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## Accessible Version

June 21, 2021

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

### Priority Open Recommendations: Department of Housing and Urban Development

Dear Madam Secretary:

I appreciated our recent meeting and look forward to a constructive working relationship between our two institutions. As we discussed, the purpose of this letter is to provide an update on the overall status of the Department of Housing and Urban Development's (HUD) implementation of GAO's recommendations and to call your personal attention to areas where open recommendations should be given high priority.<sup>1</sup> In November 2020, we reported that on a government-wide basis, 77 percent of our recommendations made 4 years ago were implemented.<sup>2</sup> HUD's recommendation implementation rate was 56 percent. As of May 2021, HUD had 125 open recommendations. Fully implementing these open recommendations could significantly improve HUD's operations.

Since our April 2020 letter, HUD has implemented five of our 17 priority recommendations, as follows:

- HUD developed and implemented a comprehensive monitoring plan for its 2017 Community Development Block Grant Disaster Recovery grants that identified areas of greatest risk. Using these high-risk areas, HUD developed a monitoring schedule and strategy for fiscal years 2020 and 2021. We believe that by identifying risk factors and incorporating these factors in a monitoring plan, HUD has taken steps to help ensure its oversight focuses on grantees' areas of greatest risk.
- HUD conducted workforce planning for the division that manages Community Development Block Grant Disaster Recovery grants. In fiscal year 2019, the agency assessed organizational functions, work products, and resources to determine the staffing gaps in the division. Since then, HUD has hired 28 staff to fill gaps identified. We believe that HUD's identification of the skills and competencies needed and hiring of staff to address gaps will help its oversight of the growing number of Community Development Block Grant Disaster Recovery grants.

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

<sup>2</sup>GAO, *Performance and Accountability Report: Fiscal Year 2020*, [GAO-21-4SP](#) (Washington, D.C.: Nov. 16, 2020).

- HUD conducted workforce planning for the Moving to Work demonstration in January 2020. It assessed organizational functions, work products, and resources to determine the staffing gaps in its Moving to Work office. Since then, HUD has hired nine staff to fill gaps identified. We believe that HUD's identification of the skills and competencies needed and hiring of staff to address gaps will help it oversee the expanded Moving to Work demonstration.
- HUD developed and implemented a process to monitor Moving to Work agencies' reserves. As of May 2021, HUD had implemented a process to monitor how existing Moving to Work agencies planned to use unexpended Public Housing and Housing Choice Voucher funding and limited the ability of new agencies to build large reserves. We believe that by having such plans in place, HUD will be able to provide reasonable assurance that the Moving to Work agencies have sound plans for expending their reserves.
- HUD completed a technical assessment to identify gaps in its information technology (IT) environment and systems and, subsequently, developed an implementation strategy and approach for modernizing its IT environment. HUD's overall modernization approach also includes scope and a schedule. In February 2021, HUD provided draft performance measures established for overseeing these modernization efforts. We believe that by outlining more thorough plans for its overall IT modernization, HUD will have greater assurance that projects planned will be completed successfully and managed effectively.

We ask your attention to the remaining priority recommendations. We are adding one new recommendation as a priority this year on the Real Estate Assessment Center's physical inspection process, which brings the total number of priority recommendations to 13. (See enclosure for the full list of recommendations.)

The 13 priority recommendations fall into the following six major areas:

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

One recommendation would improve the identification of physical deficiencies at HUD multifamily properties (including public housing). In March 2019, we found several weaknesses in REAC's physical inspection process and recommended that REAC conduct a comprehensive review. We noted some contract inspectors were conducting inspections that did not meet REAC's quality inspection standards, such as by not reviewing all of the required buildings and units. In addition, some property owners were misrepresenting the physical condition of their properties by covering up rather than addressing deficiencies—such as by using mulch on a building exterior to hide erosion.

As of April 2021, REAC officials said they implemented our recommendation, but the information provided indicated that the review was too limited in scope to support categorizing the review as comprehensive. For example, the information REAC provided did not address the physical inspection process or provide documentation of an examination of this process. To fully implement our recommendation, REAC needs to take additional actions consistent with a comprehensive review and provide the related documentation.

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

Four recommendations would strengthen Ginnie Mae's capacity to respond to its increasing volume of business, improve risk management, and enhance management of contractors and budgets for in-house staff. In April 2019, we recommended that Ginnie Mae evaluate its issuer guaranty fee, contractor use, contract administration, and the costs and benefits of options to

revise compensation structures for Ginnie Mae employees. Ginnie Mae agreed with these recommendations and, as of April 2021, had taken steps to implement them. For example, Ginnie Mae has modified its existing econometric models to include a review of the level of guaranty fee and proposed a schedule to periodically review those models. To fully implement this recommendation, Ginnie Mae needs to follow through on this effort and provide additional detail on its plan to periodically conduct this analysis.

