviewing and assessing additional documentation HUD provided to demonstrate this recommendation has been fully implemented.

Appendix III: Recent Changes to the Department of Housing and Urban Development's Field Office Structure

Background

For many years, the Department of Housing and Urban Development (HUD) operated a network of 81 regional and field offices around the country. In April 1994, HUD began implementing a field office reorganization that involved changing the reporting structure for its field staff. Instead of having field staff report to senior officials within the regional and field structure, most field staff were incorporated into the reporting structures under each of the assistant secretaries in headquarters. The remaining staff were retained under the Office of Field Policy and Management to operate the regional and field offices and perform other functions. The late 1990s also brought other changes to the field office structures of particular program offices. For example, HUD consolidated most of its single-family housing operations from 81 field offices into four homeownership centers. However, HUD's total number of regional and field offices agency-wide did not change.

Small Office Project

In April 2013, as a result of staffing and expense pressures, HUD announced the Small Offices Project, a plan to close a number of small field offices. HUD used two criteria to select offices for closure, choosing to shutter only offices that did not manage HUD programs (such as offices with only Office of Field Policy and Management staff) and those in states where HUD had at least one other field office. Ultimately, HUD deemed 16 small offices nonessential and closed them, redeploying or buying out the employees. These offices were originally single-family housing loan processing sites that had become field offices after HUD consolidated the loan processing function into four homeownership centers in the 1990s.¹ HUD initially anticipated realizing annual savings of \$10.74 million, with a one-time implementation cost of \$7.78 million. According to HUD estimates, HUD is actually realizing savings of \$9 million annually after one-time implementation costs of \$5 million. HUD attributed the difference in anticipated annual savings to a lower-than-expected number of staff who agreed to buyouts (voluntary separation incentive payments that totaled of up to \$25,000, as outlined by OPM guidance). However, one-time implementation costs were lower than anticipated because HUD's lease termination and relocation costs were smaller than projected.

¹The 16 offices were: Camden, NJ; Cincinnati, OH; Dallas, TX; Flint, MI; Grand Rapids, MI; Lubbock, TX; Shreveport, LA; Spokane, WA; Springfield, IL; Syracuse, NY; Orlando, FL; Tampa, FL; Fresno, CA; Sacramento, CA; San Diego, CA; and Tucson, AZ.

Multifamily Housing Streamlining Initiatives

Following the recession of 2007–2009, the Office of Multifamily Housing (MFH) faced an increase in business demand for its multifamily mortgage insurance programs, which insure mortgage loans to finance the construction, rehabilitation, or purchase of properties for rental or cooperative housing. For example, between 2008 and 2013 MFH-insured mortgage originations increased from \$3 billion to nearly \$18 billion. According to MFH officials, MFH had difficulty keeping up, and a long backlog of applications for insurance developed, resulting in application processing times that could exceed 200 days. To counter the delays, MFH undertook two process improvement efforts, and then began a multiyear process to streamline its organizational structure.

Process Improvements

MFH's process improvement efforts—referred to as “Breaking Ground” and “Sustaining Our Investments”—sought to address inefficiencies in its production and asset management processes. According to HUD officials, both efforts included standardizing work where possible and incorporating Lean Six Sigma concepts.²

Specifically, Breaking Ground was an initiative which introduced process and management changes to its application-intake (production) process. Beginning in 2010, this initiative included rolling out new team management processes, such as milestone whiteboards, daily team meetings, and production dashboards. In addition, Breaking Ground introduced several operational changes to optimize processes and minimize redundancies, including rolling out an early warning system for applications deemed at-risk, and developing application staging areas. Field offices also introduced an underwriting review template to help strengthen risk management. According to HUD, Breaking Ground led to a 70 percent reduction in application backlogs, a 50 percent reduction in cycle times for two types of loans, and a 10 percent gain in reported employee morale across MFH offices. New production time frames targeted 30–90 days to process an application, depending on the application type.

²Lean Six Sigma is a data-driven approach based on the idea of eliminating defects and errors that contribute to losses of time, money, opportunities, or business.

While Breaking Ground addressed the issues on the application intake side of MFH, Sustaining Our Investments targeted the asset management side. Sustaining Our Investments was launched in 2011 and instituted more formal, risk-based processes and tools to help the asset management function manage MFH's portfolio, according to HUD. This program included introducing milestone whiteboards, creating an institutionalized problem-solving system, and classifying assets as "troubled," "potentially troubled," and "not troubled." According to HUD, Sustaining Our Investments also led to improvements. For example, HUD indicated that by fiscal year 2014, 100 percent of insured assets and 99 percent of assisted assets had been classified by risk, providing FHA and MFH leadership with greater visibility into the health of the MFH portfolio.

According to HUD officials, these efforts addressed some process issues but also highlighted areas of weakness in the MFH operational model that could be addressed only through structural changes. For example, after the implementation of Breaking Ground and Sustaining Our Investments, there was still considerable variability in implementing the process improvements introduced by these initiatives across the more than 50 field offices. Achieving further consistency in implementation would have required going to each office to identify the cause of the variation and fixing it, which HUD officials told us was very inefficient.

Multifamily for Tomorrow Transformation

HUD decided to streamline the organizational structure of MFH and implement a number of other improvements through its Multifamily for Tomorrow Transformation initiative (MFT). Initially proposed in 2013, the planned organizational changes included consolidating 52 MFH offices across the country into 5 regional offices, with one or two satellite offices per region, for a total of 12 field offices. After consultations with Congress, MFH modified MFT to not include the consolidation of asset management staff located in 35 offices. Headquarters staff were also to be realigned into four offices (down from six):

- Production, which provides direction and oversight for FHA mortgage insurance loan originations;
- Asset Management and Portfolio Oversight, which is responsible for HUD's portfolio of multifamily housing after the property has been developed;
- Recapitalization, which implements programs that help preserve the stock of affordable housing; and

- Field Operations, which oversees MFH field offices.

In addition, MFT involves transitioning to a single underwriter model for production, using an account executive model for asset management, and adopting national workload sharing. The single underwriter model involves one underwriter overseeing the review of an insurance application from beginning to end, drawing in technical experts such as construction analysts and appraisers as needed, and serving as the single point of contact for the lender. The account executive model aims to align staff expertise with the asset management portfolio by establishing three asset manager levels defined by the complexity and risk of the assets they manage. The aim of national workload sharing is to permit the distribution of production and asset management workload in offices experiencing spikes in volume to offices, teams, or individuals in other locations that have extra capacity.

MFH originally estimated that the total upfront cost of implementing MFT would be between \$75 million and \$80 million and would result in future savings of nearly \$500 million over 10 years from reductions in salary and facilities expenses. The original proposal called for a reduction of more than 300 full-time equivalent positions (FTE), lowering MFH's authorized staffing level from more than 1,500 FTE to less than 1,200 FTE. However, HUD's agreement with Congress not to consolidate asset management staff resulted in fewer staff taking buyout offers, according to HUD officials. As a result, MFH revised its total estimated savings to around \$350 million over 10 years.

MFT is being conducted in waves by region, with each wave lasting 6 to 8 months. HUD began implementing the changes to its field structure in 2014. As of April 2016, HUD had completed transformations in the southwest, midwest, and southeast regions. The northeast region was scheduled to be completed by June 2016, and the west region was scheduled to be completed by the end of fiscal year 2016. MFT generally has met all of its timelines. To provide training as part of MFT, MFH has designated 12 headquarters and field office subject-matter experts, or navigators, to be teachers and trainers. They train the staff in the new regional and satellite offices on MFH's new operational model and processes in 8-week blocks.

As a result of the initiative, HUD aims to provide better customer service, increase employee engagement, improve risk management, and operate with greater efficiency. For example, MFH is tracking the time it takes to review and process insurance applications. MFH also has a new

**Appendix III: Recent Changes to the
Department of Housing and Urban
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system—the Asset Management Process System—that was recently adopted to track response times.

Appendix IV: Performance Planning and Reporting

Background

The Office of Strategic Planning and Management (OSPM) is responsible for the Department of Housing and Urban Development's (HUD) overall performance management and leads the agency's strategic planning efforts, tracks how HUD is performing against targets, and oversees the performance of HUD grant programs. The Government Performance and Results Act of 1993 (GPRA) established strategic planning, performance planning, and performance reporting as tools to use in communicating agencies' progress in achieving their missions. The GPRA Modernization Act of 2010 (GPRAMA) updated GPRA by enhancing performance planning, management, and reporting tools that can help inform decision making at the congressional and executive branch levels. GPRAMA emphasizes cross-organizational collaboration to achieve shared goals, which can help address governance challenges related to fragmentation, overlap, and duplication.

Assessment of HUD's Performance Planning and Reporting against Key Requirements

We compared HUD's performance management documents—its strategic plan, annual performance plan, and annual performance report—and key practices with GPRAMA requirements. We then assessed the extent to which HUD met each requirement, using three categories. "Met" indicates that, in our judgment, HUD met or mostly met all aspects of the requirement. "Partially met" indicates that HUD met some but not all or most aspects of the requirement. "Not met" indicates that HUD did not meet any aspects of the requirement.

Strategic Planning

GPRAMA requires federal agencies to prepare strategic plans and contains 14 requirements for the planning process and plan contents. Among other things, these requirements include the time by which the plan should be submitted, outreach to stakeholders, and incorporation of outcome-oriented goals. We reviewed HUD's strategic plan for fiscal years 2014 through 2018 to determine whether it was consistent with GPRAMA requirements. We found that HUD's strategic plan generally met many federal requirements but that some gaps remained (see table 2).

Table 2: Extent to Which the Department of Housing and Urban Development (HUD) Met Process and Content Requirements for Its Strategic Plan for Fiscal Years 2014–2018

| Requirements: Content | Extent HUD met requirement |
|---|-----------------------------------|
| Contains a comprehensive mission statement. | Met |
| Contains strategic goals and objectives. | Met |
| Describes how goals and objectives contribute to federal government priority goals. | Not met |
| Describes how goals and objectives will be achieved. | Met |
| Describes how agency is working with other agencies to achieve goals and objectives. | Met |
| Describes how goals and objectives incorporate views obtained from congressional consultations. | Not met |
| Describes how agency performance goals contribute to strategic goals and objectives, and how the goals of the performance plans will be used to measure progress towards strategic goals. | Met |
| Identifies key external factors that could affect achievement of strategic goals and objectives. | Met |
| Describes program evaluations used in establishing or revising general goals and objectives, and includes a schedule for future program evaluations. | Met |

| Requirements: Process | Extent HUD met requirement |
|---|-----------------------------------|
| Issued at least every 4 years, approximately 1 year after a presidential term begins. | Partially met |
| Covers at least a 4-year period. | Met |
| Consult with and obtain majority and minority views from authorizing, appropriations, and oversight committees, at least every 2 years. | Partially met |
| Solicit and consider stakeholder input when developing or adjusting the strategic plan. | Partially met |
| Function and activities related to agency strategic planning performed by federal employees. | Met |

Source: GAO analysis of the Government Performance and Results Act Modernization Act of 2010 and Office of Management and Budget guidance, HUD's strategic plan for fiscal years 2014–2018, and interviews with HUD officials. | GAO-16-497

As noted, the strategic plan met many GPRAMA content and process requirements. For example, the strategic plan covered at least a 4-year period; contained a comprehensive mission statement and strategic goals and objectives; and described how the goals would be achieved, how HUD was working with other agencies to achieve its goals, and how program evaluations were used in establishing or revising goals and objectives. As shown in table 2, HUD did not fully meet two of the nine content requirements or three of the five process requirements for developing its strategic plan for fiscal years 2014–2018.

- Linking strategic goals and federal priority goals.** The strategic plan did not contain a description of how goals and objectives contribute to federal government priority goals—called cross-agency priority (CAP) goals—which are intended to address challenges that span multiple federal agencies. HUD contributed to a number of CAP goals in fiscal year 2015. For example, quarterly progress updates for

the customer service and infrastructure permitting modernization CAP goals explicitly listed HUD as a contributing agency, and another CAP goal progress update listed as contributors all Chief Financial Officers Act agencies, of which HUD is one.¹ While the strategic plan provided a link to a federal government website (Performance.gov) that contains information on CAP goals, it did not contain a description of how HUD's goals and objectives contribute to them.² Nonetheless, HUD is required to describe how its goals and objectives contribute to the CAP goals in its strategic plan.

- **Outreach to congressional and external stakeholders and incorporating views obtained from congressional consultations.** Two of the process requirements that HUD did not fully meet centered on soliciting input from Congress and external stakeholders. According to documentation provided by HUD, HUD officials met with congressional appropriations committee staff in December 2013 to discuss HUD's draft strategic goals and objectives. HUD also provided comments submitted by individuals through an online tool and a summary of comments collected by field office staff from local stakeholders on the draft strategic plan. However, HUD officials could not recall and did not document meeting with authorizing and oversight committee staff to obtain input on the draft strategic plan and has not sought input from congressional stakeholders on its strategic goals and objectives in more than 2 years. Similarly, industry representatives told us that HUD's engagement with them on its strategic plans had declined with each new plan or was not occurring. These process shortcomings have led to a content deficiency in that the strategic plan does not include a description of how the goals and objectives incorporated views obtained from congressional consultations as required.

¹The customer service CAP goal aims to make it faster and easier for individuals and businesses to complete transactions and have a positive experience with government. The infrastructure permitting modernization CAP goal aims to modernize the federal permitting and review process for major infrastructure projects to reduce uncertainty for project applicants, reduce the aggregate time it takes to conduct reviews and make permitting decisions by half, and produce better environmental and community outcomes.

²GPRAMA required OMB to establish a single, performance-related website by October 1, 2012, that would provide program and performance information and would be accessible to members and committees of Congress and the public. First developed by OMB in 2010 for executive branch use, Performance.gov was made available to the public in August 2011.

- **Issuance.** HUD issued the strategic plan in April 2014, about 2 months after the February deadline, which HUD indicated was due to delayed reviews by internal leadership and OMB. HUD officials noted that their timeliness improved over the prior strategic plan, which was issued about 9 months after the deadline.

