

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

OFFICE OF INSPECTOR GENERAL

SALARIES AND EXPENSES

(Dollars in Thousands)

	2021*	2022			2023		
	Actuals	Carry Over	Annualized CR	Total	Carry Over	President's Budget	Total
Personnel Services:	\$100,711	-	\$104,785	\$104,785	-	\$112,832	\$112,832
Non-Personnel Services:							
Travel	268	-	178	178	-	1,462	1,462
Transportation of Things	5	-	5	5	-	5	5
Rent and Utilities	7,053	-	6,896	6,896	-	6,787	6,787
Printing	2	-	2	2	-	2	2
Other Services/Contracts	18,392	-	14,321	14,321	-	15,436	15,436
Training	664	-	333	333	-	576	576
Supplies	366	-	242	242	-	357	357
Furniture and Equipment	7,380	-	4,521	4,521	-	5,408	5,408
Claims and Indemnities	255	-	200	200	-	250	250
Total, Non-Personnel Services	\$34,385	-	\$26,698	\$26,698	-	\$30,283	\$30,283
Financial Audit	\$6,543	-	\$5,717	\$5,717	-	\$5,885	\$5,885
Carryover	-	-	-	-	-	-	-
Grand Total	\$141,639	-	\$137,200	\$137,200	-	\$149,000	\$149,000
FTEs	505	-	520	520	-	535	535

*Includes 2020 Carryover

PROGRAM PURPOSE

The Office of Inspector General (OIG) for HUD is an independent and objective organization, conducting and supervising audits, evaluations, investigations, and reviews relating to the Department's programs and operations. The OIG promotes economy, efficiency, and effectiveness in these programs and operations while also preventing and detecting fraud, abuse, and mismanagement. As an organization we are committed to keeping the HUD Secretary, Congress, and our stakeholders fully and currently informed about problems and deficiencies and the necessity for and progress of corrective action.

The work of the OIG is important to the Department's success in fulfilling its Strategic Plan to address the Secretary's mission priorities and management challenges. The OIG works to ensure that our resources and activities encompass the issues and concerns most critical to the Department. Stewardship of taxpayer resources is one of the Inspector General's highest priorities by ensuring funding is appropriately utilized, properly managed, and achieving the outcomes stakeholders require.

BUDGET OVERVIEW

The 2023 President's Budget requests \$149 million for the OIG, which is \$11.8 million more than the 2022 annualized CR level.

The Budget seeks the resources necessary for the OIG to continue delivering the impactful investigations, audits, evaluations, and reviews that executive branch and congressional stakeholders require. The Budget would also provide necessary support for Congressionally mandated activities, including the HUD consolidated financial statement audit, information security audits, evaluations related to the Federal Information System Controls Audit Manual (FISCAM) and Federal Information Security Management Act (FISMA), and Digital Accountability and Transparency Act (DATA) compliance audits.

The Budget represents an 8.6 percent increase in total resources that will support mission critical personnel, non-personnel mission requirements, and inflationary cost increases. The OIG is continuing to prioritize resources to support the tools and personnel necessary to produce actionable information that increases the effectiveness and success of HUD programs, while rooting out waste, fraud, and abuse that undermine programmatic and stakeholder objectives.

Personnel Services (PS)

The OIG's 2023 personnel services requirements are \$112.8 million, to support 535 full time equivalents (FTEs), or \$8.0 million more than 2022 annualized CR funding of \$104.8 million. The requested FTE level of 535 will support the critical oversight priorities of the OIG including ensuring hazard free and habitable housing, access to affordable housing, homelessness, fair housing, risks to the Mutual Mortgage Insurance (MMI) Fund, HUD grant management, HUD IT operations and vulnerabilities, and protecting the integrity of HUD programs.