For the two recommendations on contractor use and on contract administration, Ginnie Mae plans to analyze the cost of using contractors for its operations and to assess its contract administration options. To fully implement these recommendations, Ginnie Mae needs ensure each analysis is completed. For the recommendation related to its compensation structure, Ginnie Mae needs to finalize how the alternative compensation structure will be implemented with HUD and the Office of Management and Budget (OMB).

#### Strengthen processes to address lead paint hazards.

Three recommendations would improve the effectiveness of HUD's efforts to identify and address lead paint hazards in low-income housing. In a June 2018 report, we made two recommendations for HUD to enhance compliance monitoring and enforcement of lead paint regulations. According to HUD, as of March 2021, it was still developing a monitoring plan to mitigate and address risks with respect to lead paint compliance. In addition, HUD officials told us they were internally reviewing draft procedures for staff to enforce lead paint regulations. HUD still needs to follow through on its efforts to develop and complete its monitoring plan and finalize the draft procedures.

In the June 2018 report, we found that HUD requires a less stringent lead paint inspection standard for its Housing Choice Voucher program than for its public housing program. Thus, children living in voucher units may be less protected from lead paint hazards than children living in public housing. We recommended that HUD request authority from Congress to amend the voucher program inspection standard based on an analysis of health effects for children and other relevant factors. HUD officials told us they plan to continue to request funds from Congress to evaluate an alternative lead paint testing method in HUD's Housing Choice Voucher program. To fully implement our recommendation, HUD needs to take steps to analyze the effects of alternative lead evaluation methods, and use the results to inform its decisions about requesting new authority from Congress.

#### Enhance oversight of Moving to Work.

Two recommendations would enhance HUD's oversight of the Moving to Work demonstration, which gives participating public housing agencies (PHA) the flexibility to change rent calculations and impose work requirements and time limits on tenants, among other things. In January 2018, we recommended that HUD better track PHA fund usage and assess the effects of policy changes on tenants. As of March 2021, HUD was planning to revise its reporting requirements to better track the use of Moving to Work agencies' funds in 2021. HUD still needs to develop and implement a plan for analyzing the effects of program flexibilities on tenants. Fully implementing these recommendations would help HUD evaluate the performance of Moving to Work agencies and assess the demonstration's effect on tenants.

#### Improve cybersecurity risk management and workforce planning practices.

Two recommendations would improve cybersecurity risk management and workforce planning. In a July 2019 report, we recommended that HUD incorporate key practices in its cybersecurity

risk-management programs. HUD agreed with this recommendation. In February 2021, HUD provided documentation of a risk-management strategy, but the documentation lacked key elements called for in federal guidance. A second recommendation from a March 2019 report would help HUD track and categorize its IT and cyber workforce. The report notes that the federal government needs a qualified, well-trained cybersecurity workforce to protect vital IT systems. HUD agreed with this recommendation. As of March 2021, HUD had not provided sufficient evidence that it had implemented this recommendation. To fully implement the recommendation, HUD needs to correctly categorize the work roles and functions performed by IT and cyber-related personnel to enable the agency to identify critical cybersecurity staffing needs.

#### Improve information technology management.

One recommendation would improve HUD's IT management. In December 2014, we recommended that HUD develop a process to enable the agency to identify IT governance actions and projects that achieve cost savings and efficiencies. HUD agreed with this recommendation and has taken steps to implement it. Specifically, HUD has been developing an implementation plan intended to improve and expand the tracking of investments. In addition, HUD developed a new cost-savings process that it plans to initiate in the third quarter of fiscal year 2021. To fully implement the recommendation, HUD needs to finalize its implementation plan and process for identifying and tracking data on cost savings and efficiencies from IT governance and projects.

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In March 2021 we issued our biennial update to our [High-Risk List](#), which identifies government operations with greater vulnerabilities to fraud, waste, abuse, and mismanagement or the need for transformation to address economy, efficiency, or effectiveness challenges.<sup>3</sup> One of our high-risk areas—[resolving the federal role in housing finance](#)—relates directly to HUD.

Several other government-wide high-risk areas also have direct implications for HUD and its operations. These include (1) [improving the management of IT acquisitions and operations](#), (2) [improving strategic human capital management](#), (3) [managing federal real property](#), (4) [ensuring the cybersecurity of the nation](#)<sup>4</sup>, and (5) [government-wide personnel security clearance process](#). We urge your attention to resolving these government-wide high-risk issues as they relate to HUD. Progress on high-risk issues has been possible through the concerted actions and efforts of Congress, the Office of Management and Budget, and the leadership and staff in agencies, including within HUD.