Annual Performance Planning and Reporting

GPRAMA requires federal agencies to prepare annual performance plans and reports. Agencies prepare an annual performance plan to communicate the agency’s strategic objectives and performance goals with other elements of the agency budget request. The plan describes how the goals will be achieved, identifies priorities among the goals, and explains how the agency will monitor progress. An annual performance report provides information on the agency’s progress towards achieving the goals and objectives described in the agency’s strategic plan and annual performance plan, including progress on strategic objectives, performance goals, and agency priority goals. We reviewed HUD’s combined annual performance plan for fiscal year 2017 and annual performance report for fiscal year 2015 to determine whether they were consistent with GPRAMA requirements.³ We found that HUD’s plan and report met most federal requirements (see tables 3 and 4).

Table 3: Extent to Which the Department of Housing and Urban Development (HUD) Met Federal Requirements for its Fiscal Year 2017 Annual Performance Plan

| Requirements: contents of performance plan | Extent HUD met requirement |
|--|----------------------------|
| Establish performance goals. | Met |
| Express goals in an objective, quantifiable, and measurable form. | Met |
| Describe how performance goals contribute to goals and objectives in the agency’s strategic plan and federal government performance goals. | Partially met |
| Identify agency priority goals. | Met |
| Describe how performance goals are to be achieved. | Met |
| Establish a balanced set of performance indicators. | Met |

³According to OMB guidance, in order to reduce duplication and communicate plans in the context of historical trends, agencies are strongly encouraged to consolidate the annual performance plan with the annual performance report to deliver them concurrently with the Congressional Budget Justification and on Performance.gov by strategic objective. HUD consolidated its 2017 annual performance plan and 2015 annual performance report into one document.

Appendix IV: Performance Planning and Reporting

| Requirements: contents of performance plan | Extent HUD met requirement |
|--|-----------------------------------|
| Provide a basis for comparing actual program results with established performance goals. | Met |
| Describe how the agency will ensure the accuracy and reliability of data used to measure progress towards its performance goals. | Met |
| Describe major management challenges the agency faces. | Met |
| Identify low-priority program activities. | Met |

| Requirements: performance planning process | Extent HUD met requirement |
|--|-----------------------------------|
| Issued no later than the first Monday in February of each year. | Met |
| Made available online and notify President and Congress of its availability. | Met |
| Drafted by federal employees. | Met |
| Chief Human Capital officer must prepare section that describes human capital information and other resources and strategies required to meet performance goals. | Met |

Source: GAO analysis of the Government Performance and Results Act Modernization Act of 2010 and Office of Management and Budget guidance, HUD's fiscal year 2015 annual performance report and fiscal year 2017 annual performance plan, and interviews with HUD officials. | GAO-16-497

As shown in table 3, HUD's fiscal year 2017 annual performance plan met all but one of the content requirements and all of the process requirements. For example, HUD's plan identified agency priority goals and described how performance goals were to be achieved. In addition, HUD's Office of Chief Human Capital officer developed a section of the plan describing HUD's human capital management objective, including strategies to streamline the hiring process and enhance employee engagement, and HUD made its plan available online. However, HUD only partly met the requirement that it describe how its performance goals contribute to its strategic goals and objectives and federal performance goals. The plan described how HUD's performance goals would help it monitor progress towards its strategic goals and objectives. But the plan did not contain a description of how HUD's performance goals specifically contribute to federal goals. HUD officials stated that they did not include this information in the plan because OMB did not list HUD as a direct contributor to the CAP goals on Performance.gov. However, HUD is expressly listed as a contributing agency for the infrastructure permitting modernization and customer service CAP goals in quarterly progress updates, as noted previously.

Table 4: Extent to Which the Department of Housing and Urban Development (HUD) Met Federal Requirements for its Fiscal Year 2015 Annual Performance Report

| Requirements: contents of performance report | Extent HUD met requirement |
|--|-----------------------------------|
| Review success of achieving performance goals and include results for 5 preceding fiscal years. | Met |
| Evaluate the performance plan for the current fiscal year relative to the performance achieved toward the performance goals during the period covered by the update. | Met |
| Describe where a performance goal has not been met, why it was not met, and plans for achieving the goal. | Partially met |
| Describe the use and assess the effectiveness of any waivers for managerial accountability and flexibility. | Met |
| Include a review of the performance goals and evaluation of the performance plan relative to the agency's strategic human capital management. | Met |
| Describe how the agency ensures the accuracy and reliability of the data used to measure progress towards its performance goals. | Met |
| Include summary findings of those program evaluations completed during the period covered by the update. | Met |

| Requirements: performance reporting process | Extent HUD met requirement |
|--|-----------------------------------|
| Issued no later than February 2016. | Met |
| Made available online and to OMB. | Met |
| Drafted by federal employees. | Met |

Source: GAO analysis of the Government Performance and Results Act Modernization Act of 2010 and Office of Management and Budget guidance, HUD's fiscal year 2015 annual performance report and fiscal year 2017 annual performance plan, and interviews with HUD officials. | GAO-16-497

HUD's fiscal year 2015 annual performance report met all but one of the content requirements and all of the process requirements, as shown in table 4. For example, the report reviewed the extent to which HUD achieved its performance goals and described how the agency ensures the accuracy and reliability of the data used to measure progress towards its goals, as required by GPRAMA. It also summarized the findings of recently completed program evaluations. However, HUD only partly met the requirement that the report describe the reasons a performance goal was not met. HUD did not describe the reasons that some goals were not met or plans for achieving them. For example, HUD stated that it missed its target for the percentage of mortgage loans insured with a borrower credit score under 680, but did not describe the reasons this happened or how the target will be achieved in the future. HUD also stated that it missed its target for the number of clients counseled through its housing counseling program and provided reasons for the shortfall, but did not describe plans to achieve this goal in the future. According to OMB guidance, an agency that is not making sufficient progress in meeting a performance goal should briefly address the reasons the performance goal was not met and plans for meeting it. HUD officials stated that they

attempted to comment on all areas where HUD did not meet its performance goals, but were unable to do so because of time constraints and reporting delays.

Performance Reviews and Data

We also reviewed some of HUD's other performance management efforts and found that the agency had taken steps to enhance its performance reviews and use of performance data, as the examples below show.

- **Performance review meetings.** GPRAMA requires that federal agencies review progress on agency priority goals at least once a quarter.⁴ Reviews must be conducted by top agency leaders, involve goal leaders and other contributors, and be used to identify at-risk goals and strategies to improve performance. To meet this requirement, HUD conducts regular data-driven performance reviews called HUDStat meetings.⁵ The meetings focus on quarterly progress toward achieving each of HUD's priority goals. According to HUD officials, the HUD Secretary and senior leadership from throughout the agency, and sometimes partner agencies, attend these meetings to address challenges, review performance data and metrics, improve internal and external collaboration, and enhance performance.⁶ HUDStat meetings result in a specific set of action items for a given agency priority goal. HUD has also developed the HUDStat Business Intelligence tool to enhance the meeting process. The HUDStat Business Intelligence tool supports HUDStat meetings by providing an enterprise view of performance data by place, time, and program.

⁴Pub. L. No. 111-352, § 6, 124 Stat. 3875 (2011) (codified at 31 U.S.C. § 1120).

⁵In a 2011 report, we found that HUDStat was an integral part of a HUD initiative intended to improve the overall performance of the agency. GAO, *Streamlining Government: Key Practices from Select Efficiency Initiatives Should Be Shared Governmentwide*, [GAO-11-908](#) (Washington, D.C.: Sept. 30, 2011). Additionally, in a 2015 report, we assessed the performance review practices at 23 agencies, including HUD, and found that HUD's performance review meetings were consistent with GPRAMA requirements, OMB guidance, and leading practices. GAO, *Managing for Results: Agencies Report Positive Effects of Data-Driven Reviews on Performance but Some Should Strengthen Practices*, [GAO-15-579](#) (Washington, D.C.: July 7, 2015).

⁶For example, according to HUD officials, program staff members from both HUD and the Department of Veterans Affairs regularly participate in HUDStat meetings that focus on veterans' homelessness.

- **Program office performance management efforts.** GPRAMA aims to help ensure that agencies use performance information in decision making and holds them accountable for achieving results and improving government performance. Additionally, as our prior work has shown, leading organizations use performance information to identify gaps in and enhance their performance and to improve organizational processes.⁷ To help manage program performance, HUD's program offices have developed mechanisms to monitor office-level performance metrics. For example, the Office of Housing uses mechanisms to evaluate progress across the office and within programs, including scorecards that track performance metrics. Similarly, the Office of Community Planning and Development (CPD) has its own datasets and processes in place to monitor performance. For example, CPD developed an automated template for grantees to use to report on their progress.
- **Core performance reporting tool.** Federal internal control standards state that agencies should identify and obtain relevant and needed data to monitor program goals.⁸ According to HUD officials, HUD is developing a new tool to collect performance data for its competitively funded grant programs. HUD has indicated that the tool is to capture data for 24 standardized performance measures through an online web portal in order to help HUD better assess program effectiveness and increase its ability to do extensive analysis, such as cross tabulation. HUD expects to fully implement the tool in fiscal year 2018.

⁷GAO, *Managing for Results: Enhancing Agency Use of Performance Information for Management Decision Making*, [GAO-05-927](#) (Washington, D.C.: Sept. 9, 2005).

⁸GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

Appendix V: Human Capital Planning

Background

Within the Department of Housing and Urban Development (HUD), the Office of the Chief Human Capital Officer (OCHCO) is responsible for providing leadership and direction in the formulation of strategic human capital policies, programs, and systems to promote efficient and effective human capital management for the agency. Beginning in fiscal year 2013, HUD contracted out a number of human capital functions to the Department of the Treasury's Administrative Resource Center. Services under the contract include job classification, staff acquisition, personnel security, and help desk services.

We and others have identified human capital management as a long-standing challenge for HUD. For example, we raised the issue in our 1984 management review of HUD and cited it as a reason HUD was on our high-risk list from 1994 to 2007.¹ In addition, for many years HUD's Office of Inspector General (OIG) has identified HUD's need for effective human capital strategies as a major challenge facing the agency. Further, in a June 2012 review, the Office of Personnel Management (OPM) determined that HUD did not meet 41 of 68 expected outcomes across the five Human Capital Assessment and Accountability Framework systems.² OPM's review attributed many of the problems to a lack of human capital accountability and insufficient strategic management of human capital.

¹GAO maintains a program to focus attention on government operations that it identifies as high risk due to their greater vulnerabilities to fraud, waste, abuse, and mismanagement or the need for transformation to address economy, efficiency, or effectiveness challenges.

²Office of Personnel Management, *U.S. Department of Housing and Urban Development Human Capital Management Evaluation Report Quarter 3-FY 2012* (Washington, D.C.: June 11, 2012). OPM developed the Human Capital Assessment and Accountability Framework to fulfill its mandate under the Chief Human Capital Officers Act of 2002. The five systems of the framework are strategic alignment; leadership and knowledge management; results-oriented performance culture; talent management; and accountability.

Assessment of HUD's Human Capital Management against Key Principles and Practices

We compared HUD's human capital plans related to workforce planning, succession planning, and training with key principles and practices identified in our previous work. We then assessed the extent to which HUD followed each key principle or practice, using three categories. "Following" indicates that, in our judgment, HUD was following or mostly following all aspects of the principle or practice. "Partially following" indicates that HUD was following some but not all or most of the aspects of the principle or practice. "Not following" indicates that HUD was not following any aspects of the principle or practice.

In general, we found that HUD followed most of the key principles and practices we identified for human capital planning. HUD's efforts in completing its human capital planning documents is a key step in identifying the agency's workforce goals and determining the activities and initiatives needed to achieve these goals. However, for its human capital program to succeed, it will be important that HUD sustain these initiatives and carry out the activities outlined in its plans.

Strategic Workforce Planning

Workforce planning allows agency management to ensure that skill needs are continually assessed and that the organization is able to obtain and maintain a workforce with the skills necessary to achieve organizational goals. Although agencies may take various approaches to workforce planning, in a December 2003 report we identified key principles that should be addressed.³ In March 2013 we reported that changes in HUD leadership and priorities had sometimes disrupted efforts to update plans, but that HUD was moving forward with strategic human capital efforts after several years of delays.⁴ We recommended that HUD ensure that human capital and workforce plans clearly incorporate key principles, including promoting the alignment of human capital management

³GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, [GAO-04-39](#) (Washington, D.C.: Dec. 11, 2003). We developed the key principles for workforce planning by synthesizing information from meetings with organizations with government-wide responsibilities for or expertise in workforce planning; our own guidance, reports, and testimonies on federal agencies' workforce planning and human capital management efforts; leading human capital periodicals; and our own experiences in human capital management.

⁴GAO, *Housing and Urban Development: Strategic Human Capital and Workforce Planning Should be an Ongoing Priority*, [GAO-13-282](#) (Washington, D.C.: Mar. 15, 2013).

strategies with the agency’s mission, goals, and objectives; ensuring continuity of leadership; promoting a diverse, high-performing workforce; addressing competency gaps, particularly in mission-critical occupations; and monitoring and evaluating the results of its human capital management policies, programs, and activities. HUD incorporated these principles into the human capital and workforce plans it finalized in 2015.

We assessed HUD’s strategic workforce planning efforts as reflected in these plans against the key principles we identified in our December 2003 report and found that HUD fully incorporated five of the six key principles and partially incorporated the remaining principle into its plan (see table 5).