The increase of \$8 million above the 2022 annualized CR level includes:

- \$3.0 million to support 15 FTEs above the 2022 annualized CR funding level, which roughly represents current OIG onboard staffing. These individuals would be allocated to an array of oversight activities addressing multiple HUD programs.
- \$3.8 million in inflationary increases for pay and benefits, including a 4.6 percent pay raise.
- \$1.2 million increase in other personnel expenditures including re-proposal of the 2021 cash award funding level (\$1.5 million), this amount is slightly offset by other reductions in PS requirements.

The outlined personnel services resources and FTE will support the OIG's mission across the spectrum of HUD activities and programs. This includes areas where the OIG is expanding and prioritizing our oversight resources such as those programs identified in the OIG's top management challenges. Specifically, the OIG sees the following as the areas of greatest concern and priority for our mission personnel:

Eliminating Hazards in Housing: HUD continues to face several challenges in ensuring that properties used for its programs are free from hazardous materials, lead-based paint, toxic chemicals, and radioactive substances such as radon. The OIG sees this as a top priority that is central to the oversight of the Department and ensuring that beneficiaries are safe when occupying HUD-assisted housing. HUD programs cannot thrive if recipients of those programs do not feel safe or cared for when occupying HUD properties. This oversight effort is multifaceted and requires a professional workforce with the right skills and training to effectively oversee this vital area of HUD's operations.

Mitigating Counter Party Risk in Mortgage Programs: HUD must continue to take steps to address counterparty risks faced by FHA and Ginnie Mae to protect taxpayer funds. The OIG is positioned to oversee and assist the Department in mitigating the risk to the MMI fund and achieving HUD's mission of supporting sustainable homeownership and encouraging investment in affordable rental housing.

Access to and Availability of Affordable Housing: One tenet of HUD's mission is to create affordable housing for all. Very low-income renters continually face challenges in finding affordable housing due to "severe rent burden" (paying more than 50 percent of one's income) and increased competition for affordable rental housing. Deploying Housing Vouchers effectively and ensuring they're managed efficiently to reach the maximum number of families possible is within the OIG's oversight role and an organizational priority.

Grants Management: In 2021 alone, HUD obligated more than \$14.4 billion in grants, or approximately 24 percent of HUD's overall funding. In many cases, HUD awards funding to thousands of grantees, who in turn, distribute the funds to thousands more subgrantees, subcontractors, and subrecipients. Like other grant-making agencies, HUD faces challenges in developing and implementing adequate policies, procedures, and other controls to monitor grantees compliance consistently and effectively with key program requirements. The OIG foresees an expanding role in ensuring the proper use, oversight and tracking of HUD grant funding. This is a top priority for every mission component in the OIG.

Fraud Risk Management: Managing fraud risk is a challenge throughout the Federal Government. Beyond the monetary loss of taxpayer funds, fraud against HUD's programs negatively impacts the most vulnerable populations with critical housing needs, including children, the economically disadvantaged, and the elderly. Dollars lost to fraud are dollars that cannot assist those in need, and ineligible participants take spots away from others who need access.

Sustaining Progress in Financial Management: HUD needs to be able to continue sustaining the improvements it has made in Financial Management so that HUD and its components can operate at a level that will consistently produce reliable and timely financial reports and ensure continuity during challenging times. The gains shown by HUD over the last few years are impressive, but the OIG has a continuing mission to ensure the Department's financial management is thorough and sound for all external stakeholders who rely on HUD financial reporting for legislative and other critical decision making.

Managing Human Capital: The effects of HUD's difficulties in managing human capital affect many of HUD's mission-related challenges. According to HUD's 2022 Budget in Brief, HUD experienced a decline in staff of approximately 30 percent during the period 2012 through 2019. Recruitment, retention, and hiring qualified employees has been a growing concern for the Federal government. The OIG believes that the Department will never be able to adequately manage the scale and scope of the agency's programs without the right skillsets and people in place. Based on that belief, the OIG plays an important role in evaluating HUD's human capital processes and offering recommendations for improvement.

