



Testimony Before the U.S. House of Representatives, Financial Services Committee, Subcommittee on Oversight and Investigations

Hearing Titled “Decades of Dysfunction: Restoring
Accountability at HUD”



Testimony of Stephen M. Begg,
Acting Inspector General,
U.S. Department of Housing and Urban Development

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Introduction

Chairman Meuser, Ranking Member Green, and Members of the Subcommittee, thank you for the opportunity to testify today. The Office of Inspector General (OIG) for the U.S. Department of Housing and Urban Development (HUD or Department) provides independent, timely, and relevant oversight that influences positive outcomes for HUD’s programs and operations. Our auditors, evaluators, special agents, attorneys, data scientists, and professional staff collaborate to produce independent, objective oversight to protect the integrity of HUD’s programs and to find ways HUD can operate more efficiently and effectively.

I am honored to discuss the important work that the dedicated professionals at HUD OIG are doing to help HUD’s programs succeed. My testimony will focus on several longstanding challenges and critical risks HUD faces. I will also highlight priority actions we have recommended HUD take to improve and protect its many programs that provide homeownership opportunities, community development funding, and rental assistance throughout our nation.

HUD OIG’s Oversight Produces Significant Results for HUD Programs

In Fiscal Year (FY) 2024, OIG audits resulted in \$86.7 million in collections and identified nearly \$1 billion in funds that could be put to better use and \$4.8 million in questioned costs. During the same period, our investigations resulted in over \$63 million in restitutions and judgments, with over \$14 million total recoveries and receivables ordered to HUD programs, and in 125 administrative sanctions to remove or limit bad actors from participation in HUD programs.

Beyond monetary impact, in FY 2025, the OIG began tracking non-monetary benefits of our recommendations. As of March 31, 2025, the OIG identified 278 HUD actions that produced systemic benefits for HUD programs and its many participants and beneficiaries, and safeguarded taxpayer funds from fraud, waste, abuse, and mismanagement. These non-monetary benefits included: 76 guidance enhancements, 61 process improvements, 112 actions that increased program effectiveness, and 29 actions whereby HUD enhanced accuracy in its reporting.

As of March 31, 2025, the OIG was tracking 699 open recommendations requiring HUD action. Of those, 246 recommendations would produce a monetary impact totaling more than \$11.4 billion when addressed. In addition to the 699 open recommendations, there are 85 OIG recommendations identified as closed but for which HUD has an active repayment agreement with grantees to recover funds for expenditures that were ineligible or could not be supported. If these repayments are made in full, an additional \$35.3 million would be returned to HUD programs or the U.S. Department of the Treasury (Treasury).

Lastly, of the 699 open recommendations, the OIG has identified 24 as priority.¹ We believe that HUD action to address these recommendations would have the greatest impact on helping the Department achieve its mission and address its top management challenges. Many of these recommendations are discussed below.

Key Areas of Risk Within HUD's Top Management Challenges

HUD's programs are vast and touch every community in America. These programs are executed at the ground level by an expansive network of HUD participants, including public housing authorities (PHA), private landlords, non-profit agencies, state and local governments, bank and non-bank mortgage lenders, and other private sector entities. To administer its programs and oversee its participants effectively and efficiently, HUD must have the right people, processes, and systems in place. Many of HUD's top management challenges can be linked to gaps in these areas, and we have reported for several years that HUD lacks capacity to sufficiently address such gaps.

Before discussing the areas of improvement that continue to require HUD's attention, I would like to report that last year, HUD made significant progress in addressing several longstanding challenges.² Specifically, our oversight work has shown that HUD has demonstrated sustained progress in financial management by improving the accuracy of its financial reporting and compliance with financial management laws. Similarly, over the past 2 years, HUD showed marked improvement in how it manages its human capital, notably by advancing in key metrics such as reducing time-to-hire, retention efforts, guidance for managing human capital, and workforce planning. HUD has also made strides in its information security program by strengthening the program across many important government-wide metrics.

Sustaining this progress is critical for HUD to address its remaining challenges, which include:

- Promoting Health and Safety in HUD-Assisted Housing
- Increasing Access to Affordable Housing
- Mitigating Counterparty Risks
- Grants Management
- Enhancing Oversight of Disaster Recovery

¹ OIG recommendations, including those designated priority, are publicly available at the HUD OIG Recommendation Dashboard: <https://www.hudoig.gov/open-recommendation/search>.

² [Top Management Challenges Facing the U.S. Department of Housing and Urban Development in FY 2025](#) (Oct. 17, 2024).