Table 5: Extent to Which the Department of Housing and Urban Development (HUD) Followed Key Principles and Practices in Developing the 2015–2018 Human Capital Strategic Plan and the 2015-2018 Strategic Workforce Plan

| Principle or practice | Extent HUD followed |
|--|---------------------|
| Stakeholder involvement: Involves top management, employees, and other stakeholders in developing, communicating, and implementing the strategic workforce plan. | Followed |
| Workforce gap analysis: Determines the critical skills and competencies that will be needed to achieve the future programmatic results. | Partially followed |
| Gap-closure strategies: Develops strategies tailored to address gaps and human capital conditions in critical skills and competencies that need attention. | Followed |
| Support capacity: Builds the capability needed to address administrative, educational, and other requirements important to supporting workforce strategies, such as providing guidance on the availability and use of human flexibilities. | Followed |
| Evaluation: Monitors and evaluates the agency’s progress toward its human capital goals and the contribution that human capital results have made toward achieving programmatic goals. | Followed |

Source: GAO analysis of GAO-04-39, HUD documents, and interviews with HUD officials. | GAO-16-497

- Stakeholder involvement.** HUD’s leadership, top management, and other stakeholders participated in its strategic workforce planning process. The department’s 2015–2018 Strategic Workforce Plan includes a chart listing key stakeholders and their roles in workforce planning. This list includes HUD’s Secretary, Deputy Secretary, and executive leadership, as well as OCHCO staff. Specifically, OCHCO leaders are tasked with developing, communicating, and implementing new, innovative human capital solutions.
- Workforce gap analysis.** HUD conducted an agency-wide skills assessment and is conducting ongoing assessments to identify critical skill competencies and gaps among its employees. Specifically, in June 2014 a consulting firm completed a report for HUD that identified critical skill competencies and gaps for the agency. The assessment also included recommendations for HUD on closing gaps. While the

initial and ongoing assessments at HUD aim to address current gaps, HUD noted in its strategic workforce plan that it does not have a system in place to predict future critical skills and competency needs to achieve future results. However, according to HUD officials the agency implemented a workforce succession planning system in September 2015 that was intended to enhance HUD's ability to predict skill and competency needs. HUD was piloting the system throughout fiscal year 2016 and began to conduct training.

- **Gap-closure strategies.** HUD's strategic workforce plan identifies strategies based on assessments administered by HUD's Learning, Enrichment, and Resource Network (LEARN) that are designed to address gaps in staffing and workforce skills and competencies.⁵ These strategies are (1) comprehensive leadership development through the implementation of a leadership development model and the development of a succession planning program, (2) competency-based human capital management through improvements to the recruitment and hiring processes and increased availability of competency-based development programs and tools, and (3) engaged performance culture through improved performance management processes and the availability of career development and work-life flexibilities.
- **Support capacity.** HUD uses human capital flexibilities as part of an overall human capital strategy to support its workforce, according to both the human capital strategic plan and the strategic workforce plan.⁶ According to HUD officials, the agency has solicited and incorporated input from internal and external stakeholders on its draft flexibilities-related policies and procedures. For example, the officials stated that they collaborated with subject-matter experts within the agency, reached out to OPM and other agencies, and obtained feedback from OCHCO managers. They also told us that they had taken several approaches to educate managers and employees on the availability and use of these flexibilities. Among other things, OCHCO staff posted information about various policies on HUD's

⁵LEARN is HUD's learning organization whose primary directive has been to build a sustainable learning infrastructure and culture through the implementation of an enterprise-wide learning and development strategy.

⁶Flexibilities include recruitment strategies to attract and retain qualified candidates as well as workforce flexibilities to support an engaged employee culture.

intranet site, developed tip sheets, and met regularly with managers in program offices to offer retention strategies. Additionally, as a way to streamline and improve administrative processes for using flexibilities, HUD officials have conducted focus groups to discuss ways to improve the hiring process and have been annually revising the guidance on hiring. Finally, hiring managers receive training and information on prohibited practices and employees who apply for telework are required to take training.

- **Evaluation.** HUD's 2015–2018 Human Capital Strategic Plan includes human capital strategic goals, objectives, and targets to address some critical human capital and programmatic challenges confronting the agency. The plan includes a template for establishing operational plans within OCHCO for addressing goals and priorities and calls for quarterly project reviews to assess progress. In addition, it outlines how the HR Stat process developed by OPM and the Office of Management and Budget (OMB) is to be incorporated into HUDStat, the department-wide quarterly review of HUD's overall strategic goals and objectives.⁷ According to the plan, HUDStat is to serve as the forum for measuring and improving human capital performance as a means of enhancing HUD's strategic goals and objectives.

Succession Planning

Strategic succession planning is an integral part of human capital management and helps strengthen both current and future organizational capacity. In a 2003 report, we identified six key principles that could help federal agencies produce a strategic approach to their succession planning and management efforts (see table 6).⁸ We assessed HUD's

⁷HR Stat is an evaluation program developed by OPM and OMB that is designed to more effectively standardize the data points that are evaluated to assess the delivery of human capital services. It uses metrics to monitor key human capital initiatives such as recruitment, training, and succession planning in relation to organization performance. HUDStat meetings are quarterly data-driven performance reviews that HUD conducts to track its progress toward achieving each of HUD's priority goals.

⁸GAO, *Human Capital: Insights for U.S. Agencies from Other Countries' Succession Planning and Management Initiatives*, [GAO-03-914](#) (Washington, D.C.: Sept. 15, 2003). We developed the key principles for succession planning through discussions with officials from central human capital agencies, national audit offices, and agencies in Australia, Canada, New Zealand, and the United Kingdom, and a screening survey sent to senior human capital officials at selected agencies.

2015 Strategic Human Capital Succession Plan and determined that HUD has incorporated the six principles into its plan, as table 6 shows.

Table 6: Extent to Which the Department of Housing and Urban Development (HUD) Followed Key Principles in Developing the 2015-2018 Succession Plan

| Principle | Extent HUD followed |
|---|---------------------|
| Top leadership: Receives active support of agency top leadership. | Followed |
| Link to strategic planning: Links to strategic planning with a focus on current and future needs to meet the agency's mission over the long term. | Followed |
| Identify talent from multiple organizational levels: Identifies high-performing employees from multiple organizational levels early in their careers and identify and develop knowledge and skills critical in the workplace. | Followed |
| Developmental assignments: Emphasizes developmental assignments for high-potential employees in addition to formal training. | Followed |
| Human capital challenges: Addresses specific human capital challenges, such as diversity, leadership capacity, and retention. | Followed |
| Broaden transformation effort: Facilitates broader transformation efforts to support change. | Followed |

Source: GAO analysis of GAO-03-914, HUD documents, and interviews with HUD officials. | GAO-16-497

- Top leadership.** HUD’s succession plan indicates that the success of the plan depends on the personal involvement and commitment of HUD’s top leaders. The plan lists key stakeholders and their roles and responsibilities in succession planning, including HUD’s Secretary, Deputy Secretary, and executive leadership, as well as OCHCO staff. The Deputy Secretary is responsible for empowering staff to execute the succession planning process. Further, the plan outlines a number of strategies the agency intends to implement, including quarterly management and budget operations reviews conducted by the Deputy Secretary and program office leadership.
- Link to strategic planning.** HUD’s succession plan discusses its relationship to HUD’s overall strategic plan and human capital strategic plan. In addition, it outlines the external and internal factors that influence HUD’s operational capacity. Workforce and succession planning, according to the plan, should assist in devising solutions to address demographic and human capital challenges. Further, HUD developed a workforce and succession planning guide and a succession planning IT solution for managers and leaders. According to the plan, the workforce and succession planning guide provides a methodology that links the workforce and succession planning process with the agency’s strategic direction and plan and with work activities required to carry out HUD’s long-term and short-term goals and objectives. This tool is expected to provide program managers with the ability to review their mission-critical occupations and current

staffing levels and skills and to determine future needs. In addition, the IT solution is designed to perform certain tasks, including searching for internal candidates with specific attributes, identifying overlooked employees, and defining development opportunities.

- **Identify talent from multiple organizational levels.** According to the succession plan, HUD has developed succession planning guidance that outlines seven steps for establishing talent pools for mission-critical leadership positions. These steps include identifying current and future mission-critical leadership positions and establishing a list of potential “leadership pool” members from eligible staff members within the organization. Furthermore, program offices are expected to develop action plans that identify two or three individuals who have or will have the skills and abilities necessary to assume future leadership positions. In connection with succession planning, LEARN developed and executed a leadership development model for the development of HUD’s leadership pipeline. LEARN plans to encourage leadership development among all employees—staff and individual project contributors, team leads, supervisors, managers, and executives. LEARN offers four development programs to identify and develop employees at varying organizational levels. For example, the Emerging Leaders Program targets high-performing employees at the GS-12 through GS-14 levels who are interested in broadening their knowledge and developing their leadership skills.⁹
- **Developmental assignments.** As outlined in the succession plan, HUD offers learning and development programs in addition to formal training. For instance, the agency developed a Rotational Assignment Program intended to provide current employees with opportunities for growth and development. This program is designed to teach employees more about other HUD programs and offices, increase their knowledge of the agency, and add to their skill set. The rotation must be developmental for the employee and lasts 30 to 120 days. HUD also provides a Fellows Training Program that is intended to provide guidance and development to Presidential Management Fellows.¹⁰ HUD uses this program to recruit and develop highly

⁹GS refers to the General Schedule, which is the pay system that covers the majority of federal workers.

¹⁰The Presidential Management Fellows Program is a leadership development program at the entry level for candidates that have recently received their advanced degrees.

motivated and talented individuals for professional and administrative positions in the agency.

- **Human capital challenges.** HUD’s succession plan identifies several strategies to achieve a more diverse workforce, maintain its leadership capacity as senior executives retire, and increase the retention of high-potential staff. Through the use of special employment hiring authorities, HUD plans to cultivate an organizational workplace culture that supports greater diversity, inclusion, collaboration, and employee engagement in order to improve organizational performance. In the plan, HUD acknowledges that aligning succession-planning efforts with other programs such as diversity and performance management is critical to its success. HUD’s succession plan also identifies employees who are eligible to retire from critical positions in the agency. HUD structured its plan to encompass positions in the following target pools: HUD’s leadership pipeline, mission-critical occupations, and high-impact/high-risk positions. According to the succession plan, HUD’s senior executive service (SES) attrition seems to be primarily due to retirement. HUD data analysis indicates that SES retirement eligibility will increase from 30 percent in 2015 to 41 percent in fiscal year 2018. The plan outlines programs that HUD has implemented targeting leadership development. To help ensure that the agency has the needed flexibility to recruit and retain talented human capital, HUD has updated its recruitment and selection policies. According to the plan, one area of focus for HUD’s succession planning is to maximize the use of retention tools.
- **Facilitate broader transformation efforts.** HUD’s succession plan describes its SES Candidate Development Program as a competitive program designed to create pools of qualified candidates for SES positions. In addition, the program is intended to advance the goal of a “corporate SES,” a diverse corps of career executives who share a government-wide perspective. The plan states that these executives share values and a common identity that is expected to reach beyond their individual professions or agencies. Further, HUD anticipates that executives that participate in this program will be well positioned to lead change both within HUD and throughout the federal government.

Training and Development Programs

Effective training and development programs are an integral part of a learning environment that can enhance an agency’s ability to attract and retain employees with the skills needed to achieve results. Training and development programs help an agency achieve its mission and meet its goals by improving individual and ultimately organizational performance.

In a 2004 report, we identified four key principles that could help federal agencies produce a strategic approach to their training and development efforts.¹¹

We determined that HUD fully incorporated two and partially incorporated two of these principles into its training and development program (see table 7).

Table 7: Extent to Which the Department of Housing and Urban Development (HUD) Was Following Key Principles for Training and Development Programs

| Principle | Extent HUD follows |
|---|---------------------|
| Planning: Develops a strategic approach that establishes priorities and leverages investments in training and development to achieve agency results. | Following |
| Design and development: Identifies specific training and development initiatives that it will use, along with other strategies, to improve individual and agency performance. | Following |
| Implementation: Ensures effective and efficient delivery of training and development opportunities in an environment that supports learning and change. | Partially following |
| Evaluation: Assesses the extent to which training and development efforts contribute to improved performance and results. | Partially following |

Source: GAO analysis of GAO-04-546G, HUD documents, and HUD officials. | GAO-16-497

Planning

HUD has developed a strategic approach to training by establishing agency-wide training goals and a strategy for developing its employees. Its 2015 departmental corporate learning plan outlines LEARN's employee development strategy and training programs. HUD officials told us that the agency's training goals included implementing its employee development strategy while linking the development strategy to the skills assessments, extending training to field staff through use of new technology such as video teleconferencing, and making tools to help in developing a career path available to at least 50 percent of the workforce. HUD's learning plan indicated that HUD had established a process for

¹¹ GAO, *Human Capital: A Guide for Assessing Strategic Training and Development Efforts in the Federal Government*, GAO-04-546G (Washington, D.C.: March 2004). We developed the key principles for training through consultations with government officials and experts in the private sector, academia, and nonprofit organizations; examinations of laws and regulations related to training and development in the federal government; and reviews of the sizeable body of literature on training and development issues, including our previous reports on a range of human capital topics.

identifying current skill gaps and training needs within its workforce. Specifically, HUD officials told us that the agency conducted skills assessments annually, alternating between supervisors and managers one year and nonsupervisory staff the next year. According to HUD officials, the training goals foster continual learning to meet the agency's mission. The officials said that because more than half of HUD employees were in field offices, the agency focused on providing opportunities for them. Additionally, the learning plan established a goal of posting career paths for more than 50 percent of HUD's workforce by the end of fiscal year 2015. HUD officials stated that they achieved the goal of developing career paths for 50 percent of its workforce at one point but that due to staff attrition, as of March 2016 the career paths they developed covered 45 percent of the workforce. Furthermore, the learning plan stated that senior leadership met to discuss a continuous learning approach and had recommended a mechanism for HUD to fund continuous learning.

Design and Development

HUD's training program includes implementing several leadership training courses and launching a competency-based learning and development strategy to better ensure that training is connected to improving individual staff performance. For example, HUD has created a developmental tool, The Leadership Journey, which it states is available to all employees on the agency's intranet site. Additionally, LEARN began developing career paths for the agency's mission-critical occupations in fiscal year 2014. HUD also piloted a web-based tool that allows employees to complete a personal skills assessment to assist them in completing individual development plans.

Furthermore, LEARN has solicited training plans from HUD's program offices (something it plans to do annually) to develop and track accountability measures. According to OCHCO officials, HUD is validating the information obtained from the program offices with information in the Learning Management System, which is used to track progress in achieving training goals. They noted that the agency's training goals are linked to OCHCO's human capital operational plans, which are used to track and monitor leadership and management results in achieving human capital program objectives, and the Human Capital Strategic Plan, which is aligned with HUD's Strategic Plan. In fiscal years 2013 and 2014, HUD conducted a baseline skills assessment. The results of the agency-wide skills assessment showed that HUD employees had significant skill gaps in cross-cutting competencies such as written communication. HUD's learning plan outlines strategies and initiatives intended to

minimize skills gaps. It also indicated that HUD publishes job aids to assist managers and supervisors in promoting the career path tools.

