

# Other Accompanying Information



U.S. Department of Housing and Urban Development  
**Office of Inspector General**  
451 7<sup>th</sup> St., SW  
Washington, DC 20410

October 14, 2009

MEMORANDUM FOR: Shaun Donovan, Secretary, S

FROM: Kenneth M. Donohue, Inspector General, G

SUBJECT: Management and Performance Challenges

In accordance with Section 3 of the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) is submitting its annual statement to you summarizing our current assessment of the most serious management and performance challenges facing the U.S. Department of Housing and Urban Development (HUD) in fiscal year 2010. Through our audits, investigations, inspections, and evaluations, we work with departmental managers in recommending actions that best address these challenges. More details on our efforts in relation to these issues can be found in our Semiannual Report to the Congress.

The Department's primary mission is to increase homeownership, support community development, and increase access to affordable housing free from discrimination. HUD seeks to accomplish this mission through a wide variety of housing and community development grant, subsidy, and loan programs. Additionally, HUD assists families in obtaining housing by providing Federal Housing Administration (FHA) mortgage insurance for single-family and multifamily properties. HUD relies upon numerous partners for the performance and integrity of a large number of diverse programs. Among these partners are cities that manage HUD's Community Development Block Grant funds, public housing agencies that manage assisted housing funds, HUD-approved lenders that originate and service FHA-insured loans, Government National Mortgage Association mortgage-backed security issuers that provide mortgage capital, and other federal agencies with which HUD coordinates to accomplish its goals. HUD also has a substantial responsibility for administering disaster assistance programs. Currently, HUD is administering new mortgage assistance and grant programs in response to the nation's financial crisis, increase in foreclosures, and declining home values.

Achieving HUD's mission continues to be an ambitious challenge for its limited staff, given the agency's diverse programs, the thousands of intermediaries assisting the Department, and the millions of beneficiaries in its housing programs. The continuing national credit and financial crisis is having a profound impact on HUD. Proposed and new program changes have introduced new risks and enforcement challenges. More specifically, Congress has funneled \$13.6 billion of the American Recovery and Reinvestment Act through 11 of HUD's programs. The Act will increase the oversight responsibilities for the Department for the next three years. HUD is also a key to the nation's mortgage industry where the market share of FHA-insured mortgages has increased dramatically from 1.9 percent in 2006 to 27 percent as of July 31, 2009. The attachment discusses these and other challenges facing HUD.

Attachment

The complete Office of the Inspector General memorandum is located online at <http://www.hud.gov/offices/cfo/reports/pdfs/mpc.pdf>, and is extracted and segmented on the following pages, along with additional management comments.

## Management and Performance Challenges

### HUD Management's Perspective

The Department's management and the Office of the Inspector General have worked in a close, collaborative manner during the past year, recognizing the challenges facing the Department due to the economic crisis facing the country. The passing of the landmark American Recovery and Reinvestment Act (Recovery Act), which provided \$13.6 billion to the Department in support of nine programs, as well as additional funding for the OIG, emphasized the need for this joint effort to ensure the funds were not only obligated and expended quickly, but also that adequate safeguards were in place to ensure the funds went to the right recipients.

Management agrees with the OIG's assessment of major challenges facing the Department. Following each of the OIG's narrative of the challenges, management has provided additional comments concerning the OIG assessment and Departmental progress addressing each challenge.

**Oversight of American Recovery and Reinvestment funds.** Congress allocated \$13.6 billion in funding to U.S. Department of Housing and Urban Development (HUD) programs under the American Recovery and Reinvestment Act of 2009 (Recovery Act). This allocation added significant funding to public and Indian housing capital funds, Community Development Block Grants, the Neighborhood Stabilization Program, homelessness prevention, and other HUD programs to modernize and "green" the public and assisted housing inventory, increase the low-income housing tax credit market, stabilize neighborhoods hit by foreclosures, and prevent homelessness. Carrying out the goals of the Recovery Act, managing the influx of mortgages and refinancing, and conducting its normal operations is a significant challenge.

Capacity issues of Recovery Act funding recipients will challenge HUD. For example, HUD decided to provide Recovery Act public housing capital funding to housing authorities it deemed "troubled." Currently, there are 174 troubled authorities which received allocations totaling \$350 million in Recovery Act funds. HUD also waived certain contracting requirements for housing authorities receiving Recovery Act capital funds. In the instance of the troubled housing authorities, HUD believed the troubled authorities were those most in need of Recovery Act funds and stated that it would increase oversight of these authorities. Regarding the contracting changes, HUD noted that the Recovery Act directed it to assist the authorities to expedite and facilitate the use of the funds. The waivers are meant to help expedite the use of funds. Funding the troubled authorities and waiving certain contracting requirements increased the challenge to oversee the \$4 billion in capital funds. The housing authorities must obligate the funds within one year of availability and spend those funds within the next three fiscal years.

**Oversight of American Recovery and Reinvestment funds continued.**

The Recovery Act added \$2 billion to the Neighborhood Stabilization Program that Congress created as part of the Housing and Economic Recovery Act of 2008. HUD administers the now nearly \$6 billion program to redevelop abandoned and foreclosed homes. The Recovery Act set aside \$50 million for technical assistance to improve the capacity of ‘neighborhood stabilization’ communities to carry out the program. HUD plans to hire 32 people to oversee the hundreds of new grant applications and up to 100 grants during the three-year life cycle of the Recovery Act funds. HUD will use the Disaster Recovery Grant Reporting system to collect information from the grantees. An Office of Inspector General (OIG) audit has determined that the system can collect the basic information that HUD needs to monitor the program. However, HUD needs to follow through and fully use the system to effectively target its monitoring efforts.

The Recovery Act added \$3.5 billion to community planning and development funds for block grant activities and homelessness prevention; however, HUD must oversee the expenditure of these funds in the next three years.

In general, the Recovery Act directs HUD to ensure that (1) the \$13.6 billion is awarded and distributed in a prompt, fair, and reasonable manner; (2) the recipients’ use of funds is transparent to the public; (3) the funds are used for only authorized activities; (4) recipients avoid unnecessary delays and cost overruns; and (5) program goals are achieved, including specific program outcomes and improved results on broader economic indicators. This oversight role is and will be a challenge. Further, HUD must assist all of its recipients in reporting their use of funds on the Recovery Act Web site. HUD also has to ensure that the data the recipients report are accurate. This type of reporting is unprecedented.

During fiscal year 2009, we started and completed audits and reviews of Recovery Act-related activities. These audits and reviews addressed the administrative capacity of selected Recovery Act grantees to meet their responsibilities to properly administer these funds. We also assessed HUD’s efforts to date to assess the risks associated with Recovery Act funding along with the Department’s plans to mitigate those risks. In addition, we completed three audits of two of HUD’s systems that will be used to administer Recovery Act funds. Our 20 capacity reviews looked at grantees’ administrative systems to determine whether the grantees are capable of effectively administering the large influx of Recovery Act funds. Fifteen of these reviews raised issues with the grantees’ capacity.