- Managing Fraud Risk and Improper Payments
- Improving Information Technology (IT) Modernization and Cybersecurity
- Increasing Effectiveness in Procurement

Modernizing IT systems is an important theme across all of the challenges. HUD employees, program partners, and external stakeholders consistently report to the OIG that HUD's legacy IT systems are incapable of supporting the best execution of its programs. Many of HUD's IT systems need to be modernized to (1) securely collect, use, and analyze data necessary for ensuring program integrity, and (2) more effectively administer and oversee billions of taxpayer dollars and records containing personally identifiable information. Project management gaps and shifting priorities continue to delay the full implementation of significant modernizations efforts. The OIG, as well as the U.S. Government Accountability Office, have found that improving IT project management at HUD should result in cost savings, higher efficiencies, and more secure systems.

Reducing Improper Payments

Improper payments are a longstanding and significant problem in the federal government, but HUD has uniquely struggled to identify and mitigate the risk of improper payments in its largest programs.³ Estimating improper payments and identifying their causes are a critical first step in developing plans for how to prevent them from occurring.

For more than a decade, HUD has been unable to accurately estimate improper payments in its highest risk programs – Tenant-Based Rental Assistance (TBRA) and Project-Based Rental Assistance (PBRA). TBRA and PBRA account for roughly two-thirds of HUD's annual program expenditures, totaling roughly \$50 billion in FY 2024. For the past 8 years, HUD has failed to produce improper payments estimates that comply with the law and has stated it may not be able to produce reliable estimates until 2027, leaving hundreds of millions of dollars of HUD funding at increased risk of waste, fraud, and mismanagement. In 2016, when HUD was last able to produce an auditable estimate of improper payments, HUD reported approximately \$1.7 billion in improper payments for TBRA and PBRA. Since that time, the dollars flowing through these rental assistance programs have increased substantially. Until HUD can estimate improper payments in TBRA and PBRA, it cannot identify specific actions it will take to mitigate the potential waste, abuse, and mismanagement of the funding, as required by law.

HUD cannot complete the estimation process because it lacks data necessary to test for improper payments. This data, including rent payment information collected by PHAs and housing providers for TBRA and PBRA, is not maintained in a HUD system. In addition, HUD has not found a technology platform that it can use to quickly and efficiently collect the data, and HUD's attempts to review the data manually have been unsuccessful.

³ Improper payments are payments that should not have been made or that were made in an incorrect amount, including overpayments, underpayments, duplicate payments, and payments made to ineligible recipients or for an ineligible good or service.

Moreover, our work has shown that HUD's program offices are dependent on support from other HUD offices, like the Chief Financial Officer and the Chief Information Officer, and contractors to collect information necessary to estimate improper payments. The coordination between these entities has not been effective in developing and executing a plan to complete the estimation process. In 2024, we urged HUD's leadership to intervene and take action.⁴ To date, HUD has not been able to produce compliant estimates for TBRA or PBRA. Significant effort, including potentially additional staff or contracted services, will be needed for HUD to estimate its improper payments.

Similar data gaps exist in systems HUD uses to administer grant programs that support a wide range of activities for community and economic development, affordable housing development, disaster recovery and mitigation, fair housing investigations and outreach, and homelessness assistance. Many of these systems do not capture data for activities carried out by contractors and grant subrecipients. In addition to coordinating access to data within HUD, HUD also needs to leverage data from other Federal agencies to prevent improper payments from being made. HUD's agreement to match data with Treasury's "Do Not Pay" portal expired in 2019. This is a critical resource for identifying, mitigating, and preventing improper payments to ineligible recipients. Without sufficient data, HUD struggles to monitor and assess whether taxpayer dollars are misspent and if the programs produce the intended results for the beneficiaries.

Detecting and Preventing Fraud

By law, HUD is responsible for designing controls to manage the risks of fraud in its programs. Many of HUD's programs have significant exposure to fraud because of their size, complexity, and heavy reliance on tens of thousands of grantees and non-federal participants who administer the programs on the ground. Concurrently, many HUD programs are designed to provide flexible funding to participants and often delegate to them the responsibility for determining eligibility, overseeing subrecipients, and managing the programs on HUD's behalf. HUD generally expects its grantees to be proactive in identifying and remediating fraud, but HUD OIG has consistently found that HUD grantees have immature fraud risk management programs and are not prepared to prevent, detect, or respond to fraud risks within their programs. As a result, we have stressed the need for HUD to conduct robust fraud risk assessments in each of its programs so that it can develop frameworks to prevent, detect, and respond to fraud, and to assist and hold its participants accountable for managing fraud risks.