Implementation

HUD's leaders and managers use various mechanisms to promote and deliver training and development opportunities to staff and identify areas for improvement. However, whether HUD's actions have fostered an environment conducive to effective training and development is unclear. Agency officials told us that HUD leaders use town hall meetings and other events, including learning events, to communicate support for learning. HUD's performance competencies state that managers are responsible for fostering professional development through training and on-the-job instructions. Additionally, the performance competencies cite "personal investment" as one of the five critical elements that should be included in performance plans for employees assessed under both the Performance Accountability and Communication System and the Employee Performance Planning and Evaluation System.¹² HUD also encourages buy-in to training and development by encouraging the use of tools such as learning plans, tools to develop career paths, and access to the LEARN course catalog. To help deliver training to all staff, HUD implemented multiple approaches such as providing in-class instruction and distance learning through satellite broadcasts and web-based training. Finally, HUD officials told us that the agency used feedback to design its training program and gauge course performance.

However, HUD employees' views on the effectiveness of HUD's training and development are mixed. For example, results from HUD's 2015 Federal Employee Viewpoint Survey showed that fewer than half of employees felt that their training needs had been assessed.¹³ Specifically, in response to a question asking whether their training needs had been assessed, about 45 percent (2,414 employees) agreed or strongly

¹²According to HUD's Human Capital Strategic Plan, the Performance Accountability and Communication System applies to nonexecutive managers and supervisors in General Schedule positions. The Employee Performance Planning and Evaluation System applies to nonsupervisory employees.

¹³The survey measures employees' perceptions of whether and to what extent conditions characterizing successful organizations are present in their agencies. The survey results provide insight into the challenges agency leaders face in ensuring the federal government has an effective civilian workforce and how well they are responding to those challenges.

agreed, 24 percent (1,241 employees) neither agreed nor disagreed, and 31 percent (1,642 employees) disagreed or strongly disagreed.¹⁴ In addition, fewer than half of employees indicated that they were satisfied with the training they had received. Specifically, in response to a question asking whether they were satisfied with the training they had received for their present job, about 45 percent (2,393 employees) were satisfied or very satisfied, 26 percent (1,335 employees) were neither satisfied nor dissatisfied, and 29 percent (1,529 employees) were dissatisfied or very dissatisfied.¹⁵

A number of offices within HUD have indicated they are planning to take steps to better engage employees through enhanced training efforts. These efforts include making specific courses available to staff to improve key skills and subject-matter expertise, providing staff with opportunities to temporarily rotate through other positions and offices, connecting training opportunities with career paths, and encouraging staff and supervisors to use individual training and development plans.

Evaluation

HUD is adopting a multilevel approach to evaluating its training and development efforts but has not fully implemented its evaluation system. According to HUD officials, the agency relies on employee feedback and the annual skills assessments to determine the extent to which training and development efforts contribute to improved performance and results. For instance, the officials stated that LEARN solicited feedback from employees who took leadership development courses and used their feedback and various outcomes to gauge a course's performance. According to HUD's human capital strategic plan, the agency plans to continue using HUDStat as the forum for measuring and improving human capital performance as a means of enhancing the agency's strategic goals and objectives.

In addition, LEARN has begun implementing a four-level training evaluation system, but these efforts are ongoing. In fiscal years 2013 and

¹⁴A total of 5,297 employees out of 5,404 who completed the survey responded to this question. The percentages reported from the survey results are weighted to represent HUD's population. The number of responses is unweighted.

¹⁵A total of 5,257 employees out of 5,404 who completed the survey responded to this question.

2014, LEARN began evaluating the extent to which training courses met employees' training needs at the end of each training session. During that period LEARN also piloted a second level of evaluations for performance management and communication training sessions that involved tests of employees' knowledge of the material before and after the classes to assess learning. In fiscal year 2015, LEARN developed an instrument to pilot a third level of evaluation, which is intended to measure the extent to which the participants' behavior changes as a result of the training session. This evaluation is to take place about 6 to 8 months after the course. According to agency officials, HUD is in the process of implementing an automated evaluation tool that they plan to fully integrate with the agency's Learning Management System, which they expect to be functional by the end of June 2016. They noted that levels one through three of the evaluation system are a part of this tool.

Finally, the agency plans to measure the effect of the training program on program or organizational goals by looking at the return on investment of the training courses—typically 8 to 12 months after a course is complete. HUD also used Federal Employee Viewpoint Survey results to illustrate the effect LEARN is having on HUD's workforce. For instance, HUD compared its fiscal year 2013 and 2014 survey results and found that the percentage of employees satisfied with the training they received had increased (from 36.1 percent to 40.4 percent). However, survey results relating to skill level improvement in the work unit and whether the workforce had the job-relevant knowledge and skills necessary to accomplish organizational goals did not increase. HUD interpreted these results to mean that greater focus is needed on how employees can apply the skills learned in training courses to their jobs.

Appendix VI: Financial Management

Background

The Department of Housing and Urban Development's (HUD) Office of the Chief Financial Officer (OCFO) has responsibility for ensuring that the agency practices sound financial management and stewardship of public resources. The Chief Financial Officer advises the HUD Secretary and agency leadership on all aspects of financial management. OCFO establishes policies for the development, maintenance, and operation of financial systems and the evaluation of the agency's financial management systems and internal control. OCFO is also responsible for the preparation, justification, monitoring, and execution of HUD's annual budget. In addition, OCFO provides accounting and reporting services in support of the administrative and general program activities, prepares the agency's annual consolidated financial statements, and implements the agency's management control program, among other financial management activities.

HUD's Office of Inspector General (OIG) has reported multiple weaknesses in HUD's internal controls and noted that most of these weaknesses have been long-standing problems. Additionally, OIG has identified HUD's financial management systems, compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA), and financial management governance structure as major management and performance challenges.¹ In addition to the issues associated with OCFO's financial management governance, in fiscal years 2014 and 2015 OIG identified significant financial governance issues within Ginnie Mae.

¹Pub. L. No. 111-204, 124 Stat. 2224 (2010).

Assessment of HUD’s Financial Management against Key Practices

Internal control is an integral part of an organization’s management that should reach throughout all departments and programs as well as financial management reporting functions. We identified key practices from Office of Management and Budget (OMB) circulars and a 2000 GAO report that could help federal agencies maintain an effective internal control system.² As shown in table 8, we assessed the extent to which HUD followed each practice using three categories. “Following” indicates that, in our judgment, HUD was following or mostly following all aspects of the practice. “Partially following” indicates that HUD was following some but not all or most aspects of the practice. “Not following” indicates that it was not following any aspects of the practice.

Table 8: Extent to Which the Department of Housing and Urban Development (HUD) Follows Key Practices for Financial Management, as of Fiscal Year 2015

| Practice | Extent HUD follows |
|--|--------------------|
| Financial statements: Prepares annual financial statements without significant manual workarounds and adjustments, | Not following |
| Audit opinion: Receives an unmodified (clean) audit opinion on its financial statements for at least 2 consecutive years, | Not following |
| Report on internal controls: Annually obtains an auditor’s report on internal controls over financial reporting that contains no material weaknesses for at least 2 consecutive years, | Not following |
| Management assurance: Annually provides assurances that the agency’s internal controls over financial reporting are operating effectively, | Not following |
| Financial management systems: Has financial management systems that substantially comply with the Federal Financial Management Improvement Act (FFMIA), | Not following |
| Report on improper payments: Annually reports on the agency’s improper payments, | Following |
| Compliance under Improper Payments Elimination and Recovery Act of 2010 (IPERA): Obtains Office of Inspector General’s (OIG) report on agency’s improper payment reporting that identifies no instances of noncompliance under IPERA requirements, | Not following |

²Office of Management and Budget, *Management’s Responsibility for Internal Control*, OMB Circular No. A-123 (Washington, D.C.: Dec. 21, 2004); *Requirements for Effective Estimation and Remediation of Improper Payments*, Appendix C to OMB Circular No. A-123 (Washington, D.C.: Oct. 20, 2014); *Compliance with the Federal Financial Management Improvement Act of 1996*, Appendix D to OMB Circular No. A-123 (Washington, D.C.: Sept. 20, 2013); *Financial Reporting Requirements*, OMB Circular No. A-136 (Washington, D.C.: Sept. 18, 2014); and GAO, Executive Guide: *Creating Value Through World-class Financial Management*, [GAO/AIMD-00-134](#) (Washington, D.C.: April 2000).

| Practice | Extent HUD follows |
|--|--------------------|
| Compliance: Operates in compliance with other financial laws and regulations (in addition to FFMIA and IPERA). | Not following |

Source: GAO analysis of Office of Management and Budget Circulars A-123 and A-136, GAO/AIMD-00-134, OIG reports, and HUD documents. | GAO-16-497

Financial Statements

HUD routinely prepares agency-wide financial statements that are independently audited by the OIG.³ However, due to system limitations and weaknesses, HUD’s financial management systems required extensive manipulation and excessive manual processes for the agency to perform its required financial management functions. In addition, OIG reported that HUD made certain manual fiscal year-end adjustments based on self-reported data, not transactional data.

Audit Opinion

After receiving a clean opinion for 13 consecutive years, HUD received a qualified opinion in fiscal year 2013 and a disclaimer of opinion in fiscal years 2014 and 2015.⁴ OIG based its 2013 qualified opinion on weaknesses in HUD’s budgetary accounting for certain grants, which departed from generally accepted accounting principles (GAAP), and a lack of accounting for cash management. In 2013, OIG also withdrew its previously reported clean opinion on HUD’s fiscal year 2012 consolidated financial statements. It was replaced with a qualified opinion due to improper budgetary accounting and a lack of accounting for cash management, and the fiscal year 2012 financial statements were restated

³We obtained HUD’s annual financial statement reports for fiscal years 2004 to 2015. We did not independently assess these audits.

⁴According to the American Institute of Certified Public Accountants’ *Forming an Opinion and Reporting on Financial Statements* (AU-C Section 700), effective for audits of financial statements for periods ending on or after December 15, 2012, an unmodified opinion states that the financial statements are presented fairly, in all material respects, in accordance with the applicable accounting principles. For periods ending before December 15, 2012, an unmodified opinion was known as an unqualified opinion. For the purposes of this report, we use the term “clean opinion” to refer to either an unmodified opinion or an unqualified opinion. A qualified opinion, in relation to the financial statements, states that certain reported balances cannot be audited, that the financial statements contain a material departure from generally accepted accounting principles, or both. A disclaimer of opinion states that the auditor does not express an opinion on whether the financial statements are free of significant errors and comply with applicable accounting principles because of—among other things—the lack of supporting documents or restrictions imposed by management that significantly limit the scope of the audit.

to correct material errors.⁵ The 2014 and 2015 disclaimers of opinion stemmed from the material effect of HUD's continued use of improper budgetary accounting, unvalidated grant accrual estimates, and OIG's inability to express an opinion on the fairness of Ginnie Mae's nonpooled loans (which contributed to disclaimers of opinion on Ginnie Mae's standalone financial statements both years). Additionally, improper accounting for HUD's assets also contributed to the 2015 disclaimer of opinion.⁶

Report on Internal Controls

Each year, OIG tests and reports on HUD's internal controls over financial reporting. After 4 consecutive years finding no material weaknesses, OIG reported one material weakness in fiscal year 2012, four material weaknesses in fiscal year 2013, eight material weaknesses in fiscal year 2014, and nine in fiscal year 2015 (see table 9).⁷ During 2014, HUD resolved one of the previously identified material weaknesses, and OIG identified five new material weaknesses.⁸ In 2015, HUD resolved two of

⁵See Department of Housing and Urban Development, *Agency Financial Report Fiscal Year 2013* (Washington, D.C.: Dec. 16, 2013).

⁶See Department of Housing and Urban Development, Office of Inspector General, *Fiscal Years 2015 and 2014 (Restated) U.S. Department of Housing and Urban Development Consolidated Financial Statements Audit*, Audit Report No. 2016-FO-0004 (Washington, D.C.: Nov. 23, 2015) and *Audit of the U.S. Department of Housing and Urban Development's Consolidated Financial Statements for Fiscal Years 2014 and 2013*, Audit Report No. 2015-FO-0004 (Washington, D.C.: Mar. 6, 2015).

⁷See Department of Housing and Urban Development, Office of Inspector General, Audit Report No. 2016-FO-0004 and Audit Report No. 2015-FO-0004; and Department of Housing and Urban Development, *Agency Financial Report Fiscal Year 2013*. A material weakness is a deficiency or combination of deficiencies in internal control that presents a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

⁸The material weakness identified in 2013 in HUD's consolidated financial preparation and reporting, which related to Ginnie Mae, was resolved in 2014.

the previously identified material weaknesses, but OIG identified three new ones.⁹

Table 9: Department of Housing and Urban Development’s (HUD) Material Weaknesses Identified by HUD’s Office of Inspector General, Fiscal Years 2012–2015

| | 2012 | 2013 | 2014 | 2015 |
|--|------|------|------|------|
| Financial management system weaknesses | Yes | Yes | Yes | Yes |
| Grant accounting method departure from generally accepted accounting principles due to the use of the first-in, first-out method | No | Yes | Yes | Yes |
| Cash management – Office of Public and Indian Housing | No | Yes | Yes | No |
| Presentation of balance sheet accounts – Ginnie Mae | No | Yes | Yes | No |
| Unvalidated grant accrual estimates | No | No | Yes | Yes |
| Claims notes and legal settlements receivable – Federal Housing Administration | No | No | Yes | No |
| Asset balances for nonpooled loans – Ginnie Mae | No | No | Yes | Yes |
| Internal controls over financial reporting – Ginnie Mae | No | No | Yes | Yes |
| Financial management governance | No | No | Yes | Yes |
| Improper accounting for HUD’s assets | No | No | No | Yes |
| Mortgage-backed security liability for loss not reliable – Ginnie Mae | No | No | No | Yes |
| Budgetary accounting data not auditable – Ginnie Mae | No | No | No | Yes |

Source: GAO analysis of Department of Housing and Urban Development Office of Inspector General documents. | GAO-16-497

Management Assurance

HUD’s management annually assesses the effectiveness of its internal controls over financial reporting, as required by OMB. However, HUD was unable to provide assurance that its internal controls over financial reporting were operating effectively as of September 30, 2014, and September 30, 2015. In both years, HUD cited eight material weaknesses related to financial reporting, such as the use of a grant accounting method that departed from GAAP and unvalidated grant accrual estimates, as the reason it could not provide such assurance.