**Oversight of American Recovery and Reinvestment Funds**

Without question, the \$13.6 billion of funding allocated to HUD under the Recovery Act presents significant challenges, requiring substantial effort to ensure that the objectives of the Act, including an unprecedented level of transparency and accountability, are met. HUD has risen to these challenges and continues to do so as follows:

## HUD FY 2009 Performance and Accountability Report

### Section 4: Other Accompanying Information

---

- Effectively used OMB's implementing guidance, American Recovery and Reinvestment Act of 2009, M-09-10, to develop Recovery Act programs and controls.
- Developed and implemented an enhanced, streamlined Front-End Risk Assessment process to evaluate potential risks and control techniques for each of the Recovery Act funded programs, following GAO's five standards of internal control.
- Communicated Recovery Act requirements early and often to all stakeholders and potential recipients.
- Targeted technical assistance on capacity building and new program objectives.
- Provided for risk-based targeting of on-site monitoring using prior audit and monitoring findings and other risk indicators.
- Developed processes to meet the requirements for program-based reporting and grantee reporting.

These efforts are ongoing and continually progressing toward achieving the goals of the Recovery Act. Specific comments to the OIG's points are as follows:

#### **1. Capacity concerns**

As outlined in the HUD Recovery program plans published in May 2009, HUD programs have hired additional staff in both headquarters and regional/field offices with necessary experience and skill sets to complete the work of the Recovery Act. This is detailed in a staffing survey recently completed for the Recovery Accountability and Transparency Board. Programs are also meeting the challenge of Recovery Act implementation by shifting internal workloads for operational efficiency, training internal staff on Recovery Act functions, and delaying other non-critical activities.

The Office of Inspector General (OIG) has issued reports on capacity reviews conducted on Recovery Act grantees. If the report identifies concerns, the program responds to the OIG with a plan to address the concern. Upon agreement by the OIG, program staff will work with the grantee to address and resolve the identified concerns. Some but not all programs have set-aside Recovery Act administrative funds for travel purposes, through which staff can travel on-site and work directly with grantees if necessary.

Specifically, the Office of Community Planning and Development (CPD) launched a major technical assistance effort for the Homelessness Prevention and Rapid Re-Housing Program (HPRP) and provides ongoing guidance for the program's grantees through its Homelessness Resource Exchange web page ([www.hudhre.info](http://www.hudhre.info)). Resources include a Virtual Help Desk, which has provided responses to over 2,200 questions, a searchable Frequently Asked Questions database, and community documents to provide "peer to peer" guidance for grantees. This is in addition to the nine regional training conferences completed in May and June, and numerous other presentations given by CPD staff on HPRP to grantee organizations. CPD also is in the early stages of launching a major technical assistance effort for grantees across the country in

support of the Neighborhood Stabilization Program (NSP). Through this program, grantees will have an opportunity to engage in needs assessments, clinics / workshops, and a resource exchange website.

The Office of Public Housing and Office of Native American Programs have provided and will continue to provide programmatic and technical assistance as appropriate throughout the Recovery Act process. The Department would like to clarify that the funding provided to troubled PHAs was not solely because troubled agencies have the most need of Recovery Act funds. Rather, HUD decided not to exclude troubled authorities from consideration for Recovery Act public housing capital funding for a variety of reasons, including need. For the Capital Fund Recovery Competition, the grant selection process included consultation with the responsible field offices, as relevant, concerning troubled authorities capacity. HUD also determined that monitoring during grant implementation would include increased oversight of any troubled authorities that received grant funding.

Concerning the waiver of contracting requirements for housing authorities receiving Recovery Act public housing capital funds, PIH also wishes to provide further information as follows: HUD relieved public housing authorities from state and local procurement requirements. The public notice period for changes to PHA plans was reduced from 45 days to 10 days in an effort to facilitate the prompt implementation of Recovery Act programs and the timely obligation and expenditure of funds. A waiver and exception policy was also adopted with respect to Buy American provisions under the Recovery Act.

## **2. Monitoring of expenditures and intended uses**

HUD has established additional internal management controls to create a greater level of accountability for performance. The HUD Recovery Act program management team has worked extensively with the leads of the program and cross-cutting teams to prepare a bi-weekly program snapshot report for the steering committee to review with HUD's Deputy Secretary and Secretary. Drawing from the program and risk management plans, the reports include summary-level quantitative and qualitative financial and programmatic performance measures and targets, key milestones, and issues or risks. Interim spending and performance targets have been set to ensure that annual objectives from the program plans are met. Performance data is summarized by geographic region, as the initial effort to launch a department-wide place-based reporting system. Performance measure targets and milestones that are missed, or that are in jeopardy of being missed, will be accompanied by an explanation of the reasons why, including any issues affecting progress and the specific plan for their resolution or mitigation. The report also identifies specific grantees with performance issues and summarizes the actions being taken to address them. HUD categorizes grantees by risk, then monitors and allocates interventions, including training, technical assistance, and if warranted, disciplinary action, accordingly.

HUD has two financial reports that will be generated and analyzed on a weekly basis. These include a Summary Financial Report that indicates the amount of funds for each program, and a

## **HUD FY 2009 Performance and Accountability Report**

### **Section 4: Other Accompanying Information**

---

Funding Notification Report, which shows the amount of funding by program for every jurisdiction, including local governments and some states.

The HUD Recovery Implementation Team has also launched a place-based reporting effort focused on tracking and managing disbursements by geographic region, which will serve as a pilot for later department-wide implementation beyond the Recovery Act. This place-based reporting will include examination of the following data overlays by place: annual appropriations compared to Recovery appropriations, as a proxy for assessing grantee capacity; Inspector General and Government Accountability Office findings by place; non-reporting by recipients during the quarterly federal reporting periods; and issues raised in the data quality review checks during quarterly reporting periods. The Recovery Implementation Team is also convening a series of stakeholder conversations in hard-hit areas across the country to learn what is working and what is not with regard to economic recovery.

Program-specific actions are detailed below.

CPD is developing risk analysis and monitoring guidance specifically for NSP, Recovery Act CDBG funds, and HPRP to be integrated into existing risk analysis and monitoring guidance covering CPD programs. For HPRP, HUD has hired four new staff at Headquarters that are designated to do on-site and desk monitoring, review IDIS draw-downs to ensure compliance with statutory expenditure deadlines, and identify and follow up on potential issues. The HPRP Virtual Help Desk has not only allowed HUD to disseminate important information to grantees and field office staff, it has been a source of identifying potential problems and addressing them directly with grantees before they become an issue.

Notably, in consultation with HUD's Office of the Inspector General, CPD developed an important tool to drastically reduce, if not prevent, fraud in HPRP. All caseworkers who will be assisting applicant households, and the caseworker's supervisor, will be required to sign an affidavit affirming their knowledge of HPRP program rules and the serious consequences, including prosecution, that will result from program abuse.

TCAP staff will conduct remote monitoring that will include a review of the grantee's conformity to internal IDIS reporting for financial and project level data as well as financial management requirements in 24 CFR Parts 84 and 85, as applicable. TCAP will be using its existing IDIS system for funding and project level management and reporting. In order to drawdown funds and complete a project, certain project level data must be input into IDIS. TCAP will be developing reports from data in IDIS to monitor TCAP grantees in meeting their commitment and expenditure deadlines, as well as project level data to ensure that funds are expended on eligible activities.

