



Oversight of HUD Programs and Activities

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Development, and Related Agencies

Introduction

Chairman Womack, Ranking Member Clyburn, and Members of the Subcommittee:

I'm honored to be here with you today. Thank you for the opportunity to contribute to my statutory obligation to keep you fully and currently informed about the problems and deficiencies relating to the administration of the U.S. Housing and Urban Development's (HUD) programs and operations and—importantly—the necessity for, and progress of, corrective action.

The men and women of the Office of Inspector General (OIG) are hard at work delivering high-quality investigations, audits, and evaluations focused on preventing and detecting fraud and abuse and promoting the economy, efficiency, and effectiveness across HUD's programs and operations. We also continue to faithfully and expertly discharge our duties of resolving and appropriately referring allegations of whistleblower retaliation.

The President has declared a war on fraud and Secretary Turner has prioritized the protection of taxpayer funds at HUD. We, the seasoned oversight professionals at HUD OIG, welcome this leadership emphasis to our everyday mission that we are privileged to perform in service to American taxpayers. This added emphasis serves as a force multiplier in our ongoing efforts to defeat fraud in HUD's programs and operations. I thank the Subcommittee for its long-standing support of the OIG through our annual and other appropriations, and I welcome your continued support in our efforts to meet our important statutory calling.

As we shared publicly earlier this year, our efforts have produced results. In Fiscal Year (FY) 2025, our audits and evaluations produced more than \$227 million in questioned costs, \$43 million in recommended funds put to a better use, \$29 million in audit collections, and nearly \$80 million in restitutions and judgments stemming from investigations. Additionally, individuals that fraudulently attacked HUD's programs and operations found themselves held accountable. In FY 2025, our investigations resulted in 90 individuals charged for mortgage fraud schemes, public corruption, and other crimes, and 85 convictions, pleas, and pretrial diversions.

The OIG did not stop with these results. Addressing the need for and progress of corrective action, the OIG secured 153 suspensions and debarments and closed 349 recommendations, including 4 that we deemed priorities for HUD. We continue to make available on our website our recommendations dashboard, transparently offering you, other members of Congress, HUD leadership, and the public the ability to monitor our progress in assisting HUD with needed change.

I am deeply proud of the OIG team that produced this work while simultaneously joining in the whole-of-government effort to reexamine our own internal business operations, staffing, and processes. Though we saw a reduction in staff this last year, I am proud to say the quality and quantity of our work remain consistently high. This is a testament to the very dedicated professionals on our team who understand that economy, efficiency, and effectiveness equally apply to the OIG's programs and operations. With continued efforts to reshape and realign our

workforce and smartly deploy technology, I am confident we will emerge as a stronger and even more seasoned team prepared and determined to do our part to defeat fraud at HUD.

Finally, I would like to take a moment to recognize, in my testimony, Deputy Inspector General Audra Dortch, who later this month will conclude 32 years of service to our Nation. She is not the type to seek spotlight, and is not here today, but I know she is watching, and she deserves our gratitude as she enters a well-deserved retirement.

Our Approach to the OIG's Mission

The massive reach of HUD's programs affects nearly every community in America, providing hundreds of billions of dollars in grant funding and trillions of dollars in mortgage insurance and mortgage-backed securities, with HUD overseeing a vast network of program participants who are responsible for dutifully spending taxpayer dollars to address urgent housing needs across our Nation.

In turn, the OIG team of 432 professionals is responsible for the oversight of HUD's portfolio, operations, and the taxpayer dollars that fund them. In plainest terms, the OIG has a huge mission, a small workforce, and a tight budget. Because of the OIG's finite resources, and with fidelity to the Inspector General Act of 1978, as amended (IG Act), the OIG prioritizes investigations, audits, and evaluations that review HUD's riskiest programs and are most likely to produce actionable outcomes for HUD to achieve the greatest improvements in the efficiency and effectiveness of the services it provides.

Our investigative priorities have not changed and remain focused on prevalent fraud schemes involving grants, mortgages, and corruption. We assess these schemes based on the impact the investigations are likely to generate, including high dollar loss to HUD programs and the position or status of the subject, among others. Similarly, we apply a risk-based approach to the selection of audits and evaluations. Achieving transparency in our work, we developed and publicly published an Annual Work Plan for FY 2026. This plan plainly demonstrates our commitment to concentrating OIG resources on projects that correspond to the areas of risk we believe most compromise HUD's ability to accomplish its mission.

We described those areas of risk in our FY 2026 Top Management and Performance Challenges report, describing four developing and reoccurring themes that we found to be the most significant issues at HUD. Our professional judgment regarding these problems is grounded in the OIG's past and ongoing investigations, audits, and evaluations, as well as in our learned assessment of the changes HUD anticipates making to its programs and operations as it described in its FY 2026 Annual Performance Plan. Reorganizing our report to align closely with HUD's plan is a principled approach that recognizes the OIG's responsibility to help HUD in its mission by sharing our observations concerning its work and highlighting areas that are most in need of corrective action. In turn, and in the same manner, we also reorganized the outstanding recommendations we have made to HUD, promoting a better understanding among HUD leaders that acting on our oversight recommendations aligns with Secretary Turner's vision for HUD.

Focused Work of the OIG in FY 2026

Our oversight work continues to be broad in its reach across HUD's riskiest programs but will be even more focused this year on fraud, including the conditions that create opportunities for fraud and limit the availability of and access to affordable and quality housing. This heightened focus will result in more reports related to improper payments, grants management, select housing authorities' financial management practices, and housing providers' compliance with standards for unit conditions and timely inspections.