Management and Oversight of Information Technology: While HUD has made progress in managing and overseeing its IT program through modernization efforts and addressing recommendations, several longstanding issues that harm IT program effectiveness persist. Poor management of HUD's IT resources and difficulty in completing its initiatives hinder HUD's IT development. The OIG has greatly increased the personnel and resources available to oversee this area of HUD's operations. As an agency we are better positioned than ever before to help HUD identify and rectify the remaining shortfalls in the Department's IT infrastructure.

Increasing Efficiency in Procurement: Meeting the procurement needs of its program offices in a timely manner so that it can efficiently carry out its mission is critical for HUD. Considering HUD's reliance on contractors, the ability for HUD's Office of the Chief Procurement Officer (OCPO) to respond to changing departmental needs is imperative for HUD's success. The OIG is continuing to provide an independent assessment of this effort in hopes of improving the process for all underlying HUD offices and programs.

The personnel requirements laid out in the Budget support the OIG's ability to adequately respond and address these top challenges within the Department. Maintaining the right personnel with the right skillsets is essential to successfully carrying out the OIG's mission. The OIG has made tremendous strides to decrease the time to hire and ensure that backfilling takes place proactively and intentionally to fill the most important positions within the organization. The personnel funding requirements explained in the Budget will allow the OIG to maintain staffing levels and continue to respond timely to the needs and concerns of the Department, the Administration, and Congress.

Non-Personnel Services (NPS)

The OIG's 2023 non-personnel services (NPS) requirements, including the cost of the consolidated financial statement audit, are \$36.2 million or \$3.8 million more than the 2022 annualized CR level of \$32.4 million. These requirements are a combination of spending deferred under a 2022 full year CR, inflationary and programmatic adjustments to the base, and increased requirements particularly related to travel as the OIG returns to a more traditional operational posture.

The NPS requirements called for in the 2023 Budget support the operational needs of the 535 FTEs, necessary operations and maintenance of the OIG's IT infrastructure, including fully bringing the OIG's networks into Trusted Internet Connection (TIC) compliance, support for the continued outsourcing of the consolidated financial statement audit, and other necessary expenditures to support the OIG's mission. The itemized adjustments to base are as follows:

- \$500 thousand for TIC compliant internet service for the entire OIG serving both the Headquarters-based Washington, DC data center and the Disaster Recovery Facility (DRF) data center located in Denver, Colorado. Using the GSA Enterprise Infrastructure Solutions contract vehicle, the OIG expects partial operationalization under a 2022 continuing resolution with the remaining requirement continuing under the 2023 Budget. The TIC services include constant network monitoring to thwart any potential cyber-attack and alert the organization of possible vulnerabilities. Based on the recent security breaches experienced by Federal agencies and the need to achieve organizational compliance this is a top priority for the OIG to ensure both adequate information security protocols and bring the organization into compliance with OMB mandates.
- \$500 thousand in repropoed funding to establish training support and legal services related to mortgage-backed securities (MBS), multiclass transactions managed by Ginnie Mae, and complex secondary market legal issues. The OIG believes that the significant role Ginnie Mae plays in the housing finance market warrants both investment in OIG personnel as well as outside resources with specialized expertise. The OIG will use the contracted experts to educate and advise our staff on residential MBS market to enhance our oversight of HUD's housing finance and mortgage insurance programs. This contract will be utilized as needed to supplement the current legal and program oversight staff in a way that over time could be more cost effective than hiring full-time government personnel with experience in housing finance and secondary market transactions, as those individuals may be difficult to recruit and retain given the opportunities available to them in the private sector.
- \$848 thousand in repropoed base funding that support an array of operational contract needs including investigative assistance and equipment, strategic planning consultation,

operational support contracts, media support, training design support and an array of smaller requirements deferred to balance needs under a 2022 full year CR.