The OIG's review of the front-end risk assessments for TCAP and HPRP found no concerns.

The Office of Public and Indian Housing performs comprehensive monitoring of both troubled and non-troubled public housing authorities (PHAs). A comprehensive Recovery Act monitoring and oversight strategy has been developed for both troubled and non-troubled PHAs

and is currently being implemented. The strategies include monitoring and oversight of a number of functions, including grant initiation, program requirements, and grant performance. All PHAs will receive a remote review, with on-site reviews being completed for those that meet the risk criteria outlined in the strategies. Training and technical assistance will be provided through on-site review, including corrective action for areas of non-compliance. Actions for non-compliance include locking grants to prevent access until corrective actions are completed.

The OIG conducted reviews of the formula used to allocate Recovery Act funds and the Front-End Risk Assessment developed for the four Recovery Act programs administered by ONAP, and no findings or concerns were identified. In addition, the risk assessment that ONAP uses to identify grantees for monitoring has been adjusted to ensure that grantees receiving significant amounts of Recovery Act funds will rise to the top of the risk assessment and be selected for monitoring. The monitoring strategy for all ONAP grantees selected for monitoring will include monitoring of Recovery Act funds. Staff will use a specific Recovery Act monitoring plan to cover the Recovery Act activities.

In the Office of Housing, Project-Based Rental Assistance grantees are already monitored and measured for effectiveness and the avoidance of fraud and mismanagement. These recipients are required to submit annual financial statements, are inspected on a regular annual cycle, and are also subject to monthly review of all subsidy payment requests.

The Office of Affordable Housing Preservation has, for the past ten years, administered the Mark-to-Market program, a property retrofit and refinance program. The new Green Retrofit Program involves a similar scope of work as Mark-to-Market, and the systems in place to accept, assign, track, monitor, and evaluate the program, its participants, timeliness, quality, fiduciary responsibility, quality control, and overall program monitoring and evaluation will be utilized for the new Green Retrofit Program. It is notable that in ten years, with over 3,000 properties completed through the Mark-to-Market process (compared to 300-400 properties that might be completed under the new program), the monitoring and evaluation processes, procedures, systems, and personnel in place have satisfied every audit and internal and external review conducted of the program, its funding, and its oversight.

The Office of Healthy Homes and Lead Hazard Control (OHHLHC) uses several methods to monitor the expenditures and intended uses of Recovery Act funds. OHHLHC monitors expenditures through the Line of Credit Control System (LOCCS) and the OHHLHC Quarterly Progress Reporting System (QPRS). QPRS also includes a current and cumulative financial report by budget category line item allowing for the monitoring of the use of funds.

### **3. Recipient reporting**

An important element of HUD's monitoring and evaluation system is the project-level data collected from grantees on a quarterly basis. The Recovery Act specifically requires data collection fields for grantees and contractors, which is being collected directly from grantees

## **HUD FY 2009 Performance and Accountability Report**

### **Section 4: Other Accompanying Information**

---

through FederalReporting.gov. In 2010, HUD also will collect program-specific measures from grantees (e.g., number of units rehabilitated, developed, etc.).

Prior to this fiscal year, HUD had no enterprise-wide reporting system. As of the third quarter of FY 2009, HUD OCIO and Recovery programs developed the Recovery Act Management and Performance System (RAMPS), which was used by all Recovery programs in the fourth quarter to report on environmental review information. It will be used in the future to report on performance information and other additional reporting requirements as identified.

Over 11,000 HUD grantees are statutorily required to report quarterly into FederalReporting.gov on the activities funded by HUD Recovery dollars, as well as jobs created/retained and other project-level information. To support Recovery funding recipients in the completion of required quarterly reporting requirements, HUD has conducted extensive and proactive outreach to grantees. This technical assistance has included a website with numerous guidance materials and tip sheets (e.g., a completed “dummy template” pre-populated with generic information that will be common across all recipients), a call center, written guidance, four hour-long conference calls in partnership with the National Affordable Housing Management Association (NAHMA) and American Association of Homes and Services for the Aging (AAHSA), and dedicated staffing of a highly used email help desk, [reportinghelp@hud.gov](mailto:reportinghelp@hud.gov). The call center fielded several thousand calls over the reporting period. The email help desk fielded over 1,000 emails during the reporting period and this correspondence also led to hundreds of explanatory phone calls between grantees and HUD staff. Program Offices also sent out guidance tailored for their grantees, used program-specific email help desks, and posted updates regularly to both email listservers and agency web pages. HUD also convened a regular informal conference call to share experiences and best practices with other federal agencies in preparing for reporting.

During the reporting period, HUD conducted active outreach to grantees to remind them that reporting is a requirement of the Recovery Act. This included active outreach during the “late submission” period. Staff members across programs have developed a process to identify and communicate directly with every grantee that reported late, did not report, or had problems with their submission. This process included phone calls to grantees, email reminders (e.g., an automated email reminder system from HPRP’s e-snaps system), list server messages, and guidance posted on program web sites.

During the data quality review period, HUD performed a comprehensive automated review of reports for potential errors. This included working with OMB on a daily basis to address data quality and submission issues related to the federal reporting requirements for HUD’s prime recipients. Grantees who do not report at all will be subject to typical enforcement procedures as outlined in grant terms and conditions.

In addition to FederalReporting.gov, HPRP grantees are required to complete a quarterly performance report on HPRP expenditures, persons served, sub-grants and other information on uses of the grant funds. This reporting system is called e-snaps, and HUD will use the information collected in e-snaps to report on outcomes achieved with HPRP funds.



**Single-family programs.** The Federal Housing Administration's (FHA) single-family mortgage insurance programs enable millions of first-time borrowers and minority, low-income, elderly, and other underserved households to realize the benefits of homeownership. HUD manages a rapidly growing portfolio of more than \$650 billion in single-family insured mortgages. Effective management of this portfolio represents a continuing challenge for the Department.

HUD has sustained significant losses in its single-family program and is taking on additional risk. The number of FHA mortgages has risen dramatically. The increased mortgage traffic is accompanied by increases in defaults and restructuring. FHA's mutual mortgage insurance fund has fallen below the legally required 2 percent capitalization ratio. FHA's staffing has not increased in proportion to the increased activity, and FHA's information technology has not kept pace with the rapid rise in loan volume. The lack of modern integrated business and financial management systems greatly increases organizational and management staffing control risks. Office of Housing management contracted to assess capacity issues early in the current fiscal year. Short-term solutions to expand computer hardware capacity were recommended and, thus far, have enabled the single-family program to meet continued program growth. The long-term infrastructure solutions are proposed in a September 2009 strategic plan that will need dedicated appropriations to develop and implement modern FHA systems over the next few fiscal years. During this development period, FHA will need to compensate with additional staff or the use of service providers.

In May, Congress gave FHA additional loss mitigation authority to assist FHA mortgagors in implementing the Helping Families Save Their Homes Act. One new loss mitigation option is the FHA-Home Affordable Modification Program to provide homeowners in default a greater opportunity to reduce their mortgage payments to a sustainable level. The Act modifies the HOPE for Homeowners Program with the goal of helping additional families avoid mortgage foreclosure.