Copies of this report are being sent to the Director of the Office of Management and Budget and appropriate congressional committees: the Committees on Appropriations; Banking, Housing, and Urban Affairs; Budget; and Homeland Security and Governmental Affairs, United States Senate; and the Committees on Appropriations; Budget; Financial Services; and Oversight and Government Reform, House of Representatives. In addition, the report will be available on the GAO website at <https://www.gao.gov>.

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<sup>3</sup>GAO, *High-Risk Series: Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas*, [GAO-21-119SP](#) (Washington, D.C.: Mar. 2, 2021).

<sup>4</sup>With regard to cybersecurity, we also urge you to use foundational information and communications technology supply chain risk management practices set forth in our December 2020 report: GAO, *Information Technology: Federal Agencies Need to Take Urgent Action to Manage Supply Chain Risks*, [GAO-21-171](#) (Washington, D.C.: Dec. 15, 2020).

I appreciate HUD's commitment to these important issues. If you have any questions or would like to discuss any of the issues outlined in this letter, please do not hesitate to contact me or Daniel Garcia-Diaz, Managing Director, Financial Markets and Community Investment, at [garciadiazd@gao.gov](mailto:garciadiazd@gao.gov) or (202) 512-8678. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Our teams will continue to coordinate with your staff on all of the 125 open recommendations. Thank you for your attention to these matters.

Sincerely yours,

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

Gene L. Dodaro  
Comptroller General  
of the United States

Enclosure 1

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

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

### Improving Real Estate Assessment Center Physical Inspection Process

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

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

**Action Needed:** REAC agreed with this recommendation. As of April 2021, REAC provided a copy of an internal audit, which focused on five areas that REAC describes as physical assessment business line areas. REAC officials have described this audit as a comprehensive review of the inspection program process, but it is too narrowly scoped to be considered a comprehensive review. For example, the review did not address the actual physical inspection process, including the inspection standards or the scoring and sampling models used. REAC provided a separate document in which it says that a senior leadership team has conducted a wholesale reexamination of the physical inspection process, but the document contained no documentation or description of the specific tasks that were performed for this reexamination. REAC officials told us that they have been transitioning to a new physical inspection process. However, it is unclear the extent to which the new process is grounded in the results of a comprehensive review. We will continue to monitor REAC's implementation of a comprehensive review of its inspection process, including any steps it takes to inform the design of its new inspection program. To fully implement this recommendation, REAC needs to take additional actions to complete a comprehensive review, or provide documentation that one has been completed.

**Director:** John Pendleton

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

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

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

**Action Needed:** Ginnie Mae (HUD) agreed with this recommendation. As of April 2021, Ginnie Mae stated it plans to pursue the authority to administratively adjust its guarantee fee within an established range. Ginnie Mae modified its existing econometric models to include a review of the level of guaranty fee in response to this recommendation. Ginnie Mae also stated that it plans to annually perform the guaranty fee adequacy analysis until 2023, when it plans to semi-annually perform the analysis. To fully implement this recommendation, Ginnie Mae needs to follow through on this effort and provide additional detail on its plan to periodically conduct this analysis.

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

**Action Needed:** Ginnie Mae (HUD) agreed with this recommendation. In January 2021, Ginnie Mae officials said the agency had procured a contractor to do this analysis at the end of fiscal year 2020. To fully implement this recommendation, Ginnie Mae should ensure the analysis and plan are completed.

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

**Action Needed:** Ginnie Mae (HUD) agreed with this recommendation. In January 2021, Ginnie Mae stated it plans to have an external vendor assess its contract administration options and make recommendations. To fully implement this recommendation, Ginnie Mae should ensure the evaluation is completed.

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

**Action Needed:** Ginnie Mae (HUD) agreed with this recommendation. As of January 2021, Ginnie Mae had taken steps to adopt an alternative pay option (known as Critical Pay) and was working with HUD on developing an implementation plan within its Office of Enterprise Risk. In addition, Ginnie Mae has been is working with the Office of Management and Budget (OMB) to ensure program execution and outcomes align between the agencies. To fully implement this recommendation, Ginnie Mae needs to finalize its efforts with HUD and OMB.

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

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### Strengthening Processes to Address Lead Paint Hazards

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

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

**Action Needed:** HUD generally agreed with this recommendation. HUD said it established a multi-office working group to begin discussing identified risks, proposed approaches that do not require statutory or regulatory changes, and an implementation plan. In November 2019, HUD officials told us the agency had taken steps to implement the recommendation, including requiring PHAs to submit appropriate documentation on public housing units' compliance with lead paint regulations and updating an internal checklist for on-site compliance reviews that HUD staff conduct.

