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MESSAGE FROM SECRETARY MARTINEZ

I am pleased to present the U.S. Department of Housing and Urban Development’s Fiscal Year (FY) 2001 Performance and Accountability Report. The report provides information on the program performance and management stewardship of HUD’s vital housing and community development programs.

Helping more Americans reach the dream of homeownership, ensuring affordable housing opportunities, strengthening and renewing our communities, and offering a compassionate hand to individuals in need – are the principles that guide our work each day at HUD. I am proud to report that our nation’s homeownership reached an all-time high of 68.1 percent at the end of FY 2001. HUD has a variety of programs that contribute to homeownership with a focus on populations and geographic areas that are underserved by the conventional market. HUD will continue to expand its efforts to increase minority homeownership in FY 2002 and beyond. My administration is also expanding HUD’s existing strategic goals and objectives to place greater emphasis on HUD’s regulatory role, which will help simplify the homebuying process and take necessary steps to eliminate predatory lending.

We recognize that homeownership is not an option for everyone, and HUD has increased its commitment to those Americans who depend upon affordable rental housing. HUD’s public and assisted housing programs provided affordable housing to nearly 4.8 million households in FY 2001. Working with our public housing agency and private owner partners, great strides were made in improving the physical conditions at HUD-assisted rental housing projects in the past year. Other HUD housing grant program funds were utilized by local government entities and housing sponsors to provide affordable rental housing for additional households. HUD programs provided housing and other essential support to a wide range of populations with special needs, including the elderly, persons with disabilities, homeless persons, and individuals with HIV/AIDS. HUD’s core community and economic development programs continued to play an essential role in helping communities address locally determined community and economic development priorities, to establish and maintain long-term prosperity.

As presented in the “Management and Performance Challenges” section of the report, HUD initiatives under the President’s Management Agenda are addressing the major management challenges facing the Department, by providing a needed focus on the strategic management of human capital, competitive sourcing of services, improved financial performance, expanded electronic government, and increased budget and performance integration. We look forward to a continued successful working relationship with our program partners, and the Congress, to improve both the performance and the financial accountability of HUD’s vital housing and community development programs, which will ultimately better serve the American people.

Mel Martinez
Secretary
THE CHIEF FINANCIAL OFFICER’S MESSAGE

In my first year as the Chief Financial Officer for the U.S. Department of Housing and Urban Development, I have worked closely with the Department’s program and administrative components to better understand and address the many significant financial management and program performance challenges facing the Department. I am pleased to report that the Department’s collective management team is rising up to meet those challenges, with significant accomplishments reflected in this report on FY 2001, and viable plans in place for further necessary management improvements.

I am further pleased to report the Office of Inspector General’s (OIG) issuance of an unqualified or clean audit opinion on the Department’s fiscal year 2001 consolidated financial statements. While this is just the third time HUD has received a clean opinion, it is also the first time a clean opinion was received for two consecutive years. Consecutive clean audit opinions is both an indicator of financial management stability and a reflection of the considerable efforts and collaboration – by staff from the Office of the Chief Financial Officer (OCFO), HUD program and administrative offices at headquarters and in the field, and the OIG – to timely prepare auditable financial statements and complete the independent audit process. A contributing factor to this stability was the OCFO’s successful efforts to correct two prior year reportable conditions pertaining to the reliability and security of HUD’s critical financial systems, and controls over fund balance with Treasury reconciliations. The Federal Housing Administration and Government National Mortgage Association components of HUD also received unqualified audit opinions on their separate FY 2001 financial statements.

While receipt of a clean audit opinion is important in sustaining confidence in HUD’s consolidated financial statements for Office of Management and Budget (OMB), Congressional and public users, we are very mindful of the financial management discipline and vigilance required to maintain that confidence, and of the need for continued progress in resolving remaining material management control weaknesses and reportable conditions still associated with our underlying financial management operations. Corrective action plans have been put in place and are progressing to address the Department’s remaining high risk and material weakness issues associated with the rental housing assistance and single family mortgage insurance programs, as well as improved compliance with federal financial management systems requirements.

I look forward to continuing a close working relationship with HUD’s management team, OMB and the Congress, to meet HUD’s future financial management and program performance challenges.

Very respectfully,

Angela M. Antonelli
Chief Financial Officer