- \$650 thousand for investment in investigative equipment related to a new eDiscovery and digital forensics platform that can host all the OIG's investigative review software. The current eDiscovery and digital forensics platform was purchased in 2017 and needs refreshing. This product will give OIG investigative, legal, and other mission personnel capabilities beyond the OIG's current technology. Additional benefits include much needed additional storage and processing power to keep up with increasing agency demand for processing of Electronically Stored information (ESI) and the ability to host Virtual Desktop Infrastructure (VDI) for a customized virtual environment.
- \$1.3 million to support increased travel requirements in 2023. Many activities that previously would have required travel have been virtualized during the COVID-19 pandemic and as an organization the OIG expects that to continue into 2023. However, other more traditional travel will still be necessary primarily for investigations and some audits/evaluations. For example, an evaluation that involve HUD's health and safety inspection process would require an in-person OIG presence. The projected 2023 requirement represents 56 percent of the OIG's pre-pandemic travel requirements.
- Reduction of \$109 thousand for requirements associated with rent and utilities. The net decrease in requirements is a product of the OIG decreasing our space footprint in some areas of the country, balanced against some increased rent costs to consolidate all Washington, DC OIG staff in permanent space on one floor of the Weaver building.
- \$171 thousand increase related to inflation across contracts, equipment, shared service agreement with Treasury, and other minimal expected pricing adjustments.
- \$243 thousand to increase funding for training to a historically appropriate level. The OIG reduced this requirement to balance operational needs at the 2022 full-year CR appropriation level. For the OIG to be effective, we must train our staff members on the intricacies of HUD's programs and on the most effective methods for performing oversight of those programs.
- \$115 thousand to increase funding for supplies to a more historically appropriate level. The OIG would reduce this requirement to balance operational needs at the 2022 full year CR appropriation.
- \$50 thousand to increase funding for legal liabilities and settlements. Typically, the OIG sets aside \$250 thousand for this possibility. The OIG would reduce this amount to support the 2022 CR funding level.
- Reduction of \$671 thousand for requirements related to the IT Business Operations Support Services contract (BOSS) and Wide Area Network support contract (WAN). The BOSS contract is being recompeted in late 2022. The OIG expects labor requirements to be lower based on the OIG having increased Federal IT personnel onboard now versus the previous bidding period. Additionally, with the OIG decommissioning some smaller field offices the overall need for WAN circuit support will decrease in the next option year lowering the requirement for that contract.

Overall, the 2023 non-personnel requirement represent the base operational needs for the OIG to maintain current services and ensure OIG personnel have the tools, training, and operational resources necessary to carry out our oversight mission. The OIG like all agencies continues to scrutinize NPS needs to ensure that investment and spending aligns with organizational priorities and increases our capability to provide better, timelier, and actionable oversight products to our external stakeholders. The Budget request for NPS supports mission or operational needs that achieve those objectives.

HUD Consolidated Financial Statement Audit

Beginning in 2020, Congress has required the OIG to outsource the annual financial statement audit. The OIG utilizes two contracts to achieve this, one supporting the Ginnie Mae audit effort, and the other providing for the FHA and the HUD consolidated portion of the financial statement audit. At present, all contractors are performing adequately, and the expectation is that these contracts will continue to remain active and in place for the remainder of their contractual lifespan. The 2023 total cost to support the financial statement audit is \$5.9 million. This represents a \$168 thousand inflationary increase from 2022.

Information Technology

The 2023 Budget provides necessary funding to support the OIG's IT infrastructure. This includes the necessary costs to conduct cyclical replacement of IT assets, network infrastructure, and other equipment as part of normal operations and maintenance activities.

The OIG hopes to begin the transition to a TIC compliant internet connection at both the headquarters data center in Washington, DC and the disaster recovery data center located in Denver, Colorado in 2022 once the GSA Enterprise Infrastructure Solution contract is available to support this need. This effort will continue into 2023. By the end of 2023 the OIG expects to be in full TIC compliance satisfying the OMB mandate. Additionally, the OIG continues to prioritize spending that supports cybersecurity including the use of DHS Continuous Diagnostic and Mitigation program to procure information security related technologies. The 2023 Budget also provides for IT spending that furthers mission capabilities particularly for the OIG's investigative function. Reproposed investments shifted from 2022 would allow for investment in new eDiscovery and digital forensics capabilities.