⁹The material weakness identified in 2013 relating to cash management was divided into two findings in 2015. HUD resolved the finding for noncompliance with the Treasury Financial Manual in 2015, while OIG combined the other finding with a new finding and merged them into a new material weakness—non-GAAP accounting for Office of Public and Indian Housing assets and liabilities. HUD also resolved the material weakness related to FHA’s not properly recognizing receivables related to promissory note and legal settlements. Ginnie Mae’s two new material weaknesses related to unreliable mortgage-backed security for loss and budgetary accounting data that were unauditable.

**Financial Management
Systems**

For fiscal years 2013 through 2015, HUD acknowledged that its financial management systems were not substantially compliant with the Federal Financial Management Improvement Act (FFMIA), agreeing with OIG's assessment.¹⁰ Since 1991, OIG has reported annually on HUD's lack of an integrated financial system. In fiscal years 2014 and 2015, OIG noted a number of instances of FFMIA noncompliance within HUD's financial management systems. OIG attributed HUD's continued noncompliance to a reliance on financial management systems that had a number of limitations and information security weaknesses. Additionally, in 2014 OIG reported FFMIA noncompliance in Ginnie Mae's system. Ginnie Mae was unable to provide adequate support for \$6.6 billion in loan asset balances due to limitations in its financial system. Manual procedures implemented to compensate for system weaknesses were insufficient to ensure the completeness and accuracy of these balances, resulting in noncompliance with federal financial management system requirements, an element of FFMIA.

Furthermore, in fiscal years 2012 and 2013 OIG noted that because of inherent system limitations and weaknesses the department was relying on excessive manipulation and manual processing of data. According to OIG, this situation could and did negatively affect management's ability to perform required financial management functions and efficiently manage the agency's financial operations. In 2012, HUD adopted a plan to address this deficiency by moving the agency to a new core financial system maintained by a shared service provider, the Department of the Treasury's Administrative Resource Center (ARC). In October 2015, HUD began using ARC for certain core accounting capabilities; however the effect of these changes on the identified deficiency has not yet been determined.

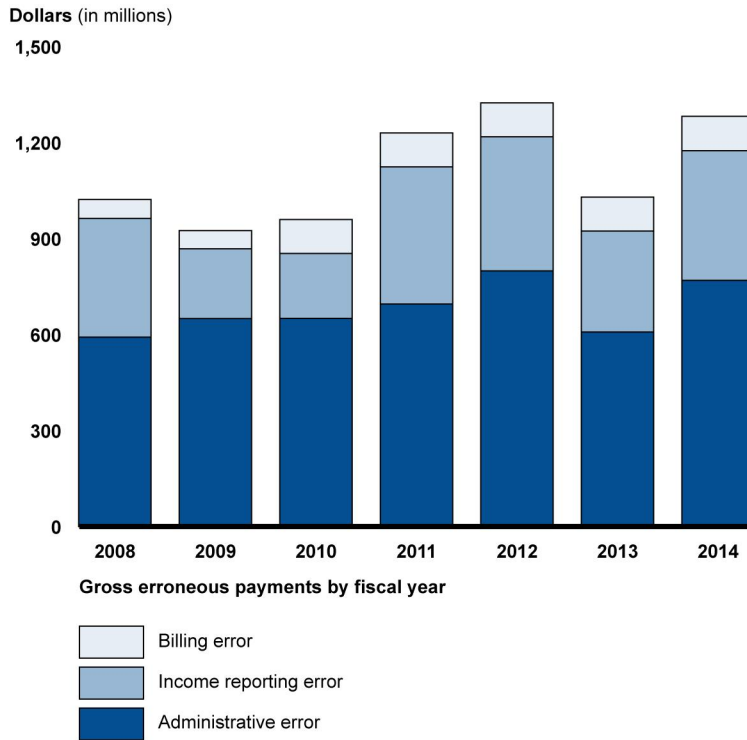
¹⁰FFMIA emphasizes the need for agencies to have systems that are able to generate reliable, useful, and timely information for decision-making purposes and to ensure accountability on an ongoing basis. FFMIA requires agencies to have financial management systems that substantially comply with the federal financial management systems requirements (which have been defined in Appendix D to OMB Circular No. A-123), standards promulgated by the Federal Accounting Standards Advisory Board, and the U.S. Standard General Ledger at the transaction level. The Standard General Ledger provides a standard chart of accounts and standardized transactions that agencies are to use in all their financial systems.

Report on Improper Payments

HUD reports annually the estimated improper payments for each program or activity it identifies as susceptible to significant improper payments, as well as actions taken to correct the cause of any improper payments. According to HUD's annual reports, from fiscal year 2000 through fiscal year 2009, HUD reduced the estimated gross improper payments for its rental housing assistance programs from \$3.43 billion in fiscal year 2000 to \$925 million in fiscal year 2009 (73 percent). HUD attributed the agency's success in reducing improper payments to HUD's efforts to work with its housing industry partners through enhanced program guidance, training, oversight, enforcement, and the use of the Enterprise Income Verification system.¹¹ Since fiscal year 2009, however, HUD has not reduced estimated improper payments (see fig. 6). In fact, in some years HUD saw an increase in estimated improper payments, although one official pointed out that the increases were not statistically significant.

¹¹HUD's Enterprise Income Verification system makes integrated income data available from one source, via the Internet, for public housing agencies to use to improve income verification during required income reexaminations.

Figure 6: Estimated Improper Payment Amounts for Fiscal Years 2008 through 2014



Source: GAO analysis. | GAO-16-497

Compliance under IPERA

OIG found that HUD’s fiscal year 2013, 2014, and 2015 reports on improper payments did not comply with requirements in IPERA. Under IPERA, OIG is required to annually review HUD’s compliance with IPERA requirements. For 2013, OIG reported that HUD did not comply with IPERA because, among other things, it did not meet its annual improper payment reduction target or accurately report on its corrective actions.¹² Additionally, OIG noted that HUD’s supplemental measures and associated corrective actions did not sufficiently target the root causes of its improper payments, as required. OIG found HUD’s fiscal year 2014 reporting to be noncompliant with IPERA requirements because HUD did

¹²Department of Housing and Urban Development, Office of Inspector General, *HUD’s Fiscal Year 2013 Compliance With the Improper Payments Elimination and Recovery Act of 2010*, Audit Report No. 2014-FO-0004 (Washington, D.C.: Apr. 15, 2014).

Compliance with Laws and Regulations

not adequately report on its supplemental measures and its risk assessment did not include a review of all relevant OIG audit reports.¹³ In addition, HUD's noncompliance from fiscal year 2013 continued as 18 of 21 recommendations from OIG's prior review had not yet been implemented. For 2015, OIG determined that HUD again did not comply with IPERA because HUD failed to conduct an annual risk assessment in accordance with OMB guidance and did not meet its annual improper payment reduction target.¹⁴ OIG made 13 recommendations to help improve HUD's compliance with IPERA while also noting that HUD had implemented 17 of the 27 recommendations from the 2013 and 2014 reviews as of May 2016.

As part of the audit, OIG considers compliance with certain provisions of applicable laws and regulations. In fiscal year 2015, OIG reported six instances of noncompliance with laws and regulations. In addition to noncompliance with FFMIA and IPERA, which are discussed earlier, OIG identified noncompliance with the HOME Investment Partnerships Act; Department of the Treasury's Financial Manual and 2 C.F.R. Part 200; and Debt Collection Improvement Act of 1996, as well as a potential violation of the Antideficiency Act.¹⁵ Noncompliance with FFMIA, IPERA, the Antideficiency Act, and the HOME Investment Partnerships Act also were reported in fiscal year 2014, along with noncompliance with the statutory requirement that FHA maintain a minimum capital ratio of 2 percent for its primary insurance fund. FHA is to conduct an annual independent actuarial study to, among other things, calculate this ratio.¹⁶ In fiscal year 2015, HUD reported that for the first time since 2008, the capital ratio, at 2.07 percent, had reached the congressionally mandated threshold.

¹³Department of Housing and Urban Development, Office of Inspector General, *HUD Did Not Comply With IPERA Due to Significant Deficiencies in Its Reporting and Risk Assessment Processes*, Audit Report No. 2015-FO-0005 (Washington, D.C.: May 15, 2015).

¹⁴Department of Housing and Urban Development, Office of Inspector General, *HUD Did Not Comply With IPERA*, Audit Report No. 2016-FO-0005 (Washington, D.C.: May 13, 2016).

¹⁵Pub. L. No. 111-204, 123 Stat. 2224 (2010); 2 C.F.R. § 200.305; Pub. L. No.104-134, 110 Stat. 1321, 1321-358 (1996)

¹⁶12 U.S.C. § 1708(a)(4).

Additional Information on HUD's Financial Management Governance Structure

For many years HUD's OIG reported that HUD faced a number of financial management challenges. In its three most recent reports on management and performance challenges facing HUD, OIG attributed several of HUD's internal control deficiencies identified in the annual audit of HUD's financial statements to weaknesses in HUD's financial management governance structure. OIG also attributed several deficiencies to insufficient monitoring of financial management activities performed across the agency. For example, OIG stated that HUD's financial management structure relied on the delegation of several key financial management functions to HUD's program offices. Also, accounting procedures were often determined by program office preference without OCFO guidance and oversight or regard for accounting standards.

In addition to the issues associated with OCFO's financial management governance, in 2015 OIG cited significant financial governance issues within Ginnie Mae. For example, OIG found that Ginnie Mae had failed to maintain a governance framework with appropriate policies, people, systems, and controls to ensure the reliability and integrity of Ginnie Mae's financial and accounting information. As a result, OIG reported that Ginnie Mae's inadequate financial management staff would face challenges in several areas. These included managing risks associated with (1) the handling of complex and changing financial management operations without appropriate accounting policies and procedures in place and (2) the monitoring of work performed by third-party service providers. OIG's audit of Ginnie Mae's fiscal year 2014 financial statements also found a number of problems in the oversight, management, and operation of Ginnie Mae's OCFO. Specifically, Ginnie Mae left a number of critical financial management positions unfilled, weakening its organizational structure and creating a gap in its internal control system for monitoring a portfolio of more than \$6 billion in nonperforming loans. In addition, Ginnie Mae failed to adequately identify, analyze, and respond to changes in the control environment and risks associated with the acquisition of a multibillion-dollar servicing portfolio and to adequately establish accounting policies, procedures, and systems to manage and control the accounting and processing of loans in its defaulted issuers' portfolio.

In October 2014, to assist the agency in improving its oversight and financial management governance, HUD contracted with the National Academy of Public Administration to conduct an organizational assessment of its department-wide financial management and help HUD respond to the deficiencies OIG had identified. The study panel confirmed

that HUD's financial structure was decentralized and that oversight of its financial management functions was insufficient. The panel recommended that HUD establish (1) an internal CFO Council to strengthen its financial management governance and (2) a financial control and analysis unit within OCFO to monitor financial data and controls across the agency. HUD reported that in 2015 the agency established quarterly management reviews, chaired by the Deputy Secretary, for each program and operational area. These reviews are intended to use data to drive management decision making and to better identify and manage risks. According to HUD, the reviews serve the same purpose as CFO councils do in other agencies and thus satisfy the study panel's and others' recommendations to establish a council.

Appendix VII: Information Technology Management

Background

Within the Department of Housing and Urban Development (HUD), the Chief Information Officer (CIO) is responsible for providing modern information technology (IT) that is secure, accessible, and cost-effective while meeting customer needs. The CIO is also responsible for advising the Secretary, Deputy Secretary, and other HUD senior managers on the strategic use of IT to support core business processes, achieve mission-critical goals, and ensure compliance with applicable regulatory requirements.

We have reported extensively on HUD's IT challenges, and in particular, on its outdated financial management systems, for many years. In addition, HUD's Office of Inspector General (OIG) has reported on the lack of integrated financial management systems since fiscal year 1991. Between 2010 and 2014, we identified challenges with HUD's implementation of management controls and reviewed the department's IT expenditure plans.¹ More recently, OIG also identified information security as one of HUD's major management challenges beginning in fiscal year 2014. We have also identified a number of challenges HUD faces as part of government-wide IT reviews.²

¹GAO, *Information Technology: HUD's Expenditure Plan Satisfied Statutory Conditions; Sustained Controls and Modernization Approach Needed*, [GAO-14-283](#) (Washington, D.C.: Feb. 12, 2014); *Information Technology: HUD's Fiscal Year 2011 Expenditure Plan Satisfies Statutory Conditions*, [GAO-12-654](#) (Washington, D.C.: May 24, 2012); and *Information Technology: HUD's Expenditure Plan Satisfies Statutory Conditions, and Implementation of Management Controls Is Under Way*, [GAO-11-762](#) (Washington, D.C.: Sept. 7, 2011).

²For example, see GAO, *Information Technology Reform: Billions of Dollars in Savings Have Been Realized, but Agencies Need to Complete Reinvestment Plans*, [GAO-15-617](#) (Washington, D.C.: Sept. 15, 2015); *Federal Software Licenses: Better Management Needed to Achieve Significant Savings Government-Wide*, [GAO-14-413](#) (Washington, D.C.: May 22, 2014); and *Information Technology: Additional OMB and Agency Actions Are Needed to Achieve Portfolio Savings*, [GAO-14-65](#) (Washington, D.C.: Nov. 6, 2013).

Assessment of HUD's Information Technology Management against Key Requirements and Leading Practices

Information Technology Governance

In December 2014, we found that HUD's IT governance activities did not fully address key practices identified in our IT investment management guide.³ We developed the guide's IT investment management framework to provide a method for evaluating and assessing how well an agency is selecting and managing its IT resources.⁴ The framework consists of five stages, each of which involves critical processes that must be implemented and institutionalized before the agency moves on to the next stage.⁵ These processes are further broken down into key practices that describe the types of activities that an organization should be performing to successfully implement the critical processes. Implementing the key practices for each stage's critical processes will position organizations to move from managing individual projects to evaluating the effectiveness of the overall portfolio of investments.⁶ Our December 2014 report found that HUD had not fully addressed key practices for specific processes. As a result, HUD faced the risk that its governance decisions will not reflect the needs of the department and that it would be unable to realize

³GAO, *Information Technology: HUD Can Take Additional Actions to Improve Its Governance*, [GAO-15-56](#) (Washington, D.C.: Dec. 10, 2014).

