

MEMORANDUM

To: Members of the Committee on Financial Services

From: Committee Staff

Date: June 16, 2023

Subject: June 21, 2023, Full Committee Hearing entitled, “HUD Oversight: Testimony of the HUD Inspector General”

On Wednesday, June 21, at 2:00 pm, the Subcommittee on Housing and Insurance will hold a hearing entitled, “HUD Oversight: Testimony of the Housing and Urban Development (HUD) Inspector General.” Testifying at the hearing will be:

- The Honorable Rae Oliver Davis, Inspector General, U.S. Department of Housing and Urban Development (HUD)

The hearing will focus on the findings issued by the Office of Inspector General (OIG) with respect to HUD. The HUD OIG is responsible for conducting audits, evaluations, investigations, and oversight of HUD’s programs and operations. This represents the first time that Ms. Oliver Davis will appear before the Committee on Financial Services. The last time an official from the HUD OIG testified before the Committee was on September 25, 2018, when then-Acting Deputy Inspector General Jeremy Kirkland appeared.

HUD Office of Inspector General Background

Authorities / Mission

The HUD OIG is one of the original 12 offices created in the Inspector General Act of 1978. Currently, there are 73 OIGs overseeing various parts of the Federal government. The OIGs have a dual responsibility to report both to Congress and to the head of the agency (or other entity) that they oversee. The HUD OIG states that its mission is to “...promote economy, efficiency, and effectiveness in the administration of HUD programs through the use of traditional and innovative approaches.”¹ Under the Inspector General Act, the duties and responsibilities of the OIGs can be summarized as follows:

- To provide policy direction for and to conduct, supervise, and coordinate audits and investigations relating to the programs and operations of the agency;

¹ <https://www.hudoig.gov/about-hud-oig/organization-staff>

- To review existing and proposed legislation and regulations and to report on their impact to the agency’s programs and operations;
- To recommend policies for the agency, and to conduct, supervise, or coordinate other activities carried out or financed by the agency;
- To conduct, supervise, or coordinate relationships between the agency and other Federal agencies, State and local governmental agencies, and nongovernmental entities in order to promote economy and efficiency and to prevent fraud and abuse, including identifying and prosecuting any participants in fraud or abuse;
- To keep the head of the agency and Congress fully and currently informed of efforts concerning fraud and other serious problems, abuses, and deficiencies; and
- To recommend corrective actions the agency can take as well as monitor the progress of these actions.

The current HUD Inspector General is Rae Oliver Davis. She was confirmed by the Senate and has served in this role since January 23, 2019. Prior to her current position, Ms. Oliver Davis served as Acting Assistant Inspector General for the HUD OIG. She has also worked in senior positions in both the Office of the Special Inspector General for the Troubled Asset Relief Program as well as the Office of the Inspector General for the U.S. Postal Service.

Budget and Structure

The OIG is an independent office with its own budget and staffing authority, although it resides within HUD. For FY 2023, the office received \$146 million in budget authority and employed approximately 520 full-time equivalent personnel (not including administrative costs associated with disaster funding supplementals). In comparison, in FY 2017, the HUD OIG received \$126 million in budget authority and had 593 full-time equivalent employees. This represents an almost-16 percent increase in funding during the five-year period. (Of note, the cost per full-time equivalent less non-personnel services has grown from approximately \$164,000 to approximately \$211,000 in five years.)

In comparison, HUD’s budget has grown dramatically during the past 5 years from \$51.5 billion in total budget authority in FY 2017 to \$75.3 billion in FY 2023. This represents a 46 percent increase in enacted budget authority for the agency during the five-year period. Further, the Biden Administration requested a sharp increase in net budget authority for HUD’s FY 2024 budget to \$101.8 billion.

5-YEAR BUDGET GROWTH	HUD – Total Agency (Net BA, Enacted)	HUD OIG (Net BA, Enacted)
2017	\$51.5 billion	\$126 million
2023	\$75.3 billion	\$146 million
<i>% Change</i>	<i>46 percent</i>	<i>16 percent</i>

OIG Recommendations and Enforcement Actions

As of March 31, 2023, HUD had 985 outstanding (open), unimplemented recommendations from OIG audit and evaluation reports, with a combined potential cost savings of more than \$20 billion. While the the number of open recommendations has declined over the past decade, more work must be done between HUD and the OIG to resolve these longstanding issues to improve HUD operations and better steward taxpayer funds. The OIG continues to work with HUD to resolve these open recommendations, with a focus on Priority Open Recommendations that have been open for several years. Also, in its most recent Semi-Annual report, OIG audits found \$950 million that could be redirected to other uses and recovered almost \$49 million in collections.