To illustrate, we found that the Puerto Rico Department of Housing, which received over \$20 billion from HUD for disaster recovery and mitigation, was reactive in managing fraud risks and did not have many key processes in place to mitigate those risks.⁵ Similarly, we found that the California Department of Housing and Community Development, which had been authorized more than \$319.5 million in Emergency Solutions Grants (ESG) CARES Act program funds (a 2,505 percent funding increase from its formula ESG allocation for FY 2020), was not adequately prepared to manage fraud risks and lacked a

⁴ See [Management Alert: Action Is Needed From HUD Leadership To Resolve Systemic Challenges With Improper Payments](#) (Jan. 23, 2024) and the OIG's report titled [HUD Did Not Comply With the Payment Integrity Information Act of 2019](#) (May 17, 2024).

⁵ [The Puerto Rico Department of Housing Should Enhance Its Fraud Risk Management Practices](#) (Oct. 27, 2023).

focus on these issues in the design of its internal controls.⁶ Notably, we recently reported that the New York City Housing Authority (NYCHA), which provides housing assistance to more than 500,000 New York residents and receives more than 25 percent of low-income rental assistance that HUD provides across the country, had largely reactive antifraud measures.⁷ We initiated the audit assessing NYCHA following the bribery and corruption charges the U.S. Department of Justice (DOJ) brought against 70 NYCHA superintendents related to their involvement in pay-to-play schemes for maintenance contracts in the largest single-day takedown in DOJ's history.

In sum, our oversight has shown that, to detect and prevent fraud, the first and most important action HUD should take is to perform a complete fraud risk assessment of all programs and use the results to develop and implement an agency-wide plan to mitigate those risks.⁸ Doing so will help HUD manage fraud risks proactively and better prevent fraud rather than chase it.

Managing Counterparty Risk

In executing its mortgage insurance programs, the Federal Housing Administration (FHA) relies on mortgage lenders and servicers to provide loans to eligible borrowers and to service the loans in accordance with HUD's requirements. The OIG has identified several important actions FHA can take to reduce the issuance of ineligible loans that result in financial losses to its Mutual Mortgage Insurance Fund. Specifically, the OIG recommended that FHA use several data sources to help determine borrower eligibility. To that end, FHA should strengthen its underwriting processes by implementing Treasury's "Do Not Pay" portal and leveraging federal tax data to prevent ineligible borrowers with delinquent child support, tax debt, and other Federal debt from obtaining FHA-insured loans.⁹ Additionally, since 2014, the OIG has urged HUD to update its Credit Alert Verification Reporting System to provide complete reporting of all ineligible borrowers.¹⁰ Making these improvements will prevent billions of dollars in ineligible loans from being endorsed.

When an FHA-insured loan defaults and the servicer submits a claim, HUD is obligated to reimburse the lender for its losses, including the unpaid principal balance, accrued interest, and certain reasonable costs of the lender during the foreclosure and conveyance process. The OIG has found that HUD paid claims and costs for an estimated 239,000 properties that servicers did not foreclose upon or convey on time.¹¹ Delayed foreclosure and conveyances by servicers cost HUD an estimated \$141.9 million for unreasonable and unnecessary debenture interest on servicers' claims and an estimated \$2.09 billion for servicers' claims for unreasonable and unnecessary holding costs. The OIG also found that HUD paid an estimated \$413 million in unnecessary interest and other costs for pre-foreclosure sale claims after

⁶ [Housing and Community Development Should Improve Its Fraud Risk Management Practices for Its ESG CARES Act Program](#) (Aug. 2, 2024).

⁷ [The New York City Housing Authority Should Enhance Its Fraud Risk Management Practices](#) (March 7, 2025).

⁸ [Improvements are Needed in HUD's Fraud Risk Management Program](#) (Oct. 26, 2022).

⁹ [FHA Insured \\$1.9 Billion in Loans to Borrowers Barred by Federal Requirements](#) (March 26, 2018) and [FHA Insured at Least \\$13 Billion in Loans to Ineligible Borrowers With Delinquent Federal Tax Debt](#) (Sept. 30, 2019).

¹⁰ [The Data in CAIVRS Did Not Agree with the Data in FHA's Default and Claims System](#) (July 2, 2014).

¹¹ [FHA Paid Claims for an Estimated 239,000 Properties That Servicers Did Not Foreclose Upon or Convey on Time](#) (Oct. 14, 2016).

lenders failed to complete servicing actions for defaulted loans within established timeframes.¹² Since 2020, HUD has told the OIG that it plans to clarify its servicing requirements to reduce financial losses through a regulatory “Maximum Claim Rule,” but it has not yet published a rule for public notice and comment. Completing this rulemaking would streamline servicing requirements across FHA’s loan programs and will help save billions of dollars paid in unnecessary claims.