⁴GAO, *Information Technology Investment Management: A Framework for Assessing and Improving Process Maturity*, Version 1.1, [GAO-04-394G](#) (Washington, D.C.: Mar. 1, 2004).

⁵The maturity stages are cumulative; that is, in order to attain a higher stage, an agency must institutionalize all of the critical processes at the lower stages, in addition to the higher stage critical processes. The first stage is the only stage without critical processes. It is characterized by ad hoc processes that are not yet developed enough to fully address critical processes.

⁶An IT portfolio consists of the combination of all IT assets and investments owned or planned by an organization in order to achieve its strategic goals, objectives, and mission.

planned improvements to its IT environment and systems. We summarized the findings from the 2014 report, which have not yet been fully addressed, on the extent to which HUD was following key practices for each critical process, using three categories (see table 10). “Following” indicates that, in our judgment, HUD was following or mostly following all key practices of the critical process. “Partially following” indicates that HUD followed some but not all or most key practices of the critical process. “Not following” indicates that HUD did not incorporate any key practices of the critical process.

Table 10: Extent to which the Department of Housing and Urban Development’s (HUD) Information Technology Governance Was Following Key Practices for Foundational Processes from GAO’s Information Technology Investment Management Framework (GAO-04-394G)

| Critical process | Extent HUD followed |
|---|---------------------|
| Instituting the investment board: Organizations should establish one or more decision-making bodies or boards that operate according to documented guidance, policies, and procedures and that are focused on ensuring that investment decisions address stakeholder needs and are made in the best interest of the organization. | Partially following |
| Selecting an investment: Organizations should have a well-defined, disciplined process for selecting investments. Successful organizations identify, use, and store comprehensive data to support investment decision making. Reselecting ongoing projects is an important part of this critical process; if a project is not meeting established goals and objectives, the organization must make a decision on whether or not to continue to fund it. Transparency in the selection process can help create an environment that is objective, fair, and rational. | Partially following |
| Providing investment oversight: Organization should monitor projects against cost and schedule expectations as well as anticipated benefits and risk exposure. The boards should employ early warning systems that enable them to take corrective actions at the first sign of cost, schedule, and performance slippages. For an organization to establish control of projects, all expected and actual performance data (cost, schedule, benefits, risks, and system functionality) must be collected and distributed to appropriate boards. | Partially following |

Source: GAO-15-56 and GAO analysis of HUD documentation and interviews with HUD officials. | GAO-16-497

Instituting the Investment Board

HUD’s Office of the CIO (OCIO) chartered four investment boards in 2011 with defined authorities, roles and responsibilities, and operations for managing and selecting the department’s IT projects. Also during that year, the department issued an IT management framework that was intended to provide guidance to direct the investment boards in fulfilling their investment management responsibilities. However, the department had not ensured that its investment boards were fully operating according to their designated authority and responsibility. Specifically, HUD’s enterprise-wide investment board—the Executive Investment Board—had never met. In addition, the Executive Investment Board had not established key criteria for other active investment boards—the Customer Care Committee, Investment Review Subcommittee, and Technical Review Subcommittee—to use in identifying the IT projects that best

support HUD's strategic goals and provide value to the department or that are underperforming and should be considered for termination. As a result, the other boards were prevented from fully operating in accordance with their assigned responsibilities. The active investment boards also are not fully adhering to the operating procedures outlined in their charters concerning meeting frequency and documentation requirements. In May 2016, HUD updated charters for its investment management boards and indicated revised charters would be finalized by the end of fiscal year 2016.

Moreover, HUD had not yet developed all of the policies that support its IT management framework. Of the 11 key policies that OCIO was to develop to influence and determine actions and decisions in IT management areas such as acquisitions, capital planning, and project planning, 3 policies—for performance, privacy, and risk management—had not yet been developed. In May 2016, HUD confirmed that it had not yet developed the remaining 3 policies but indicated that it planned to have all policies updated and in place by July 2016. Additionally, the department's IT management framework had not been updated to reflect significant changes to HUD's project planning and management practices and Office of Management and Budget (OMB) requirements for conducting reviews of projects.

Selecting an Investment

We reported that HUD had established practices for identifying new IT proposals. OCIO had taken steps to identify new IT proposals by developing standardized templates for proposed IT projects. However, HUD had not yet fully addressed key practices for evaluating and prioritizing IT proposals, including documenting how data supporting proposed projects were to be developed, verified, and validated. Furthermore, while OCIO had established and used criteria to analyze proposed projects in terms of benefits, the criteria did not address how cost, schedule, or project risks were to be analyzed. Moreover, the extent to which IT proposals selected by senior decision makers were supported by key evaluation practices was unclear, and the decisions were not consistently documented. As of May 2016, HUD stated it had taken actions to improve its practices for selecting investments and that it intends to continue maturing these capabilities, including using an established tool for its annual budget formulation selection process and improving its integration of IT efforts.

Providing Investment Oversight

In our report, we noted that since 2011 OCIO had been establishing elements of a process for managing individual projects after they were selected. Nonetheless, the office had not yet institutionalized all of the

established practices and in some cases had not established key practices. Specifically, the Investment Review Subcommittee was responsible, under its charter, for monitoring investment and portfolio performance and taking action to (1) terminate investments that consistently experience variances in cost or performance or (2) bring them back within acceptable cost or performance limits. However, the subcommittee had not yet fulfilled these responsibilities. In addition, OCIO had not consistently conducted post-implementation reviews to evaluate results of projects after they were completed. Although the office's project planning and management process called for such reviews no later than 1 year after system implementation, the office had not scheduled or conducted any such reviews until recently. In April 2016, a HUD official stated that HUD would be conducting a post-implementation review for its financial management modernization effort in November 2016.

Information Security

OIG's 2015 evaluation of HUD's IT security program revealed continued and extensive noncompliance with federal information security requirements. Agencies are required to develop, document, and implement an information security program, and OMB and the Department of Homeland Security (DHS) have instructed agencies to report annually on a variety of metrics to gauge implementation of information security programs.⁷ Although HUD had improved its overall information security posture, it had major deficiencies in 4 of the 10 requirements outlined in DHS reporting instructions for fiscal year 2015, as shown in table 11. OIG made 20 new recommendations to improve HUD's IT security, and 54 recommendations from prior years' evaluations remained not implemented at the time of OIG's report.

⁷In 2010, an OMB memorandum assigned DHS primary responsibility for the operational aspects of cybersecurity, subject to OMB oversight. DHS has been responsible for assisting OMB in overseeing executive branch agencies' compliance with federal information security requirements, overseeing cybersecurity operations, and providing related assistance. See OMB, *Clarifying Cybersecurity Responsibilities and Activities of the Executive Office of the President and the Department of Homeland Security (DHS)*, OMB Memorandum M-10-28 (Washington, D.C.: July 6, 2010).

Table 11: Extent to Which the Department of Housing and Urban Development’s (HUD) Information Security Practices Met Federal Information Security Requirements in Fiscal Year 2015

| Requirement | Extent HUD met requirement |
|---|----------------------------|
| Continuous monitoring: The organization maintains ongoing awareness of information security, vulnerabilities, and threats to support organizational risk management decisions. | Not met |
| Configuration management: The organization controls modifications to hardware, firmware, software, and documentation to protect the information system against improper modifications before, during, and after system implementation. | Partially met |
| Identity and access management: The organization properly and consistently identifies, authenticates, and authorizes individuals and provides appropriate access to resources. | Met |
| Incident response and reporting: The organization has the capability and procedures to detect, report, and respond to security incidents systematically so that appropriate actions are taken. | Partially met |
| Risk management: The organization manages risks to organizational operations (including mission, functions, image, reputation), organizational assets, individuals, other organizations, and the nation, resulting from the operation of an information system, by: (1) conducting risk assessment; (2) implementing a risk mitigation strategy; and (3) employing techniques and procedures for the continuous monitoring of the security state of the information system. | Not met |
| Security training: The organization has policies, procedures, and capability to ensure that all individuals are appropriately trained to fulfill their security responsibilities before allowing them access to agency systems. | Partially met |
| Plan of action and milestones: The organization prepares plan of action and milestones reports that provide senior management, authorizing official and security personnel with information on the overall IT risks associated with program and system security weaknesses. | Not met |
| Remote access management: The organization provides its users with access to its nonpublic computing resources from external locations other than the organization’s facilities and has established security protection measures to ensure that only properly identified and authenticated users gain access and that the data crossing from a public network to HUD’s network are secure (encrypted). | Partially met |
| Contingency planning: The organization has policies and procedures designed to maintain or restore business operations, including computer operations, possibly at an alternate location, in the event of emergencies, system failures, or disasters. | Partially met |
| Contractor systems: The organization conducts contractor oversight procedures and provides security for the information systems that support the operations and assets of the agency, including those provided or managed by a contractor. | Not met |

Source: GAO analysis of Department of Housing and Urban Development, Office of Inspector General, HUD Fiscal Year 2015 FISMA Evaluation Report, 2015-OE-0001 (Washington, D.C.: Nov. 20, 2015). | GAO-16-497

OIG determined that the contents of its report would not be appropriate for public disclosure. Therefore, we are not describing the specific findings from the report.

Privacy

In 2014, OIG's evaluation of HUD's privacy program determined that HUD's executive leadership had not sufficiently prioritized and supported its privacy program.⁸ OIG assessed HUD's practices against seven categories of requirements and guidelines drawn from, among others, the Privacy Act of 1974 as amended, OMB Circular No. A-130, the E-Government Act of 2002, several OMB memorandums, and National Institute of Standards and Technology publications. HUD's privacy practices did not meet six key requirements or guidelines and only partially met the other one, according to OIG. HUD had not established an effective or efficient program, had not mitigated risks associated with the extensive privacy data managed by the agency, and had not complied with many federal requirements. OIG made 34 recommendations to improve HUD's privacy program in the areas of governance (4 recommendations), inventory (4 recommendations), incident response (5 recommendations), mandatory protection of personally identifiable information (13 recommendations), privacy training (5 recommendations), physical security (1 recommendation), and reporting (2 recommendations).

However, OIG noted in its 2015 information security evaluation that HUD had initiated efforts to address some of these issues, including improving governance, reviewing its holdings of personally identifiable information, and deploying additional training.⁹ In February 2016, OIG informed us that HUD had made progress in meeting five of the requirements since the 2014 report, changing OIG's assessment from "not met or following" to "partially met or following." As shown in table 12, HUD partially met or followed six requirements or guidelines, and did not meet one as of February 2016.

⁸Department of Housing and Urban Development, Office of Inspector General, *Privacy Program Evaluation Report*, 2014-ITED-0001 (Washington, D.C.: Apr. 30, 2014).

⁹Department of Housing and Urban Development, Office of Inspector General, *HUD Fiscal Year 2015 FISMA Evaluation Report*, 2015-OE-0001 (Washington, D.C.: Nov. 20, 2015).

Table 12: Extent to Which the Department of Housing and Urban Development’s (HUD) Privacy Practices Met Federal Requirements and Followed Guidelines, as of February 2016

| Requirement or guideline | Extent HUD met requirement or followed guideline |
|--|--|
| Governance: The organization has clearly established privacy policies, procedures, and accountability to successfully manage the risks to the agency. | Partially met |
| Inventory: The organization periodically reviews its holdings of personally identifiable information (PII), whether in electronic or nonelectronic form; ensures that PII within systems of records is maintained in a manner that is accurate, relevant, timely, and complete; and reduces PII holdings to the minimum necessary for the proper performance of agency functions. | Partially met |
| Incident response: The organization develops and implements a breach notification policy and process; establishes a core management group responsible for responding to the loss of personal information that poses the subsequent risk of identity theft; trains response team personnel on their incident reporting and handling responsibilities; and reports all suspected or confirmed breaches involving PII within 1 hour of discovery to the U.S. Computer Emergency Readiness Team. | Partially met |
| Mandatory protection of PII: The organization follows formal processes and standards for the proper treatment and handling of PII. | Partially met |
| Privacy training: The organization trains employees on their privacy and security responsibilities before permitting access to agency information and information systems and provides additional training commensurate with increased responsibilities or changes in duties. | Partially met |
| Physical security: The organization properly secures its data through the use of proper physical controls. | Not met |
| Reporting: The agency reports on the status of its privacy program both internally and externally. | Partially met |

Source: GAO analysis of Department of Housing and Urban Development, Office of Inspector General, Privacy Program Evaluation Report, 2014-ITED-0001 (Washington, D.C.: Apr. 30, 2014) and information from the Office of Inspector General. | GAO-16-497

OIG determined that the contents of its report would not be appropriate for public disclosure. Therefore, we are not describing the specific findings from the report.

Appendix VIII: Acquisition Management

Background

Within the Department of Housing and Urban Development (HUD), the Office of the Chief Procurement Officer (OCPO) is responsible for all matters related to HUD's acquisition needs and activities. HUD acquisition activities are governed primarily by the Federal Acquisition Regulation and the HUD Acquisition Regulation, as well as by other guidance and policy documents issued by OCPO.

The National Academy of Public Administration (NAPA) issued a report in 1999 outlining HUD's progress in reforming its acquisition activities.¹ NAPA noted that in previous years HUD had encountered a number of problems related to its acquisition operations. Internally, program office staff perceived HUD's acquisition process to be too slow and unresponsive to program needs. Externally, Congress and others had criticized HUD's acquisition operations for their vulnerability to fraud, waste, and abuse. During the course of NAPA's review, which began in September 1997, NAPA began sharing with the department its observations and suggestions for improving HUD's acquisition activities. NAPA reported that HUD officials moved quickly to adopt many of these suggestions, resulting in substantial progress being made. However, in January 2003, we designated acquisition management as a major management challenge for HUD because of the agency's extensive and growing reliance on contractors and third parties and deficiencies in HUD's (1) contractor monitoring and oversight, (2) management of the acquisitions workforce, and (3) information systems that supported acquisitions.² In 2007, we reported that HUD had made progress in addressing the issues we had identified.