HUD faces many oversight challenges in working with its approved single-family lenders. In our May 2009 Inspections and Evaluation report, we noted that the Mortgagee Review Board's (Board) sanctions directly affected only a small number of FHA-approved lenders out of a possible 12,461 lenders. The violations for which the Board cited lenders rarely warranted withdrawal of FHA lending authority. The sanctions and fines obtained against lenders were frequently mitigated. Elapsed time to complete Board action was slow, taking an average of 6.4 months following notice to the lender, and was prolonged by case development or settlement negotiations in many instances. The Board's public visibility was also greatly reduced because the results of its rulings were not published in the Federal Register.

**Single-family programs continued.**

During fiscal year 2009, OIG testified or submitted a statement for the record at five congressional hearings covering FHA single-family mortgage issues. At those hearings, we raised several concerns including the declining health of the FHA fund, the possibility that subprime lenders could become FHA lenders, and increasing fraud in the reverse mortgage market. FHA plays a major role in supporting the housing market and resolving foreclosure matters at this critical juncture. In addition, the current degree of FHA predominance in the market is unparalleled. It is clear that the Department is committed to positioning FHA as rapidly as possible to deal with the changing dynamics. FHA has announced plans to implement a set of credit policy changes that will enhance the agency's risk management functions. Measures are also proposed to address fraudulent loans that can contribute to FHA's losses. However, we remain concerned regarding FHA's ability and capacity to meet its current requirements and services and to help avert an avalanche of new defaults. HUD faces challenges going forward to ensure that the FHA fund reserves are sufficient to cover future losses. Further programmatic adjustments may be needed to reduce the risk to the mutual mortgage insurance fund, or premium adjustments may be needed to ensure that the fund is self-sustaining. In addition, FHA will be challenged to hire sufficient and trained staff, modernize its fiscal and risk management information systems, and strengthen its underwriting practices.

We are also concerned that increases in demand on the FHA program are having collateral implications for the integrity of the Government National Mortgage Association (Ginnie Mae) mortgage-backed securities (MBS) program, including the potential for increases in fraud in that program. HUD needs to consider the downstream risks to investors and financial institutions of Ginnie Mae's eventual securitization of a large proportion of FHA's insured mortgages. Ginnie Mae securities are the only MBS to carry the full faith and credit guaranty of the United States. If an issuer fails to make the required pass-through payment of principal and interest to MBS investors, Ginnie Mae is required to assume responsibility for it. Typically, Ginnie Mae defaults the issuers and assumes control of the issuers' MBS pools. Like FHA, Ginnie Mae has seen an augmentation in its market share (it has in some recent months even surpassed both Fannie Mae and Freddie Mac) and guaranteed \$418 billion in outstanding MBS during fiscal year 2009, nearly double any previous period. It also has stretched and limited resources for adequately addressing this increase.

**Single Family Programs**

Management acknowledges the challenges related to FHA that the OIG has identified in this memorandum. This confirms the self assessment that HUD completed of the challenges faced by FHA. The Office of Housing has already identified the key issues and has developed plans to remediate the risks, and is seeking additional resources to ensure that FHA has adequate staff and

Information Technology support to deal with the increased volume of activity that FHA is experiencing and which it expects to not only continue, but to expand.

(Editorial clarification: FHA's strategic plan was completed in August 2009, rather than September 2009 as stated in the OIG memorandum.)

***Ginnie Mae Risk Management***

Ginnie Mae is sensitive to the increased risk that accompanies its increase in market share. It is thus working diligently and proactively to increase its ability to manage its risk. During FY 2009, Ginnie Mae put into place additional provisions to strengthen issuer requirements and procedures to strengthen the review and monitoring process. Beginning October 1, 2008, all new single-family and Home Equity Conversion Mortgage (HECM) Mortgage Backed Securities (HMBS) issuers had to have a minimum net worth of \$1 million, up from the previous \$250,000 requirement. By October 1, 2010, all existing issuers in these programs will be required to meet the new standard. In addition, new issuers are now subject to a one-year probationary period, which commences upon the first issuance of a Ginnie Mae MBS or upon the acquisition of a Ginnie Mae servicing portfolio. During this time, Ginnie Mae closely evaluates performance metrics, including loan-level insurance statistics and delinquency levels. Early payment defaults, staffing levels, and other operational and financial issues also are monitored. An onsite review is conducted within six months of approval and all findings must be cleared within a given timeframe.

Additionally, Ginnie Mae has expanded its capacity to review all its issuers from both an operational and financial perspective, and taken steps to further mitigate exposure to fraud and abuse. Much of this effort is supported by Ginnie Mae's use of flexible staffing through contractors. In addition to the onsite reviews conducted for new issuers, existing issuers are reviewed onsite as necessary through regular monitoring of their financial statements, loan origination characteristics, and other performance measures. The Ginnie Mae Portfolio Analysis Database System (GPADS) helps track counterparty risk using portfolio statistics and comparing issuers with broader peer group activity. Ginnie Mae also is working more closely than ever with FHA, VA, and Rural Development on sharing loan data to detect and address fraud and other issues. One example of these efforts is an enhancement to the insurance matching program, which verifies the government insurance status of underlying mortgages that allows for the more timely identification and follow-up of loans lacking appropriate insurance documentation.

**Human capital management.** For many years, one of the Department’s major challenges has been to effectively manage its limited staff to accomplish its primary mission. HUD lacks a valid basis for assessing its human resource needs and allocating staff within program offices, as evidenced in OIG’s September 2008 audit pertaining to HUD’s management of human resources. Three of the five offices we reviewed could not provide adequate documentation to support their assessment of human resource needs and allocation of staff among their headquarters and field office locations. As a result, HUD lacked assurance that its allocation of staff was based on supportable need and it accurately determined the human resources required to meet its performance goals. Some of HUD’s program offices lacked adequate documentation to support their hiring practices. In addition, HUD lacked assurance that its program offices’ hiring was appropriate.

The Office of Administration supports the Department in areas such as strategic human capital management, skill gap training, management analysis, and human resource management. The Office of Administration’s Director of Human Resources and its supporting Deputy position have had a history of frequent leadership changes, and were vacant for much of 2008. This situation contributed to OIG’s determination that HUD’s Office of Administration’s internal controls over the processing of personnel actions were inadequate as evidenced in an April 2009 audit report. Consequently, HUD needs to ensure that the Office of Administration continues to be mission-focused” and provides the leadership stability necessary for human resources accountability and success.

The new administration announced a Human Capital Transformation,” noting that the 2008 Federal Human Capital Survey ranked HUD 24<sup>th</sup> out of the 30 large agencies in the ‘Best Places to Work in the Federal Government’ report. The HUD Secretary set a goal to hire talented staff through a streamlined process and to develop personnel to contribute to a workplace that advances HUD’s mission of providing safe, affordable housing to every American while fostering a healthier work/life balance for all HUD employees.

## **Human Capital Management**

In response to the audit report of September 2008 which stated “HUD needs to develop a comprehensive strategy to manage its resources and better estimate staffing needs and support its staffing request,” the Department accomplished the following to address this deficiency:

- Established a workforce analysis process that will require program offices to examine the costs of each position over the course of the fiscal year prior to submitting their hiring plans to ensure that the hiring actions requested are in compliance with their budget allocations.
- Continued to focus on reducing competency gaps in leadership and mission critical occupations.