KEY OPERATIONAL INITIATIVES

The OIG's role is to deliver timely and quality oversight products that improve the execution of HUD programs for all Americans. The organization's tireless focus has become doing "the right work at the right time." This has led to significant changes within the OIG, many of which are still underway, to include Data Literacy and Communities of Practice initiatives, to increase subject matter expertise related to HUDs programs, keep OIG employees updated on available data sources and how to use them for data-driven oversight, and enhance collaboration across OIG.

The OIG has made it a priority to ensure the organization has the talent and skill sets necessary to enhance and broaden our strategic footprint, this includes hiring strategy and performance experts to improve our strategic planning processes and development of effective organizational performance measures that connect with SES and individual performance plans, an area in which the organization had struggled in the past. This improves the OIG's ability to put the right measures in place to make progress on agency-wide strategic goals each year to help the OIG achieve its mission.

To further its oversight, the OIG has recently realigned Office of Audit directors to each focus on specific HUD program areas and are in the process of establishing Communities of Practice for 13 of these areas. The Communities of Practice are OIG-wide groups of individuals with responsibilities for overseeing each of these areas and will serve to be central knowledge repositories. Dynamic virtual spaces, currently under development, where community members can post links, materials, media articles, congressional testimonies, and reports; ask questions of other community members; and collaborate on work will support these communities in practice. We foresee our communities will fill potential knowledge gaps by allowing OIG staff within these communities to more efficiently get up to speed on specific programs under review and draft more useful, practical, and quality recommendations.

With all these progressive initiatives, the OIG is developing change management training to give leaders at all levels the tools they need to help ensure that there is agency wide buy-in for the strategic advances the OIG is making as an organization.

The OIG began an enterprise risk management program in 2017 and has continued to mature it. We are using risk to inform organizational strategic goals and objectives that flow through to the individual employee performance measures. As the risk management program matures, the OIG will incorporate tracking of component and enterprise level risks to gain efficiencies, enhance monitoring of internal performance deficits, provide transparency within the OIG, develop accountability, and increase the organization's ability to make data-driven decisions.

The Inspector General, OIG leadership, and personnel carrying out the OIG's mission daily are seeing the benefits and enterprise-wide improvement as a result of incorporating strategic planning, strategic organizational design, and strategic based decision making into every facet of OIG operations. As an agency we believe these changes will continue to improve our responsiveness to stakeholders and the overall delivery of our mission.

Organizational Realignment

The OIG as part of continuing process to align personnel and duties in a way that optimizes organizational outcomes has made three minor changes to the structure of the underlying offices:

- The OIG is proposing a realignment of the Planning, Performance, Risk Management and Engagement (PPRiME) division within the Office of Evaluation to create the office of the Chief Strategy Officer (CSO) within the Immediate Office of the Inspector General to assist the IG with developing and executing strategic plans and initiatives, centralize oversight strategy, manage OIG organizational risk, and increase OIG quality assurance. By intimately connecting oversight planning and execution in a way that improves recommendations and reporting provided to the Department and external stakeholders, the OIG is elevating the strategic function within our organization. The proposed realignment will not create any current or future budget requirements.
- The OIG is proposing realigning the Integrated Data Analytics Division (IDAD) from the Office of Evaluation to the OIG's Office of Information Technology. The analytics conducted by IDAD improve organizational strategy and the identification of emerging threats to the Department. This data drives the OIG's oversight planning, strategy, and execution. Effectively leveraging this information can save valuable time, resources, and help the organization focus on the most important investigations, audits, evaluations, and reviews. The proposed realignment will not create any current or future budget requirements.
- Lastly, the OIG is proposing to realign the functions of the Joint Civil Frauds Division which was a group made up of both auditors and investigators tasked with oversight activities that at times called for cross functional involvement. The respective audit and investigation offices will absorb the staff that makes up this group. The OIG has institutionalized the lessons learned and unique approaches to combating fraud that will allow for better management of our audit and investigative function while still approaching each oversight activity with the most appropriate strategy and skill set. The proposed realignment will not create any current or future budget requirements.