In March 2021, HUD officials said their plans to implement this recommendation had been delayed due to the COVID-19 pandemic; however, they intend to have a plan for a monitoring structure in place by the end of fiscal year 2021. HUD officials told us they have been working on a plan that would establish a risk-based monitoring structure through which the agency would target particular PHAs in relation to their lead risk. To fully implement the recommendation, HUD needs to follow through on these efforts and establish a plan to mitigate and address risks in compliance monitoring.

**Recommendation:** The Director of HUD's Office of Lead Hazard Control and Healthy Homes and the Assistant Secretary for PIH should collaborate to develop and document procedures to

ensure that HUD staff take consistent and timely steps to address issues of PHA noncompliance with lead paint regulations.

**Action Needed:** HUD generally agreed with this recommendation. HUD said it has established a multi-office working group to develop guidance to better compel PHA compliance and escalate cases of noncompliance. As of March 2021, HUD officials told us the draft procedures were under internal review and were not expected to be finalized until the end of fiscal year 2021. To fully implement this recommendation, HUD needs to ensure that these efforts are completed, including development of final procedures to address noncompliance in a consistent and timely way.

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

**Action Needed:** HUD disagreed with an original recommendation from the draft report and we modified it to give HUD more flexibility in how the agency might amend the lead inspection standard for the voucher program. In HUD's fiscal year 2021 budget justification, the agency asked for funds for a demonstration to test an alternative lead paint testing method in the voucher program. As of March 2021, HUD officials told us the agency plans to continue to pursue funds to conduct such a demonstration. To fully implement the recommendation, HUD needs to take steps to analyze the potential effects of alternative lead paint testing methods, and use the results to inform its decisions about requesting new authority from Congress.

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#### Enhancing Oversight of Moving to Work

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

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

**Action Needed:** HUD disagreed with the recommendation and stated that addressing it would require extensive resources to upgrade an information system. HUD indicated in its comments on our report that the information we recommended HUD track could be obtained by revising the reporting requirements for Moving to Work agencies. As of March 2021, HUD officials told us they plan to revise the reporting requirements and guidance for Moving to Work agencies' Housing Choice Voucher funds. Specifically, HUD will begin tracking how the agencies use the funds for local, nontraditional activities. HUD stated that it plans to finalize these revisions in 2021. To fully implement this recommendation, HUD needs to finalize and issue its revised guidance.

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

**Action Needed:** HUD agreed with this recommendation. In January 2021, HUD officials said the agency planned to develop separate analysis plans for existing and expansion Moving to Work agencies due to differences in the types of performance information HUD can require them to report under their Moving to Work agreements. For the expansion agencies, HUD officials stated that they will analyze the effect of rent-reform, work-requirement, and time-limit



policies as part of cohort-specific evaluations. To fully implement the recommendation, HUD needs to complete these plans and analyze the information agencies report.

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### Improving Cybersecurity Risk Management and Workforce Practices

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

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

**Action Needed:** HUD agreed with this recommendation. In February 2021, HUD provided a risk-management strategy that outlines roles and responsibilities and a risk review process. However, this document did not include details on the agency's risk tolerance or how specifically it intends to assess, respond to, and monitor risk. To fully implement this recommendation, HUD needs to follow through and issue a strategy containing the key elements identified in the report.

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

**Director:** Jennifer R. Franks

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

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

**Action Needed:** HUD agreed with this recommendation. In January 2020, HUD stated that it was reviewing its positions in the 2210 IT management occupational series and assigning appropriate work role codes. As of March 2021, HUD had not provided sufficient evidence that it had implemented this recommendation. To fully implement this recommendation, HUD will need to correctly categorize the work roles and functions performed by IT and cyber-related personnel to be able to identify critical cybersecurity staffing needs and provide supporting documentation.

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

**Director:** Dave Hinchman

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### Improving Information Technology Management

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

**Recommendation:** To establish an enterprise-wide view of cost savings and operational efficiencies generated by investments and governance processes, the Secretary of Housing and Urban Development should direct the Deputy Secretary and Chief Information Officer to place a

higher priority on identifying governance-related cost savings and efficiencies and establish and institutionalize a process for identifying and tracking comprehensive, high-quality data on savings and efficiencies resulting from information technology (IT) investments and the IT governance process.

**Action Needed:** HUD agreed with this recommendation. As of March 2021, HUD continued to develop an implementation plan for Technology Business Management, an approach intended to improve and expand the tracking of investments. In addition, HUD developed a new cost-savings process that the department expects to initiate in the third quarter of fiscal year 2021. To fully implement this recommendation, HUD needs to finalize its implementation plan and process for identifying and tracking data on cost savings and efficiencies from IT governance and projects.

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

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