- As part of HUD's succession planning strategy, graduated 38 interns from the 2007 class of the HUD Fellows Program. All were converted to career appointments to fill mission critical positions throughout the Department.
- Graduated 32 employees who participated in the 2008/2009 class of the Emerging Leaders Program.
- Prepared and submitted to OPM, HUD's FY 2008 Human Capital Accountability Report.
- In the 4th quarter FY 2009, HUD conducted human capital accountability reviews of the human resources program in the Philadelphia and New York Regional offices.
- Established agency SWAT Team, led by HUD's Deputy Secretary, to implement human capital improvements in HUD's hiring processes, with the goal that all HUD hiring actions will be completed within 80 days.

In FY 2010, the Department will continue efforts to close skill gaps; continue implementing succession plan strategies; conduct a workforce analysis; complete SWAT Team efforts to improve HUD's hiring process and meet OPM's 80 day hiring model; and submit HUD's annual Human Capital Management Report to OPM.

In response to the audit report of April 2009, "Review of HUD's internal controls over Processing of Personnel Actions," the Department accomplished the following to address this deficiency:

- Established policies and procedures for a supervisory review of pending new hire paperwork;
- Developed procedures for supervisors to follow in reviewing the checklist and case file upon case file closeout to ensure that it is closed out and filed properly and in a timely manner;
- Developed a tracking system for monitoring the transmission of notification letters to applicants and selectees/non-selectees to ensure timely notification during and throughout the application and selection processes; and
- Informed employees that it is not allowable to participate in the processing of their own actions.

In response to the Human Capital survey, the Secretary set a goal to hire talented staff through a streamlined process. To accomplish this initiative the Department has implemented the following:

- Established an agency SWAT Team, led by HUD's Deputy Secretary, to implement the goal that all HUD hiring actions initiated after February 2010 is completed within the OPM 80 days hiring model.

**HUD FY 2009 Performance and Accountability Report**  
**Section 4: Other Accompanying Information**

---

- Established a Human Resources Transformation Steering Committee with responsibility for:
  - Prioritizing human capital challenges and making key decisions;
  - Assisting the working team in identifying and overcoming major roadblocks to transforming HUD's human capital program;
  - Communicating initiatives to staff and serve as role models for leadership and innovation;
  - Forging strong partnerships among committee members to represent the interests of each program and creating a change management force within HUD; and
  - Serving as a conduit to resolve any problems between the Office of Human Resources and its client organizations regarding policy, roles, and authorities.
  
- Established a working team as a component of the Steering Committee with responsibility for:
  - Analyzing human capital challenges and developing recommendations to present to the steering committee;
  - Identifying human capital areas of improvement;
  - Serving as the primary communications link between the Office of Human Resources and its customers;
  - Providing guidance regarding implementation planning for human resources processes; and
  - Serving as a preliminary review board for proposed new or revised Human Resources policy and processes.

**Financial management systems.** Since fiscal year 1991, OIG has annually reported on the lack of an integrated financial management system, including the need to enhance FHA's management controls over its portfolio of integrated insurance and financial systems. During the past several years, HUD has made progress by partially implementing new core financial systems at FHA and Ginnie Mae and addressing most of the previous weaknesses that OIG identified. These improvements enabled OIG to reclassify the weakness in financial management system requirements from a material weakness to a significant deficiency.

The contract to modernize HUD's financial management systems has not been awarded. The HUD Integrated Financial Management Improvement Project (HIFMIP), launched in fiscal year 2003, has been plagued by delays, and implementation of the core financial system has not yet begun. HIFMIP was intended to modernize HUD's financial management systems in accordance with a vision consistent with administration priorities, legislation, Office of Management and Budget directives, modern business practices, customer service, and technology. HIFMIP is to encompass all of HUD's financial systems, including those supporting FHA and Ginnie Mae. HUD had intended to begin the implementation in fiscal year 2006. Due to delays with the procurement process, however, HUD anticipates that it will not be able to begin the implementation of its core financial system until fiscal year 2010. We continue to note the following weaknesses with HUD's financial management systems:

- HUD's ability to prepare financial statements and other financial information requires extensive compensating procedures.
- HUD has limited availability of information to assist management in effectively managing operations on an ongoing basis.

FHA's business increased dramatically during fiscal year 2009, while the shortcomings of the current information technology (IT) systems and the lack of systems capabilities and automation in critical areas of the business are challenging FHA's ability to respond to changes in the market and implement needed changes to its business processes. The recent changes in the economy and the housing market and the explosive growth in FHA's single-family insurance program have exacerbated these issues and increased the need to move FHA IT modernization initiatives to the forefront. FHA's IT funding has not kept pace with business requirements, and no funding has been available for modernization. Critical maintenance has been deferred for the past four to five years, and old technology and fragmented architecture are inefficient and expensive to maintain. Congress appropriated \$4 million for FHA IT modernization planning in fiscal year 2009. In August, FHA completed the *IT Strategy and Improvement Plan*, which identifies FHA's priorities for IT transformation. The plan identifies 25 solution initiatives to address specific FHA lines of business needs. Initiatives are prioritized, with the top five being single-family related. The plan also calls for FHA to create a program management office to facilitate coordination and communication and track and report progress, provide support to managers, and support organizational change management activities. Its ultimate goal is to focus leadership effort and resources needed for a successful transformation initiative.

**Financial management systems continued.**

We continue to report weaknesses in internal controls and security regarding HUD's general data processing operations and specific applications. The effect of these weaknesses is that HUD cannot be reasonably assured that system information will remain confidential, safeguarded, and available to those who need it without interruption.

As part of our annual IT security review mandated by the Federal Information Security Management Act, we found that HUD had not completed all requirements for the security certification and accreditation of its information systems or implemented an effective continuous monitoring program for security controls over its information systems.

Another IT concern is the ability to replace the antiquated infrastructure on which HUD and FHA applications reside in a timely manner. During 2009, HUD unsuccessfully attempted to move certain applications onto a modern platform. Workloads have dramatically increased and are processing on systems that are 15 to 30 years old, resulting in performance, flexibility, and interface issues. The use of aging hardware and software can result in poor performance and high maintenance costs. If the Office of the Chief Financial Officer and FHA IT infrastructure is not modernized, it will become increasingly difficult to maintain operations, make legislative system modifications, and develop or maintain required interfaces to other IT systems, leaving the system environment at risk.

## **Financial Management Systems**

The Department agrees with the OIG comments concerning our financial management systems. However, for clarification, the contract to modernize HUD's financial management systems was awarded on November 26, 2008. While it is true that the delays that HIFMIP has been plagued with are delays with the procurement process, they are a result of the checks and balances of the vendor protest component of this process. The realities of this process are required by law. Any legitimate differences between the executive branch and the private sector are then settled by the Court. When the HIFMIP contract was terminated for convenience, it was because the Court accepted HUD's plan to resolve the differences. HIFMIP continues moving forward toward the same intentions identified by the OIG, while the Department also maintains the legacy systems to provide program and administrative managers with the best financial management information possible under the circumstances.