With all of this work, however, we must first acknowledge a condition at HUD that makes success difficult, if not impossible in too many circumstances, and sustains regular failure: a lack of modern information technology (IT) systems that most negatively impacts Public and Indian Housing and Community Planning and Development—the two largest programs at HUD.

Our Top Management and Performance Challenges report describes HUD's need to modernize its IT systems and references some of many recommendations we have made to that effect. Our audit work supports, however, an even more blunt assessment: HUD will likely never fully succeed at its mission without taking steps to significantly enhance its data management capabilities with modern IT systems.

In its most recent Agency Financial Report, HUD described Project HUGS and Project Voucher, both planned to capture data critical to financial management. The OIG is hopeful that these projects are successful and will improve IT systems. In that hope is also self-interest. Modern IT systems at HUD will dramatically change the oversight landscape at HUD, allowing the OIG access to a data-rich environment that simply does not currently exist. If successful, such an environment will bring efficiency to our work, offering a much more developed understanding of risk with HUD and program participants, and begin shifting HUD towards a more fraud-preventative environment. Contrast this with the current landscape, where auditors, evaluators, and special agents painstakingly ask program participants to help them learn where HUD money has been spent or find themselves in extended time periods requesting that paper records are retrieved, scanned, and sent to them for review.

Payment Integrity Information Act

The Payment Integrity Information Act (PIIA) requires federal agencies to manage improper payments by identifying risks, taking corrective action, and reporting on improper payments in their programs. HUD has identified two of its largest assistance programs—Tenant-Based Rental Assistance (TBRA) and Project-Based Rental Assistance (PBRA)—as high risk and susceptible to significant improper payments. But in 2025, for the eighth consecutive year, HUD was unable to comply with a key PIIA requirement to produce improper payment estimates for these programs. The OIG has undertaken its own effort to measure improper payments in TBRA and PBRA and expects to publish results later this year.

Additionally, PIIA requires HUD to comply with the Do Not Pay (DNP) Initiative. The DNP is a U.S. Department of the Treasury's tool that allows HUD to run automated, instant verification checks to prevent issuing payments to recipients who are not eligible to receive them. HUD disclosed to

the OIG, and a 2025 OIG audit confirmed, that HUD did not consistently use the DNP to check eligibility and ended up paying at least \$212 million to entities that were not actively registered in the System for Award Management, a prerequisite to receive payment from the U.S. Government.

Grants Management

HUD describes its own grants management environment as fragmented with 40 processes across 60 programs, creating compliance, oversight, and financial integrity risk. The OIG agrees. This lack of consistency in execution terribly frustrates the OIG's ability to strategically engage HUD and program participants to enhance fraud risk management practices, leaving the OIG to perform very targeted reviews that routinely find large amounts of funding released into non-ideal environments.

For instance, an OIG audit of the New York City Department of Social Services (DSS) found that DSS had not taken the basic steps of completing a fraud risk assessment or implementing an anti-fraud strategy, among other missing controls. The lack of these controls is particularly concerning because \$383 million in pandemic funding was injected into DSS, representing a more than 2500% increase in funding from its last allocation.

In another disturbing instance, an OIG audit of the Virgin Islands Housing Finance Authority found that the disaster recovery funds it received from HUD were not effectively monitored. Demonstrating that missing internal controls create criminogenic environments, OIG investigations have since led to three indictments and one conviction in the U.S. Virgin Islands related to these same funds.

Moving forward, the OIG will be increasing its oversight work of HUD's grants management practices, including targeted reviews for improper payments in disaster and homelessness program grants. The OIG will also focus proactive and task force investigations on these same program areas.

Ensuring the Availability of Affordable and Quality Housing

The availability of affordable and quality housing remains central to HUD's mission, and the OIG's work identifies persistent issues related to housing providers failing to keep properties in good condition, delayed and missed inspections that exacerbate health and safety hazards at the aging properties, and program participants who do not efficiently utilize the taxpayer dollars that HUD awarded them. Our oversight work continues to highlight areas where HUD should improve its monitoring of housing providers, which is yet another example of where HUD would benefit from enhanced technology, specifically better compliance monitoring and data systems.

One example is the OIG's audit of the Puerto Rico Public Housing Authority, showing that the Authority has not adequately managed lead-based paint hazards in its public housing, including failing to conduct lead-based paint inspections and risk assessments, perform ongoing maintenance and visual assessments, and properly disclose the presence of lead-based paint to

its public housing residents. These deficiencies put residents, especially children under 6 years of age, at increased risk for exposure to lead and adverse health events.

While aged housing stock presents safety challenges, so do landlords and property managers who abuse tenants participating in HUD programs. In two recently concluded OIG investigations, owners and property managers of residential rental properties agreed to pay \$850,000 and \$325,000 to resolve allegations that property managers sexually harassed female tenants in violation of the Fair Housing Act.

The OIG's ongoing and planned audit and evaluation work will continue to address concerns with the integrity of housing inspections, management of lead-based paint hazards, and lender practices. At the same time, our investigations will continue to prioritize criminal and civil fraud negatively impacting safe housing inventory, and address landlords and property managers that prey on tenants.

Conclusion

Millions of families and communities across our Nation rely on HUD's programs to provide safe, decent, and affordable housing. Although HUD faces complex challenges, the OIG is encouraged by HUD's stated focus on updating its IT systems, including collecting more data to assess improper payments, and addressing ongoing challenges with lead and other health issues in the properties HUD assists. Through rigorous and intentional oversight, the OIG remains steadfast in its commitment to protect taxpayer dollars and defeat fraud, strengthen program integrity, and help HUD operate more efficiently and effectively. We look forward to continuing our work with HUD and this Subcommittee.