¹National Academy of Public Administration, *HUD Procurement Reform: Substantial Progress Underway, Summary Report* (Washington, D.C.: April 1999).

²GAO, *Major Management Challenges and Program Risks: Department of Housing and Urban Development*, [GAO-03-103](#) (Washington, D.C.: January 2003).

Assessment of HUD's Acquisition Management against Key Principles and Practices

In 2005, we issued a framework for assessing the acquisition function at federal agencies consisting of four interrelated cornerstones that our work had shown were essential to an efficient, effective, and accountable acquisition process: (1) organizational alignment and leadership, (2) policies and processes, (3) human capital, and (4) knowledge and information management.³ In addition, the Office of Federal Procurement Policy within the Office of Management and Budget (OMB) requires agencies to annually assess internal controls over acquisition activities and programs.⁴ We identified the cornerstones and the Office of Federal Procurement Policy's requirement as five key principles or practices for acquisition management. We assessed the extent to which HUD followed each key principle or practice, using three assessment categories. "Following" indicates that, in our judgment, HUD was following or mostly following all aspects of the principle or practice. "Partially following" indicates that HUD was following some but not all or most aspects of the principle or practice. "Not following" indicates that HUD was not following any aspects of the principle or practice. During the course of our review, we noted some gaps in HUD's acquisition management practices when assessed against key principles and practices, as shown in table 13.

³GAO, *Framework for Assessing the Acquisition Function At Federal Agencies*, [GAO-05-218G](#) (Washington, D.C.: Sept. 1, 2005)

⁴Office of Management and Budget, Office of Federal Procurement Policy, *Conducting Acquisition Assessments under OMB Circular A-123* (Washington, D.C.: May 21, 2008).

Table 13: Extent to Which the Department of Housing and Urban Development (HUD) Was Following Key Principles and Practices for Acquisition Management

| Principle or practice | Extent HUD followed |
|---|---------------------|
| Organizational alignment and leadership: The acquisition function is appropriately placed in the agency, with stakeholders having clearly defined roles and responsibilities. | Partially following |
| Policies and processes: The agency has clear and transparent policies and processes that are implemented consistently. | Following |
| Human capital: The agency values and invests in the acquisition workforce; strategically attracts, develops, and retains talent; and creates a results-oriented culture. | Partially following |
| Knowledge and information management: The agency obtains credible, reliable, and timely data to make acquisition decisions. | Following |
| Annual assessment: The agency conducts annual acquisition assessments in accordance with Office of Management and Budget’s (OMB) Guidelines for Assessing the Acquisition Function. | Following |

Source: GAO analysis of GAO-05-218G, OMB guidelines, HUD documentation, and interviews with HUD officials. | GAO-16-497

Organizational Alignment and Leadership

In general, HUD’s acquisition function is appropriately placed in the agency, with stakeholders having clearly defined roles and responsibilities. However, HUD’s recently adopted governance structure could limit direct communication between senior officials on acquisition matters. Specifically, the Services Acquisition Reform Act of 2003 requires that the Senior Procurement Executive report directly to the Chief Acquisition Officer without intervening authority.⁵ The Secretary of HUD designated the Deputy Secretary as the Chief Acquisition Officer and the Chief Procurement Officer (CPO) as the Senior Procurement Executive in a Federal Register notice published on July 30, 2013.⁶ However, the CPO does not report directly to the Deputy Secretary, but rather reports to the Chief Operations Officer, who in turn reports to the Deputy Secretary. According to HUD, the Chief Operations Officer is a member of the Office of the Deputy Secretary, and therefore reporting to the Chief Operations Officer is functionally the equivalent of reporting to

⁵41 U.S.C. § 1702. The Services Acquisition Reform Act of 2003 requires 16 federal civilian agencies, including HUD, to establish the position of a Chief Acquisition Officer to advise and assist agency leadership to help ensure that the agency’s mission is achieved through the management of its acquisition activities. The act requires that Chief Acquisition Officers be noncareer employees; have acquisition management as their primary duty; and have the agency’s Senior Procurement Executive report directly to them without intervening authority, or serve as both Chief Acquisition Officer and Senior Procurement Executive.

⁶78 Fed. Reg. 46,240 (July 30, 2013).

the Deputy Secretary. HUD officials said that the CPO met regularly with the Deputy Secretary and had the ability to discuss any issues that might arise. Because the Secretary delegated full authority to the Deputy Secretary, officials in HUD's Office of General Counsel said these meetings would satisfy the statutory requirements.⁷ HUD officials also said they planned to consider the recent changes in reporting relationships when assessing organizational alignment and leadership issues as part of the next annual review of the acquisition function.

Procurement responsibilities are spelled out in HUD's procurement policies and procedures handbook. However, in a 2010 report prepared for HUD's internal use, NAPA found that program offices were not held accountable for performance of acquisition-related responsibilities related to planning and defining requirements. OCPO officials told us that the primary reason for these deficiencies was the fact that the contracting officer's representative duties were collateral duties at HUD.⁸ OCPO is working to professionalize the contracting officer's representative role and has created a standard position description to manage agency contracts, according to OCPO officials. HUD delayed implementation of the new contracting officer's representative role until fiscal year 2016 due to potential budget implications. Previously HUD had intended to have completed implementation by the end of fiscal year 2015.

Policies and Processes

From 2009 to 2015, HUD's acquisition handbook was not updated, even though HUD had issued numerous acquisition instructions and other guidance documents. HUD officials said that the 2009 revision to the handbook did not include all of the guidance that had been issued at that time. In addition, in a 2010 report prepared for HUD's internal use NAPA found that OCPO's policies and guidance were generally sound and that the content that was available on the OCPO intranet was extensive and helpful. However, numerous contract specialists and program staff were unaware of the breadth of the guidance available or said that they found it difficult to navigate through the material, according to NAPA. In 2015 and 2016, OCPO staff completed an update to the acquisition handbook that

⁷77 Fed. Reg. 66,864 (Nov. 7, 2012).

⁸Contracting officers are authorized to enter into, administer, and/or terminate contracts. Contracting officer's representatives assist the contracting officer in providing administration of contract actions and evaluating performance.

incorporated policies and guidance that had been issued and aligned the handbook with the Federal Acquisition Regulation. OCPO officials anticipated that the updated acquisition handbook would be implemented in May 2016.

Also in 2010, NAPA found inconsistent interpretation and implementation of acquisition policies that affected client service. Some program clients reported receiving widely divergent levels of services from different staff within the OCPO headquarters division assigned to support them. NAPA cited a similar pattern regarding variations in interpretations and implementation of policies among contracting officers and contract specialists within the same division, raising a broader concern of variations that were likely occurring among divisions within OCPO. To address this concern, OCPO officials told us that in recent years they had developed a number of mandatory templates—more than 60 of which they provided to us to review—for different aspects of the acquisition process to reduce variations in the implementation of policies.

Human Capital

HUD has struggled to invest in the acquisition workforce and attract and retain talent but has taken steps to develop talent and create a results-oriented culture. According to OCPO, several studies have been conducted to analyze workload data and staffing needs, but no budgets have been approved that allow HUD to properly staff the acquisition workforce. Staff turnover, caused in part by heavy workloads resulting from reduced budget authority, continues to be a critical challenge for HUD, according to OCPO.

OCPO has taken steps to develop talent in the acquisition workforce. The Chief Procurement Officer appointed an Acquisition Career Manager (ACM) and alternate ACMs to implement federal acquisition certification programs for contracting staff, program and project managers, and contracting officer's representatives. According to OCPO, the ACM is responsible for all training and professional development for the acquisition workforce. The ACM coordinates professional development of the acquisition workforce with HUD's Learning, Enrichment, and Resource Network (LEARN). The ACM and OCPO managers have identified staff skill gaps, and OCPO officials said they submit training requests to fill gaps. They also said employees prepare individual training action plans, which are used to develop cost estimates for training needed to close mission-critical performance gaps.

In addition, OCPO has taken steps to create a results-oriented culture. According to OCPO officials, OCPO uses specific, measurable,

attainable, realistic, and timely standards for its performance measurement efforts. In fiscal year 2012, HUD developed and implemented new performance standards to drive process improvement through human capital performance plans, which OCPO is using to improve the performance management and evaluations of staff and managers. These performance standards include specific performance metrics to help staff understand what they will be evaluated on and held accountable for performing. According to OCPO officials, OCPO staff members typically have lower ratings than other HUD components, negatively affecting morale. But the officials added that the performance evaluations also provide staff with the information they need in order to secure strong performance ratings.

Knowledge and Information Management

We found that HUD generally obtained credible, reliable, and timely data to make acquisition decisions. HUD captures all data required by the Federal Procurement Data System-Next Generation.⁹ According to HUD officials, the CPO reviews and certifies the completeness of these procurement data records. In addition, the procurement management review team performed independent verification and validation of these data for fiscal years 2012 through 2014. The team reviewed a representative, random sample of purchase orders, modifications, task orders, and contracts from each of the OCPO offices. The review findings indicated that OCPO experienced an overall average accuracy rate of 96 percent in fiscal year 2012, 95 percent in fiscal year 2013, and 95 percent in fiscal year 2014. The reviews found that all (100 percent) of the errors in the data system were attributed to the user.

In addition, HUD's in-house procurement databases captured additional data used for tracking and reporting on HUD acquisitions. In fiscal year 2014, OCPO officials said they began capturing information to measure the accuracy of program offices' forecasts of their requirements (planned versus unplanned acquisitions and options) and their ability to execute annual strategic acquisition plans. OCPO officials also told us they began reporting on the timeliness of customers' release of requisitions to OCPO

⁹The Federal Procurement Data System-Next Generation provides information on government contracting actions, procurement trends, and achievement of socioeconomic goals, such as small business participation. The General Services Administration administers the system, and more than 60 government departments, agencies, and other entities submit contract data to it.

based upon the target requisition release date listed in each individual acquisition plan. Additionally, for requisitions released in a timely manner, OCPO began reporting on the extent to which OCPO completed award actions by the scheduled target award date. HUD uses a data warehouse for its data analysis and reporting efforts. In October 2015, HUD transitioned its procurement system to a shared service provider, but the shared service provider did not have the dashboard capabilities and other functionality that HUD's data warehouse has. In order to continue using the data warehouse after the transition, the shared services provider agreed to create data extracts that can be loaded into the data warehouse.

However, our January 2014 report on strategic sourcing found that HUD generally did not have baseline data and performance measures to determine how small businesses were affected by strategic sourcing.¹⁰ Our review of documentation on agency-wide strategic sourcing initiatives at HUD and other agencies in 2014 showed that the agencies generally considered the inclusion of small businesses and small disadvantaged businesses. In general, agencies that included small businesses in their agency-wide strategic sourcing initiatives did so by using small business set-asides. OMB required HUD and other agencies to submit annual reports on the implementation of strategic sourcing from fiscal years 2005 through 2007 and prepare information for acquisition status sessions from fiscal years 2010 through 2012. (No reporting was in place for fiscal years 2008 or 2009.) However, virtually none of this information included baseline data or measures of the effect of strategic sourcing on small businesses. We recommended that HUD collect baseline data and establish performance measures on the inclusion of small businesses in strategic sourcing initiatives. HUD agreed but had not yet fully implemented these recommendations as of May 2016.

Annual assessment

OCPO has been conducting annual procurement management reviews since 2008, according to HUD officials. We reviewed the reports covering

¹⁰GAO, *Strategic Sourcing: Selected Agencies Should Develop Performance Measures on Inclusion of Small Businesses and OMB Should Improve Monitoring*, [GAO-14-126](#) (Washington, D.C.: Jan. 23, 2014). Strategic sourcing is a process that moves an organization away from numerous individual procurements for the same or similar products or services toward a broader aggregate approach. The benefits of strategic sourcing can include cost savings and less duplication of effort.

fiscal years 2012 through 2014, which generally followed the format contained in OMB guidelines. In addition, the reports included the results of case file reviews for different acquisition offices in headquarters and the field. OCPO reviewed each office once during the 2-year period. Each report included corrective action plans to address the results of the file reviews. We noted to OCPO officials that the reports for 2012 and 2013 covered identical questions and asked how those questions had been selected and whether there was a process for reevaluating the choice of questions the review would include. OCPO officials told us that the questions used for the 2012 and 2013 reviews had been selected by the previous Assistant CPO and that there had been no reevaluation of the questions that they were aware of. However, they said that they had identified additional questions that were included in the 2014 review and were planning to establish a process for selecting questions to be included in the review each year.

Information on the Procurement of Contract Administration Services for the Project-based Rental Assistance Program

Under the project-based rental assistance program, HUD enters into contracts with property owners to provide rental assistance to lower-income tenants for a fixed period of time. In 1999, because of staffing constraints (primarily in HUD's field offices) and the workload involved in renewing the increasing numbers of rental assistance contracts reaching the end of their initial terms, HUD began an initiative to contract out the oversight and administration of most of its project-based contracts. The entities that HUD hired—typically public housing agencies or state housing finance agencies—are responsible for conducting on-site management reviews of assisted properties; adjusting contract rents; reviewing, processing, and paying monthly vouchers submitted by owners; renewing contracts with property owners; and responding to health and safety issues at the properties. These performance-based contract administrators (PBCA) administer the majority of project-based contracts, and their activities are governed by annual contributions contracts. For fiscal year 2016, HUD received appropriations totaling \$215 million for PBCAs.