As mentioned by the OIG, FHA's IT Strategy and Improvement Plan was developed to address the challenges in this area.

In regards to compliance with the Federal Information Security Management Act, HUD's Office of the Chief Information Officer has confirmed that all systems have been certified and accredited.



Finally, the FHA and CFO applications that are currently residing on the antiquated infrastructure noted in the narrative will be gradually retired through FHA and CFO modernization. The new applications will be implemented on a state-of-the-art UNIX and Oracle environment over the next 3 to 4 years.

***Federal Information Security Management Act***

HUD relies extensively on Information Technology to carry out its operations. The agency continues to improve its Information System Security Program. The implemented improvements during FY 2008 increase HUD's ability to protect the availability, integrity, and confidentiality of information stored on its systems. HUD's noted accomplishments include certification and accreditation of 100 percent of HUD's general support systems and major applications, conducting privacy impact assessments, issuing a NIST compliant IT Security Policy, and providing a more comprehensive Security Awareness training.

**Public and assisted housing program administration.** HUD provides housing assistance funds under various grant and subsidy programs to multifamily project owners (both nonprofit and for profit) and public housing agencies. These intermediaries, in turn, provide housing assistance to benefit primarily low-income households.

The Office of Public and Indian Housing provides funding for rent subsidies through its public housing operating subsidies and tenant-based Section 8 rental assistance programs. These programs are administered by about 3,100 public housing agencies, which are to provide housing to low-income families or make assistance payments to private owners who lease their rental units to assisted families. In fiscal year 2009, the public housing authorities assisted 1.1 million low-income households.

Some public housing authorities reported shortfalls in voucher funding in 2009. Several factors contributed to shortfalls. First, the funding Congress provided to renew vouchers for calendar year 2009 was several hundred million dollars less than the amount for which agencies were eligible, based on their voucher use and costs during 2008. Second, tenant incomes declined—most likely due to recent job losses caused by the recession—driving up voucher costs in many regions of the country and worsening the financial crunch. The average cost of a voucher was more than 5 percent higher in the first quarter of 2009 than 12 months earlier, despite weakening in most rental housing markets.

The Office of Housing administers a variety of assisted housing programs including parts of the Section 8 program and the Sections 202 and 811 programs. The subsidies provided through these programs are called project-based” subsidies because they are tied to particular properties: therefore, tenants who move from such properties may lose their rental assistance. For this fiscal year, HUD requested \$8 billion for Section 8 project-based rental assistance.

HUD has made significant improvements in the area of erroneous payments. To reduce improper rental assistance payments, HUD’s Office of Public and Indian Housing and Office of Housing worked with their housing industry partners and tenant advocacy groups to improve program guidance, training, and automated systems support. HUD developed and implemented the Enterprise Income Verification System—a Web-based, state-of-the-art system—to share income data in other federal databases with public housing authorities to improve their income verification process.

## **Public and Assisted Housing Program Administration**

### ***Adapting to Changing Market Conditions and Program Cost Control***

The Office of Public and Indian Housing is developing several initiatives to improve the Department’s ability to adapt to changing market conditions in affordable housing and control program costs. These initiatives include designing a comprehensive system to better manage and administer the Housing Choice Voucher Program to have prompt data accessibility and

reporting, as well as research and demonstration efforts. These efforts can also address other Housing Choice Voucher Program issues such as administrative fee costs, energy costs and energy savings proposals, and usage patterns for vouchers.

For the Project-Based Rental Assistance program, the Department will focus on developing and modifying information technology systems to combat problems of late payments, improper payments, and inaccurate contract data. More specifically, HUD will start development of a system that will keep real-time contract data, maintain and improve its system for contract disbursements, improve the ability to forecast short-term and long-term program funding needs, and reduce improper payments through improved verification of tenant income statements. These development efforts will help HUD increase the efficiency and effectiveness of future program appropriations and facilitate improved Departmental compliance with the Improper Payments Information Act of 2002.

HUD's proposed Transformation Initiative in the FY 2010 Budget would make available resources for program demonstrations, enabling the rigorous testing of alternatives and enhancements to improve effectiveness and efficiency of federal housing assistance programs. The proposed FY 2010 Energy Innovation Fund also includes multifamily energy enhancement financing that will increase the energy efficiency and reduce operating costs in the assisted multifamily stock.

### ***Improper Payments***

The Department continues to show overall improvement in the area of reduction of the improper payment rate for the Rental Assistance Programs. As noted elsewhere in Section 4, under the *Improper Payments Information Act Reporting Details*, HUD's improper payment rate for payments made during FY 2008 remained steady at 3.5 percent, missing the FY 2008 goal by one-tenth of one percent. Since FY 2000, however, HUD reduced the total dollar value of errors by 70 percent, and reduced the rate of erroneous payments from 17.1 percent to the current level of 3.5 percent.

**Administering programs directed toward victims of natural disasters.** HUD is a designated primary agency for the long-term recovery of communities following a major disaster. As such, the Department continues to work with communities devastated by disasters, not only with the influx of federal dollars, but also with the technical expertise to put communities back together. As a result, approximately \$27 billion has been appropriated for recent disasters including hurricanes, floods, and wildfires—\$20 billion for Hurricanes Katrina, Rita, and Wilma and \$7 billion for disasters occurring during 2008, principally Hurricane Ike. Of the funds provided to the five Gulf Coast states for the Hurricane Katrina disaster, \$12.8 billion has been disbursed for the period ending September 30, 2009. Other states are working on their action plans.

As communities work to recover from recent disasters, others are still struggling from the effects of Hurricane Katrina. To illustrate this slow process, Congress recently passed the Supplemental Appropriations Act for Fiscal Year 2009 (Public Law 111-32, enacted June 24, 2009). The Act provides an additional \$80 million for the Housing Choice Voucher program to provide additional temporary housing for areas impacted by Hurricanes Katrina and Rita. As the disaster funds are awarded, our audit and investigative work continues to serve as a deterrent to fraud, waste, and abuse in these most vulnerable programs.

As a result of our audit efforts, the management challenges that HUD faces in administering the distribution of disaster funds is a delicate balance of speed of fund distribution versus the need for accountability and controls. Our work in fiscal year 2009 further demonstrated the following ongoing management challenges:

- Balancing of internal controls versus the timely distribution of funds
- Up-front program design performed to ensure that major program risks are identified (i.e., homeowner insurance requirement)
- Prevention of the duplication of benefits from the many federal disaster programs

In a recent audit of the State of Texas, we reported that more than \$60 million in recovery funds was at risk because program design did not allow for the inclusion of an ongoing homeowner insurance requirement. The State's action plan did not allow for a provision for a period equitable to the amount of funds invested or prohibit the homeowner from being able to receive future disaster recovery funds.

### **Administering programs directed toward victims of natural disasters**

In regards to this challenge, the Department's response is as follows for the OIG's three points.

#### ***Balancing of internal controls versus the timely distribution of funds.***

The original \$11.5 billion allocated to the five Gulf Coast States for the natural disasters of 2005 placed a significant burden on those States to submit action plans, devise programs, and provide

funding for individuals and communities for the necessary expenses related to disaster relief. Grantees were simultaneously working on programs and internal controls. HUD has made review of these controls a priority in the monitoring of CDBG Disaster Recovery grantees and has provided substantial guidance and technical assistance in the area of internal controls.