In addition to making recommendations for HUD to remedy, the OIG also issues enforcement actions in cases where waste, fraud, or abuse has taken place. Over the last several years, OIG investigations have resulted in 51 criminal convictions, 5 civil actions, and 12 governmentwide suspension and debarment actions, as well as more than \$28 million in restitution and judgments. Additionally, through its investigative portfolio, OIG has held bad actors responsible for a wide range of fraudulent actions related to HUD's jurisdiction.

Recent Developments / Findings

According to Ms. Oliver Davis' recent [testimony](#) before the House Appropriations Subcommittee on Transportation, and Housing and Urban Development, and Related Agencies on March 28, 2023, the HUD OIG's recent oversight initiatives can be summarized as follows:

- Preventing lead exposure and poisoning in HUD-assisted housing;
- Mitigating deficiencies in the physical condition of public housing and other HUD-assisted properties, including those that threaten life and safety; and
- Addressing financial fraud aimed at the vulnerable populations that HUD serves.

Key findings include:

- HUD's [lack of performance measurement process](#) for monitoring public housing agencies' (PHA) Housing Choice Voucher (HCV) programs.
- The need for HUD to [implement a fraud risk management program](#) as it does not currently sufficiently monitor fraud risk for HUD grantees.
- Issues with [HUD's oversight and monitoring](#) of Community Development Block Grant – Disaster Recovery (CDBG-DR) grantees involving billions of dollars of appropriated funding.
- An audit highlighting HUD's [lack of adequate oversight of lead-based hazard remediation](#) in public housing, resulting in incomplete information on lead exposure for children under 6 years of age, among other issues.
- An evaluation showing that HUD [did not properly monitor elevated blood lead levels](#) in children as well as monitor other lead-based hazards.
- A report on the [physical conditions of multifamily housing developments](#), including HUD's inadequate monitoring of what should be serious flags indicating poor conditions.
- A [lack of required flood insurance](#) for thousands of FHA-insured loans.

- A report that [HUD's HCV program was underutilized](#), resulting in 62 percent of PHAs having capacity to provide additional leasing potential to serve families in need of housing.
- Issues with [servicers' provision of required COVID-19 forbearance](#) for FHA borrowers as well as [other CARES Act implementation challenges](#).
- Serious issues with [IT spending on robotic process automation](#) and other IT projects.

In addition, last fiscal year, the HUD OIG found that HUD could put to better use over \$7 billion in funds. It questioned numerous costs reported by the agency, totaling \$12 million, and recovered over \$18 million in collections. It also uncovered repeated cases of waste, fraud, and abuse among HUD grantees and participants in HUD programs. These include leading an investigation that resulted in the sentencing of two superintendents at the New York City Housing Authority (NYCHA), as well as a settlement with a New Jersey property owner and landlord who agreed to pay \$4.5 million in damages concerning the longstanding sexual harassment of tenants and housing applicants.

Legislative Proposals

- ***H.R. ____, the HUD Evaluation and Optimization Commission Act of 2023 (Rep. Davidson)***
This discussion draft would establish an independent, bipartisan commission to review the structure and programs of HUD and issue a report with recommendations regarding how best to optimize the effectiveness of each. Among other things, the commission would be charged with considering the benefits of reorganizing the agency, reducing fragmentation and overlap between programs, increasing economic outcomes and preventing benefits cliffs, and improving HUD oversight. The commission would be prohibited from recommending any cuts to the total current level of HUD spending or personnel.
- ***H.R. ____, a bill to require the Inspector General of the Department of Housing and Urban Development to testify before the Congress annually, and for other purposes.***
This discussion draft would require annual testimony from the HUD Inspector General by October 1st of each year before the House Financial Services and Senate Banking Committees.
- ***H.R. 6528, the "Housing Temperature Safety Act of 2022," (Torres) (117th Congress)***
This bill establishes a pilot program through which the Department of Housing and Urban Development must award grants to public housing agencies and owners of certain federally assisted rental housing to install in dwelling units (with the written permission of tenants) temperature sensors for purposes of ensuring that units comply with temperature-related requirements. This passed on suspension last Congress.