In February 2011, HUD chose to recompeted the annual contributions contracts and announced awards in July 2011. A number of unsuccessful applicants filed protests of the awards with GAO, arguing that the annual contribution contracts were procurement contracts and that HUD had not

complied with federal procurement laws.¹¹ In response, HUD withdrew the awards, and we dismissed the protests as moot. In March 2012, HUD reissued its competition notice, characterizing the annual contribution contracts as cooperative agreements that were not subject to federal procurement law. A number of applicants who had been awarded contracts in 2011 (which had subsequently been cancelled) were excluded from applying under the March 2012 notice, and in May 2012 these entities filed pre-award protests with us. In our August 2012 decision, we sustained the protests, concluding that HUD was required to use a procurement instrument that resulted in a contract to obtain these services rather than a cooperative agreement.¹²

However, HUD disregarded our decision and moved forward with awarding the annual contribution contracts as cooperative agreements. A number of organizations again filed pre-award protests, this time with the Court of Federal Claims. The Court of Federal Claims ruled in HUD's favor, and this decision was appealed to the U.S. Court of Appeals for the Federal Circuit. In March 2014, the Court of Appeals found that the annual contribution contracts were procurement contracts subject to federal procurement laws.¹³ The court directed HUD to acquire the contract administration services pursuant to federal procurement laws and regulations. In April 2015, the U.S. Supreme Court declined to hear HUD's appeal.

In response, HUD informed us that it had hired a consultant in January 2016 to assist HUD in analyzing best practices of current service providers, assessing opportunities to utilize existing commercial products and processes, and interviewing subject-matter experts both inside and outside of HUD to determine the optimal acquisition strategy to obtain contract administration services. HUD stated that its conservative estimate of when it would award the contracts was calendar year 2017. In

¹¹GAO has jurisdiction under the Competition in Contracting Act of 1984 to review protests concerning alleged violations of procurement statutes or regulations by federal agencies in the award or proposed award of contracts for goods and services and solicitations leading to such awards. 31 U.S.C. §§ 3551(1), 3552; 4 C.F.R. § 21.2(a).

¹²Assisted Housing Services Corp., *et al.*, B-406738, August 15, 2012.

¹³CMS Contract Management Services v. U.S., 745 F.3d 1379 (Fed. Cir. 2014), *cert. denied*, 135 S. Ct. 1842 (2015).

the meantime, HUD has extended the current annual contributions contracts through June 2016 and plans to extend them further as necessary until the procurement process is complete.

Appendix IX: Comments from the Department of Housing and Urban Development



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-3000

Mr. Daniel Garcia-Diaz
Director
Financial Markets and Community Investments
U.S. Government Accountability Office
441 G St NW
Washington, DC 20548

Dear Mr. Garcia-Diaz:

Thank you for the opportunity to comment on the Government Accountability Office (GAO) draft report entitled, *Department of Housing and Urban Development: Actions Needed to Incorporate Key Practices into Management Functions and Program Oversight* (GAO-16-497).

The Department of Housing and Urban Development (HUD) reviewed the draft report and concurs with the recommendations for executive action. The recommendations focus on the need for sustaining progress as opposed to identifying new challenges. As you note throughout the report, HUD has made significant progress in correcting longstanding management challenges that have hampered the Department for decades. We need to, and will, do a better job of institutionalizing those improvements.

In response to this report, we would like to take this opportunity to update our stakeholders and the public on the advances we have made recently. We are building a stronger HUD—connecting operational excellence to mission accomplishment. We focus on three broad areas of operational excellence that will improve HUD's capacity:

- Investing in people (employee engagement, leadership and accountability, training for staff and managers)
- Improving processes (resource management, continuous process improvement, formal and informal collaboration, analytics and data, new governance)
- Developing and improving systems to make sure people have the tools they need to succeed (technology, shared services)

Morale is up, employees are more engaged, and HUD is becoming an increasingly attractive place to work. We have more work to do, but we are on the right track. An increased focus on employee engagement led to the Department's recognition as most improved mid-sized agency in the Best Places to Work rankings, improving 8 percentage points to a score of 52.3. Our response rate for the Federal Employee Viewpoint Survey rose to 73.5 percent in 2015, up 22 percentage points.

In the last year, we have transformed our hiring, financial management, accounting, travel, and procurement processes by leveraging shared service providers. HUD was the first cabinet level agency to move its core financial systems to a federal shared services provider in order achieve

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greater accuracy, timeliness, and transparency in financial management. Transactions are now conducted on a stable, modern platform hosted by Treasury including travel, relocations, time and attendance, and acquisitions. HUD has adopted standard federal accounting and financial management processes and improved its internal controls while continuing to resolve known financial compliance issues.

We are making sure that the right leaders are in the right leadership positions so that HUD can better deliver on its mission. We established a new hiring plan process that reduced the planning process from 84 days on average to under 10 days, and we are in the process of streamlining the actual hiring process. We are beginning to track all key leadership positions at HUD to ensure that there is a viable succession plan, either internally or externally for each position. In response to staff and manager requests for more training on “soft skills,” we established a policy requiring all managers and supervisors to take training every year. This includes those who are new to HUD and those who have been here for many years.

With constrained, uncertain resources, we are focusing on driving efficiencies, working smarter, and getting more mission for the money. Highlighting this approach, we partnered with Toyota’s non-profit arm for training in process improvement and lean practices. With improvements achieved through this partnership, grants closeouts are now targeted for completion within 120 days. Rental Assistance Demonstration (RAD) fair housing and relocation reviews have been streamlined from 335 to an initial target of 94 days.

One of our highest priorities is to better manage taxpayer resources through improved budgeting and financial management. HUD has already issued the first of three documents that will establish a new streamlined funds control process for the agency. HUD recently completed its third round of Quarterly Management Reviews, an agency-wide accountability and risk management discussion that integrates budgetary and hiring data with operational performance metrics.

To help capitalize on the promise of technology, we are refocusing our approach to building and maintaining IT systems. We are focusing on an enterprise approach that will allow systems and applications to be reusable across multiple mission and program areas while saving money in the process. HUD is improving its IT governance processes to increase transparency and accountability by refreshing its IT budget formulation process (Customer Care Committee) and establishing new governance around IT project program (Project Management Wednesdays). HUD is restructuring the way operations and maintenance (O&M) services are delivered to program areas. This modernization effort will identify strategies to reduce, consolidate and streamline O&M systems and their IT support contracts.

HUD is actively working with GAO on a variety of management and program audit engagements. As the Comptroller General’s August 3, 2015 letter highlights, HUD is proud that it is above the government-wide implementation rate for GAO recommendations, 91 percent compared to 78 percent, respectively. We continue to focus our attention on closing our recommendations to improve HUD’s effectiveness and efficiency. We continue to endeavor to close the 74 open recommendations detailed in the draft report with a particular focus on the 15 high priority recommendations that will immediately improve HUD’s effectiveness and efficiency. To this end,

Appendix IX: Comments from the Department
of Housing and Urban Development

Briefing Memorandum
Page 3

we understand that GAO is currently reviewing updated documentation from HUD for nine of the priority recommendations.

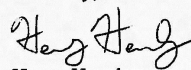
In response to the GAO's statement of findings for this report, HUD is maintaining an internal management calendar to improve communication and awareness of Congressional and regulatory requirements around management and operational issues, such as strategic planning, financial management, budget formulation, and human capital strategic planning. This calendar will also establish a high-level schedule for policy and procedure reviews and updates to ensure management functions remain current.

HUD's next Annual Performance Plan and Report will include a section on the federal priority goals and reasons why targets were not met and plans to achieve them for each metric. HUD will reach out to Congress to begin the feedback process as relates to the new strategic plan for the incoming Administration and is drafting a memorandum of understanding with the Office of Congressional and Intergovernmental Relations to establish an annual process for collecting and documenting feedback from all relevant committees. Deputy Secretary Coloretti recently designated the Departmental Enforcement Center as the agency-wide entity charged with overseeing fraud risk management activities.

HUD remains committed to implementing best practices to improve Agency operations and we look forward to overcoming some of our longstanding management issues. It is essential to the fulfillment of our mission to create strong, sustainable, inclusive communities and quality affordable homes for American families and individuals. We have more work to do, but we have made significant recent strides to improve how HUD does business and the underlying management and operations of the Department.

I know our respective staffs will continue to work together in that same spirit as our leadership on these recommendations. If you have any questions or require additional information, please contact Michael Adams, Office of Strategic Planning and Management at (202) 402-5546 (michael.c.adams@hud.gov).

Sincerely,



Henry Hensley
Director, Office of Strategic Planning and Management

Appendix X: GAO Contact and Staff Acknowledgments

GAO Contact

Daniel Garcia-Diaz, (202) 512-8678 or garciadiazd@gao.gov

Staff Acknowledgments

In addition to the contact named above, Steve Westley (Assistant Director), Don Brown (Analyst-in-Charge), Emily Chalmers (retired), Amanda C. Gill, Meredith Graves, Holly Hobbs, Yola Lewis, John McGrail, Erika Navarro, Jena Sinkfield, Kwame Som-Pimpong, and Teresa Yost made significant contributions to this report.

Appendix XI: Accessible Data

Agency Comment Letter

Text of Appendix IX:
Comments from the
Department of Housing
and Urban Development

Page 1

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WASHINGTON, DC 20410-3000

Mr. Daniel Garcia-Diaz

Director

Financial Markets and Community Investments

U.S. Government Accountability Office

441 G St NW

Washington, DC 20548

Dear Mr. Garcia-Diaz:

Thank you for the opportunity to comment on the Government Accountability Office (GAO) draft report entitled, Department of Housing and Urban Development: Actions Needed to Incorporate Key Practices into Management Functions and Program Oversight (GAO-16-497).

The Department of Housing and Urban Development (HUD) reviewed the draft report and concurs with the recommendations for executive action. The recommendations focus on the need for sustaining progress as opposed to identifying new challenges. As you note throughout the report, HUD has made significant progress in correcting longstanding management challenges that have hampered the Department for decades. We need to, and will, do a better job of institutionalizing those improvements.

In response to this report, we would like to take this opportunity to update our stakeholders and the public on the advances we have made recently. We are building a stronger HUD- connecting operational excellence to mission accomplishment. We focus on three broad areas of operational excellence that will improve HUD's capacity:

- Investing in people (employee engagement, leadership and accountability, training for staff and managers)
- Improving processes (resource management, continuous process improvement, formal and informal collaboration, analytics and data, new governance)
- Developing and improving systems to make sure people have the tools they need to succeed (technology, shared services)

Morale is up, employees are more engaged, and HUD is becoming an increasingly attractive place to work. We have more work to do, but we are on the right track. An increased focus on employee engagement led to the Department's recognition as most improved mid-sized agency in the Best Places to Work rankings, improving 8 percentage points to a score of 52.3. Our response rate for the Federal Employee Viewpoint Survey rose to 73.5 percent in 2015, up 22 percentage points.

In the last year, we have transformed our hiring, financial management, accounting, travel, and procurement processes by leveraging shared service providers. HUD was the first cabinet level agency to move its core financial systems to a federal shared services provider in order achieve

Page 2

greater accuracy, timeliness, and transparency in financial management. Transactions are now conducted on a stable, modern platform hosted by Treasury including travel, relocations, time and attendance, and acquisitions. HUD has adopted standard federal accounting and financial management processes and improved its internal controls while continuing to resolve known financial compliance issues.

We are making sure that the right leaders are in the right leadership positions so that HUD can better deliver on its mission. We established a new hiring plan process that reduced the planning process from 84 days on average to under 10 days, and we are in the process of streamlining the actual hiring process. We are beginning to track all key leadership positions at HUD to ensure that there is a viable succession plan, either internally or externally for each position. In response to staff and manager requests for more training on "soft skills," we established a policy

requiring all managers and supervisors to take training every year. This includes those who are new to HUD and those who have been here for many years.

With constrained, uncertain resources, we are focusing on driving efficiencies, working smarter, and getting more mission for the money. Highlighting this approach, we partnered with Toyota's non-profit arm for training in process improvement and lean practices. With improvements achieved through this partnership, grants closeouts are now targeted for completion within 120 days. Rental Assistance Demonstration (RAD) fair housing and relocation reviews have been streamlined from 335 to an initial target of 94 days.

One of our highest priorities is to better manage taxpayer resources through improved budgeting and financial management HUD has already issued the first of three documents that will establish a new streamlined funds control process for the agency. HUD recently completed its third round of Quarterly Management Reviews, an agency-wide accountability and risk management discussion that integrates budgetary and hiring data with operational performance metrics.

To help capitalize on the promise of technology, we are refocusing our approach to building and maintaining IT systems. We are focusing on an enterprise approach that will allow systems and applications to be reusable across multiple mission and program areas while saving money in the process. HUD is improving its IT governance processes to increase transparency and accountability by refreshing its IT budget formulation process (Customer Care Committee) and establishing new governance around IT project program (Project Management Wednesdays). HUD is restructuring the way operations and maintenance (O&M) services are delivered to program areas. This modernization effort will identify strategies to reduce, consolidate and streamline O&M systems and their IT support contracts.

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Sincerely,

Henry Hensley

Director, Office of Strategic Planning and Management

Accessible Text / Data Table

Accessible Text for Figure 4: Department of Housing and Urban Development Intermediaries

Office of Community Planning and Development

- state governments
- local governments
- nonprofit community development organizations

Office of Housing/ Federal Housing Administration

- lenders
- appraisers
- mortgage servicers
- property management and marketing contractors
- housing counseling agencies
- multifamily property owners

Office of Fair Housing and Equal Opportunity

- state agencies
- local agencies
- nonprofit housing organizations

Office of Public and Indian Housing

- public housing agencies
- landlords/property managers
- contract administrators
- tribal entities

Ginnie Mae

- issuers
- document custodians

Data Table for Figure 5: Status of GAO Recommendations to the Department of Housing and Urban Development (HUD) Overall and by Fiscal Year, as of June 2016

| Closed - Implemented | Closed - Not Implemented | Open |
|----------------------|--------------------------|------|
| 77 | 5 | 19 |
| 90 | 7 | 3 |
| 72 | 0 | 28 |
| 41 | 0 | 59 |
| 24 | 0 | 76 |
| 0 | 0 | 100 |

Data Table for Figure 6: Estimated Improper Payment Amounts for Fiscal Years 2008 through 2014

| | Administrator Error | Income Reporting Error | Billing Error |
|------|---------------------|------------------------|---------------|
| 2008 | 591.972 | 370.7 | 59 |
| 2009 | 649.743 | 217.803 | 57 |
| 2010 | 650.267 | 203.198 | 106 |
| 2011 | 695.208 | 428.493 | 106 |
| 2012 | 798.8 | 419.2 | 106 |
| 2013 | 607.829 | 315.239 | 106 |
| 2014 | 769.36 | 404.85 | 107.6 |

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