To ensure full compliance, HUD conducts annual risk analysis of each grantee and monitors regularly. HUD continues to review monitoring practices and encourages all grantees to develop strong monitoring procedures to ensure that all of their programs are in full compliance. Monitoring is a tool used by HUD and further developed by grantees to identify weaknesses within programs and adequately move to implement necessary corrective actions. HUD will continue to use technical assistance and monitoring as critical instruments in assessing the effectiveness of established internal controls and the progress in responsibly distributing funds.

With additional funding being allocated under several different supplemental grants, including the hurricanes, floods and other natural disasters that occurred in 2008, HUD has made it a priority to provide new CDBG Disaster Recovery grantees with technical assistance on balancing internal controls, and HUD Program Managers have the historical knowledge from the 2005 disasters to provide new grantees with Best Practices. HUD will continue to work with all grantees in this area.

***Up-front program design performed to ensure that major program risks are identified (i.e., homeowner insurance requirement).***

The February 13, 2006 *Federal Register*, which allocated the funds for P.L. 109-148, specifies the requirements of the action plan submission. HUD reviews the action plan in accordance with the *Federal Register* and 24 CFR 91.500, which states that HUD may disapprove a plan only if it is inconsistent with the purposes of the Act, it is substantially incomplete, the certifications are not acceptable, or if HUD determines that the applicant has not complied with the CDBG requirements. The regulations do not permit HUD to disapprove an application based on the grantee's choice of eligible activities. Addressing issues of this nature is beyond the level of detail for the action plan and are most appropriately addressed in policy and implementation guidance.

Program design is reviewed during on-site monitoring of the grantee. HUD strongly suggests to disaster grantees that they discuss and provide the Department with their program designs prior to implementation. HUD also recommends that investments in rebuilding housing stock be insured to help prevent the need for federal assistance in future disasters. However, HUD has no regulatory authority to mandate grantees to provide this information. We will continue to encourage grantees to obtain insurance for HUD-funded housing activities.

***Prevention of duplication of benefits from the many federal disaster programs***

Preventing duplication of benefits has been and continues to be a priority of HUD. HUD utilizes the Community Planning and Development Monitoring Handbook 6509.2, and completes Exhibit 6-1 when monitoring disaster grants. Item Number 4 of Exhibit 6-1 which asks "If the

**HUD FY 2009 Performance and Accountability Report**  
**Section 4: Other Accompanying Information**

---

program participant has an activity that provides federal financial assistance to persons, business concerns, or other entities suffering losses as a result of a major disaster or other entities suffering losses as a result of a major disaster or emergency, has the program participant assured that no such person, business concern, or other entity will receive such assistance with respect to any part of such loss as to which he or she has received financial assistance under any other program or from insurance or any other source?" is completed during every monitoring review.

HUD is providing on-going technical assistance to grantees regarding duplication of benefits. HUD has provided specific written determinations to both Mississippi and Louisiana in regard to specific program activities to assist them in preventing duplication of benefits.

## Summary of Financial Statement Audit and Management Assurances

For FY 2009, no material internal control weaknesses were identified for the Department. The following tables provide a summary of financial audit findings in regards to audit opinion and management assurances. The first table is a summary of the results of the independent audit of HUD's consolidated financial statements, as well as information reported by HUD's auditors in connection with the FY 2009 Financial Statement Audit.

### Summary of Financial Statement Audit

|                                  |                   |     |          |              |                |
|----------------------------------|-------------------|-----|----------|--------------|----------------|
| Audit Opinion                    | Unqualified       |     |          |              |                |
| Restatement                      | No                |     |          |              |                |
| Material Weaknesses              | Beginning Balance | New | Resolved | Consolidated | Ending Balance |
| None                             | 0                 | 0   | 0        | 0            | 0              |
| <i>Total Material Weaknesses</i> | 0                 | 0   | 0        | 0            | 0              |

The following table is a summary of management assurances related to the effectiveness of internal control over HUD's financial reporting and operations, and its conformance with financial management system requirements under Sections 2 and 4, respectively, of the Federal Managers' Financial Integrity Act (FMFIA). The last portion of this table is a summary of HUD's compliance with the Federal Financial Management Improvement Act (FFMIA).

### Summary of Management Assurances

| Effectiveness of Internal Control over Financial Reporting (FMFIA § 2) |                   |     |          |              |            |                |
|--|-------------------|-----|----------|--------------|------------|----------------|
| Statement of Assurance   | Unqualified       |     |          |              |            |                |
| Material Weaknesses  | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
| None   | 0                 | 0   | 0        | 0            | 0          | 0              |
| <i>Total Material Weaknesses</i>                                       | 0                 | 0   | 0        | 0            | 0          | 0              |
| Effectiveness of Internal Control over Operations (FMFIA § 2)          |                   |     |          |              |            |                |
| Statement of Assurance   | Unqualified       |     |          |              |            |                |
| Material Weaknesses  | Beginning Balance | New | Resolved | Consolidated | Reassessed | Ending Balance |
| None   | 0                 | 0   | 0        | 0            | 0          | 0              |
| <i>Total Material Weaknesses</i>                                       | 0                 | 0   | 0        | 0            | 0          | 0              |

**HUD FY 2009 Performance and Accountability Report**  
**Section 4: Other Accompanying Information**

| <b>Conformance with Financial Management System Requirements (FMFIA § 4)</b> |   |     |          |              |            |                |
|--|---|-----|----------|--------------|------------|----------------|
| Statement of Assurance   | Systems conform to financial management system requirements |     |          |              |            |                |
| Non-Conformances   | Beginning Balance   | New | Resolved | Consolidated | Reassessed | Ending Balance |
| None   | 0   | 0   | 0        | 0            | 0          | 0              |
| <i>Total non-conformances</i>  | 0   | 0   | 0        | 0            | 0          | 0              |
| <b>Compliance with Federal Financial Management Improvement Act (FFMIA)</b>  |   |     |          |              |            |                |
|  | Agency  |     |          | Auditor      |            |                |
| Overall Substantial Compliance   | Yes   |     |          | No           |            |                |
| 1. System Requirements   | Yes   |     |          |              |            |                |
| 2. Accounting Standards  | Yes   |     |          |              |            |                |
| 3. USSGL at Transaction Level  | Yes   |     |          |              |            |                |



# **IMPROPER PAYMENTS INFORMATION ACT REPORTING DETAILS**

## **The Requirements**

Under the Improper Payments Information Act (IPIA) of 2002 (Public Law 107-300) and OMB implementing guidance in Appendix C of Circular No. A-123, agencies are to assess all programs and activities they administer and identify those that may be susceptible to significant improper payments. Where the risk of improper payments is assessed as potentially significant, agencies are required to estimate the annual amount of improper payments and report the estimates in their annual PARs to OMB, along with plans to reduce improper payments. The statute defines a “significant” level of improper payments as annual improper payments exceeding a \$10 million dollar threshold.

