

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL (OIG)**

(Dollars in Thousands)

	FY 2016 Actuals	FY 2017 Annualized CR	FY 2018 President's Budget
Personnel Services	\$97,395	\$97,400	\$97,647
Non-Personnel Services			
Travel	4,100	3,801	3,879
Transportation of things	49	20	20
Rent/utilities	7,392	7,406	7,235
Printing	6	7	4
Other services/contracts	15,108	15,804	15,985
Training	760	634	645
Supplies	363	250	175
Furniture/equipment	617	425	400
Claims & indemnities	15	14	10
Non-Personnel Services Subtotal	\$28,410	\$28,361	\$28,353
Grand Total	\$125,805	\$125,761	\$126,000
Associated FTE	610.0	593.0	573.0

1. Program Purpose and Fiscal Year 2018 Budget Overview

The mission of the Office of Inspector General (OIG) is not only to prevent and detect fraud, waste, and abuse in the programs and operations of the Department of Housing and Urban Development (HUD), but also to promote economy, efficiency and effectiveness. The OIG does this by conducting independent investigations, audits, and evaluations. The work performed by investigators, auditors, and evaluators, provides the means to keep the Secretary and the Congress fully and currently informed about the Department's challenges and deficiencies while also identifying best practices. After identifying weaknesses, the OIG makes recommendations to improve operations and monitors departmental progress on corrective actions. Stewardship of taxpayer resources is one of the Inspector General's highest priorities, ensuring funding is appropriately utilized, properly managed, and achieving the outcomes stakeholders require. In fiscal year 2016, the OIG produced a monetary impact of \$68 for every one dollar of appropriated funding

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received. Due to the nature of HUD's mission, the potential mismanagement of financial assets within the two financial institutions embedded with it and the incurring of risk could carry a hazard to the American economy.

Monetary Impact Category	FY 2016 Actuals
Recoveries and Receivables to HUD programs	1,049,690,614
Restitutions and Judgments	266,246,221
Ineligible and Questioned Costs	514,122,502
Recommendations That Funds Be Put To Better Use	6,777,806,841
Collections From Audits	17,314,737
Total Monetary Impact	\$8,625,180,915

Enacted Appropriation	\$126,000,000
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Total OIG Monetary Impact / Appropriated Dollar	\$68.45
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The fiscal year 2018 President's Budget of \$126,000K is \$239K more than the fiscal year 2017 Annualized CR level (due to 0.19 percent rescission required by P.L. 114-254). This request will provide the minimal resources to keep personnel engaged in conducting investigations, audits, and evaluations that are essential to the OIG's mission and the health of HUD programs. Using the requested resources, the OIG strives to preserve the monetary impact of the organization by maintaining efforts, for example, in financial audits, information system evaluations, disaster recovery funding abuse, and single family housing related mortgage fraud. In addition, the fiscal year 2018 Budget request will allow the OIG to continue addressing Congressional mandates such as Digital Accountability and Transparency Act (DATA) compliance and Federal Information Security Modernization Act (FISMA) monitoring. The OIG is Congressionally mandated to perform 12 audits every year related to an array of legislation which then impacts the OIG's discretionary audit planning.

Organizational Priorities

- Financial audits consisting of the HUD Consolidated Financial Statement including the audit of Federal Housing Administration (FHA) (\$1.7 trillion mortgage insurance portfolio) and Government National Mortgage Association (GNMA) (\$1.8 trillion in mortgage backed securities remaining principal balance). These audits determine whether financial statements fairly present findings, internal controls are adequate, and regulations are followed. Because of the critical impact these agencies have on the financial stability of the economy the OIG began performing FHA's and Ginnie Mae's financial audits in-house in fiscal year 2014

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to ensure the highest level of accuracy and due diligence. For the last 3 years, the Department has received disclaimers of opinions on its financial statement audits. In fiscal year 2016 FHA and Ginnie Mae, each received disclaimers of opinion, as did the consolidated financial statement.