Improving Living Conditions in HUD-Assisted Housing

HUD and its partners are responsible for ensuring that HUD-assisted properties are decent, safe, sanitary, and in good repair and that its programs and projects comply with environmental regulations. HUD relies heavily on local housing authorities and landlords to maintain the properties and address health and safety hazards in a timely manner. To ensure that housing providers are abiding by HUD’s standards for quality housing, HUD needs timely, complete, and accurate data, certifications, and other performance information. A gap in oversight at any step in the process leaves HUD-assisted tenants in potentially unhealthy and unsafe living conditions. We have identified that HUD struggles to adequately detect and remediate emergency health and safety deficiencies in properties, and to sufficiently manage the risks presented by lead hazards in its assisted housing.

For example, we have reported that HUD can improve its response to health and safety deficiencies by (1) developing policies and procedures for the timely intake, monitoring, and tracking of complaints related to such deficiencies in multifamily properties, as well as ensuring that timely notices of violation are sent to property owners; (2) improving processes to ensure that public housing properties are inspected in a timely manner; and (3) implementing a nationwide protocol for HUD field office staff describing how they should review PHA self-inspections.¹³ Additionally, as HUD continues to reposition public housing units under the Rental Assistance Demonstration program, it can improve its oversight over converted properties by conducting timely management and occupancy reviews.¹⁴ In taking these steps, HUD will better control the property conditions of the housing it funds.

Lead-based paint and lead-contaminated dust are some of the most hazardous sources of lead for children in the United States, and no safe level of lead in children has been identified. Our work has found several gaps in HUD’s oversight of lead, and we have recommended HUD take action to reduce tenants’ exposure to lead hazards in assisted housing. For example, HUD should require property owners to maintain documentation showing that repairs disturb only *de minimis* areas as required by the Lead Safe Housing Rule.¹⁵ Also, now that HUD has lowered the intervention threshold when a child

¹² [HUD Paid an Estimated \\$413 Million for Unnecessary Preforeclosure Claim Interest and Other Costs Due to Lender Servicing Delays](#) (Sept. 27, 2018).

¹³ [HUD Lacked Adequate Oversight of Multifamily Housing Properties With Failing REAC Scores or Life-Threatening Deficiencies](#) (Feb. 13, 2024); [HUD’s Office of Multifamily Housing Programs’ Complaint Process Did Not Ensure That Health and Safety Complaints Were Resolved in a Timely Manner](#) (July 28, 2021); [Improvements Are Needed To Ensure That Public Housing Properties Are Inspected in a Timely Manner](#) (May 23, 2023); and [HUD Can Improve Its Oversight of the Physical Conditions of Public Housing Developments](#) (May 30, 2023).

¹⁴ [HUD’s Office of Multifamily Needs To Improve Its Oversight of PBRA and FHA-Insured PBV Properties Converted Under RAD](#) (Dec. 18, 2024).

¹⁵ [Management Alert: Action Needed to Ensure That Assisted Property Owners, Including Public Housing Agencies, Comply with the Lead Safe Housing Rule](#) (Oct. 4, 2022).

resident has lead in their blood, HUD must put its new rules into practice throughout its rental assistance portfolios.¹⁶ In its Office of Multifamily Housing, HUD should develop and implement an action plan to improve its oversight when there is lead in the water.¹⁷ For public housing, the Office of Public and Indian Housing should determine the number of developments and units that contain lead-based paint and lead-based paint hazards; better ensure that PHAs report and monitor instances of children with elevated blood lead levels; and research and address why there are variances in PHAs' reporting of lead poisonings to HUD.¹⁸

Conclusion

The OIG will continue to dedicate our resources to help HUD strengthen and protect its programs. We will continue working with HUD to manage emerging areas of risk, increase efficiency and effectiveness of its programs, and detect and prevent improper payments, fraud, waste, and abuse. The OIG's dedicated staff stands ready to help HUD successfully accomplish its mission so that our communities receive the critical housing and development assistance they need.

¹⁶ [Improvements are Needed to the U.S. Department of Housing and Urban Development's Processes for Monitoring Elevated Blood Lead Levels and Lead-Based Paint Hazards in Public Housing \(Feb. 28, 2023\)](#).

¹⁷ [HUD Needs To Improve Its Oversight of Lead in the Water of Multifamily Housing Units \(Aug. 21, 2020\)](#).

¹⁸ [HUD Lacked Adequate Oversight of Lead-Based Paint Hazard Remediation in Public Housing \(Oct. 11, 2022\)](#); and [Improvements are Needed to the U.S. Department of Housing and Urban Development's Processes for Monitoring Elevated Blood Lead Levels and Lead-Based Paint Hazards in Public Housing \(Feb. 28, 2023\)](#).