- Information system audits determine the adequacy of general and application controls, and whether security applied to information resources is adequate and in compliance with system development requirements. This is part of the OIG's ongoing response to the Federal Information Systems Controls Audit Manual (FISCAM) and financial audit responsibilities. The oversight that the OIG conducts to confirm that HUD Information Technology (IT) systems are protected from malicious threats is one of the OIG's critical responsibilities especially given that 87 percent of HUD's IT systems are at or near the end of their life cycle. This includes 400 IT products that no longer have technical support. Ensuring taxpayer and HUD client information is stored with the guarantee that it will be safe and private, is something system audits and evaluations seeks to scrutinize and work to correct when vulnerabilities are found. In addition, the Office of Audit (OA) has been involved with scrutinizing new information system deployment within HUD. This has become an especially large undertaking during the transition from HUD's previous financial accounting system to the newly implemented New Core shared services system with the Department of Treasury. HUD initiated the New Core project in the fall of 2012 and later ended the project in April 2016. This endeavor failed to significantly improve the handling of HUD's financial management transactions or produce reliable, useful, and timely financial information. As a result, the project was terminated and 97 percent of HUD programmatic transactions are still being executed using HUD's aging legacy systems. As HUD moves forward with New Core or other legacy system transitions, the OIG will continue to monitor and report on the status of these efforts.
- The FHA is the Federal Government's largest homeownership program, with the obligation of insuring more than 8 million single family mortgages. This risk exposure to HUD and the Government, as a whole, creates the need for the OIG to concentrate investigative activities on the single family housing market. This manifests itself most vividly in the work the OIG is doing to investigate and help prosecute loan origination fraud, as well as equity skimming from projects that administer housing assistance with FHA-insured loans. The Office of Investigation (OI) and the Joint Civil Fraud Division is proactive in these matters, and continues to provide education and outreach to stakeholders related to FHA's mortgage portfolio. Investigations also focus on distressed homeowner fraud, including loss mitigation, short sale, and real estate owned fraud, in particular, when the conspirators target distressed homeowners conveying false HUD affiliation to gain the confidence of their victims. OI also addresses opportunities to defraud the GNMA and fraud schemes related to mortgage-backed securities.
- In addition to the work done by the OA described above, the Office of Evaluation (OE) identifies and helps to remedy information system vulnerabilities that leave HUD vulnerable to computer hacking and have the potential to degrade the effectiveness of HUD operations. HUD programs generate hundreds of millions of records containing personally identifiable information (PII) and financial data on U.S. citizens. The OIG conducts the mandated FISMA and Cybersecurity Act of 2015 evaluations to assess HUD's compliance with Federal IT security guidance. OE also conducts penetration tests to validate

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technical controls, identify weaknesses, and make recommendations to resolve security liabilities on the HUD network and public facing websites. Beginning in fiscal year 2018, evaluators will begin to use advanced analytics and increased statistical analysis to review millions of records of PII and network data to generate new and more actionable evaluation results. These additional activities will provide near-real time and future trend data to make relevant recommendations to protect the HUD IT network, and ultimately allow HUD to manage their risks more effectively. For the foreseeable future, the OIG will continue to conduct evaluations related to the DATA act and privacy evaluations due to the abundance of sensitive PII records processed and stored in the HUD IT environment as well as IT security of FHA and Ginnie Mae, whose combined portfolios exceed 3 trillion dollars.

2. Full-time Equivalents

Full-time Equivalents			
Staffing	FY 2016 FTE	FY 2017 FTE (Est)	FY 2018 FTE (Est)
Office of Inspector General	610	593	573
Total	610.0	593.0	573.0

With limited financial resources, the OIG continues to be overly cautious with which positions if any are backfilled for the organization. While the OIG still maintains staffing necessary to carry out its core mission, taking on an increasing workload and new congressional mandates can become increasingly difficult. Through attrition, the OIG will decrease total staffing by approximately 20 FTEs when compared to fiscal year 2017 full year FTE usage.

3. Key Operational Initiatives

- The OIG through the Office of Management and Technology (OMT) is working to ensure the OIG Wide Area Network (WAN) is robust enough to handle the data traffic essential to meet organization requirements including efforts at data and predictive analytics of departmental programs generated by OIG's Information and Data Analytics Division. To support and promote a fluid workforce, the OIG is working to optimize technology platforms to promote mobility and cloud computing. Utilizing this virtual IT environment will reduce capital and operational expenditures as well as increase the flexibility for OIG staff in the field. OMT will continue to streamline critical business processes by thoroughly evaluating IT management decisions against a rubric of efficiency and cost effectiveness.
- In 2012, the Office of Management and Budget (OMB) identified continuous monitoring of Federal IT networks as one of 14 Cross-Agency Priority (CAP) goals, established in accordance with the Government Performance and Results Modernization Act. To support Federal departments and agencies in meeting the CAP goal, the Department of Homeland Security (DHS) established

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the Constant Data Monitoring (CDM) Program. Utilizing the CDM framework, OMT will be able to enhance security in hardware assets, software assets, configuration management, and vulnerabilities management. OMT will analyze real-time incidents and collaborate with DHS on vulnerability improvements. Real time network monitoring will increase situational awareness and reduce mitigation timelines. OIG IT personnel will coordinate with U.S. Information Security intelligence and policy agencies to keep OIG employees informed of current threats and vulnerabilities. The OIG security program has grown with the evolving Presidential directives, OMB mandates, and FISMA compliance requirements. Continual enhancements to the OIG's IT infrastructure and personnel will guide future efforts to meet Federal regulations and ensure a proactive security posture.

- The OIG continues to focus on reducing the organizational space footprint. Eliminating excess or underutilized space has allowed resources to be redirected for use in the core responsibility areas within the OIG. By using these savings as an offset against programmatic expenses this has reduced the growth rate and need for increased appropriated dollars. In fiscal year 2017, the OIG is planning to close additional square footage that will produce rent savings in fiscal year 2018. In addition, two other offices will have reduced their total space footprint during fiscal year 2017. In fiscal year 2018, the OIG is considering additional space reduction initiatives in several other offices across the country. This effort requires upfront investment, but can produce significant savings over the long run. Based on the successes the OIG has experienced to date, the push to look for new cost containment opportunities through space reduction remains a high priority.