An “improper payment” is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments and underpayments (including inappropriate denials of payment or service). An improper payment includes any payment that was made to an ineligible recipient or for an ineligible service. Improper payments are also duplicate payments, payments for services not received, and payments that do not account for credit for applicable discounts. Also, when an agency’s review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an error. In addition to identifying substantive errors that might warrant repayment, HUD’s statistical sampling of support for payments also identified “process” errors that increase the risk of substantive payment errors, and process errors are included in HUD’s improper payment estimates.

## **HUD’s Commitment**

The Secretary designated the Chief Financial Officer as the lead official for directing and overseeing HUD actions to address improper payment issues and bring HUD into compliance with requirements of the IPIA and OMB implementing guidance. The Office of the Chief Financial Officer developed a plan for implementing the IPIA and after necessary contract support services were procured by the Chief Financial Officer and FHA, HUD began to execute the plan in FY 2004. HUD’s plans, goals, and results for identifying and reducing improper payments are tracked and reported in the annual Performance and Accountability Report. Additionally, managers are held accountable for achieving improper payment reduction targets via goals established and tracked in HUD’s Management Plan.

## **HUD’s Process**

The HUD process for complying with IPIA consisted of four steps:

## **HUD FY 2009 Performance and Accountability Report**

### **Section 4: Other Accompanying Information**

---

- 1) Step one was an initial survey of all program and administrative activities, for potential indicators of significant improper payments. This first annual assessment was conducted in FY 2004, based on the \$52.9 billion in payments made during FY 2003 in support of over 200 programs and administrative activities.
- 2) Step two was a detailed risk assessment of programs identified in the first step with annual expenditures in excess of \$40 million<sup>1</sup>. HUD identified 10 activities, representing 57 percent of all payments, as potentially “at risk” of a significant improper payment level during this initial assessment.
- 3) Step three consists of testing a statistical sample of payments by independent reviewers in any program activity determined to be susceptible to a significant improper payment level. Statistical sampling and analysis found that only 5 of the 10 areas actually had a significant improper payment problem.
- 4) The final step is to establish, execute, and monitor corrective action plans for reducing improper payments in the programs identified as at-risk.

### **Summary of HUD Results to Date**

Prior to enactment of the IPIA, OMB requested agency input on improper payments in select programs, including the CDBG Entitlement and State/Small Cities Programs. These CDBG programs were identified through statistical sampling in HUD’s initial annual risk assessments to be at low risk of improper payments and not warranting reporting. OMB subsequently revised its guidance to clarify that agencies should report on programs until they could document a minimum of two consecutive years of improper payments that are less than \$10 million annually, as the basis for a request for OMB relief from annual reporting.

HUD’s two-year analysis determined that the CDBG Programs were below the annual \$10 million threshold for required reporting, and on March 14, 2007, OMB approved HUD’s request for relief from annual improper payment reporting for those programs. HUD will continue to conduct an annual assessment of the CDBG programs and provide results annually to OMB by March 31.

Corrective actions were identified and completed for two of the five remaining areas identified as having a significant level of improper payments, the Single Family Acquired Asset Management System and the Public Housing Capital Fund. These two areas were subsequently removed from the improper payments reporting requirement, leaving three high-risk program areas:

---

<sup>1</sup> OMB Circular A-123, Appendix C, Part 1, defines “significant erroneous payments” as annual erroneous payments in the program exceeding both 2.5 percent of program payments and \$10 million. Based on the Office of the Chief Financial Officer’s (OCFO’s) understanding of the programs and their funds control activities, OCFO did not believe that any program was susceptible to having an error rate in excess of 25 percent. Therefore, the OCFO determined that programs with expenditures of less than \$40 million would be removed from the scope of the risk assessment (i.e., 25 percent of \$40 million = \$10 million).

- Public Housing,
- Section 8 Housing Choice Vouchers and Moderate Rehabilitation, and
- Owner-administered Project-based Assistance Programs (Section 8, Section 202, Section 811).

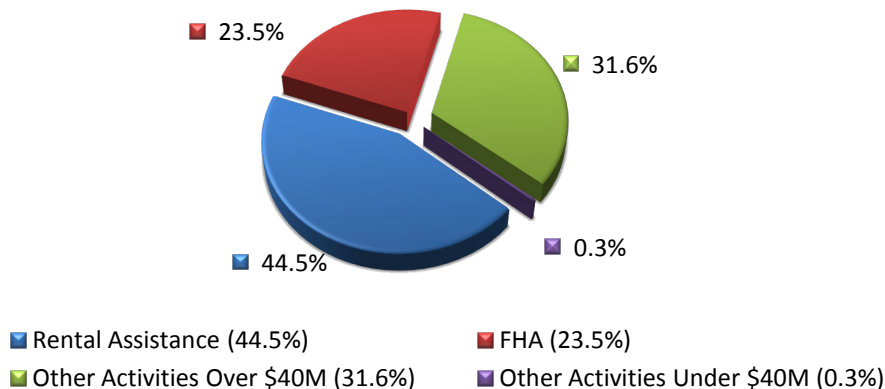
These three programs are collectively referred to as HUD’s rental housing assistance programs. HUD has reduced the combined baseline gross improper rental housing assistance payment estimates of \$3.430 billion in Fiscal Year 2000 to \$1.022 billion in Fiscal Year 2008, a reduction of 70 percent.

## **Results of Annual Risk Assessment Update and Continued Payment Testing**

The FY 2009 risk assessment update was based on payment and other relevant activity that occurred during FY 2008. An inventory of over 200 distinct program and administrative payment activities was identified from all of HUD’s financial management systems in FY 2008, with total payments of \$65.2 billion.

The payment universe consisted of the following general distribution:

**HUD's \$65.2 Billion Payment Universe**



HUD’s risk assessment update in FY 2009 did not identify any new activities as being at-risk of a significant improper payment level. Programs that previously tested below the improper payment threshold established by the IPIA were removed from HUD’s at-risk inventory and are not subject to re-testing unless there is significant change in the nature of the activity, HUD’s internal control structure, or operating environment.

## **Rental Housing Assistance Programs**

HUD's Rental Housing Assistance Programs had previously been assessed as being at high risk of significant improper payment levels – and continue to be reported as such – with corresponding error measurement methodologies, corrective action plans, and error reduction goals described below. These programs constituted over \$29 billion, or 45 percent, of HUD's total payments in FY 2008.

Prior to enactment of the IPIA, HUD had already established the Rental Housing Integrity Improvement Project in FY 2001 to reduce an acknowledged improper payment problem in its rental assistance programs. This project is directed by the responsible HUD program offices, with oversight by the Office of the Chief Financial Officer and statistical sampling<sup>2</sup> support from the Office of Policy Development and Research. HUD's Rental Housing Assistance Programs are administered by over 26,000 Public Housing Agencies and multifamily housing owners or management agents on HUD's behalf. In general, beneficiaries pay 30 percent of their adjusted income as rent, and HUD payments cover the remainder of the rental cost (or the operating cost, in the case of public housing).

There are three major components of potential errors and improper payments in these complex programs:

- 1) Program administrator error – the program administrator's failure to properly apply income exclusions and deductions and correctly determine income, rent, and subsidy levels;
- 2) Tenant income reporting error – the tenant beneficiary's failure to properly disclose all income sources and amounts upon which subsidies are determined; and
- 3) Billing error – errors in the billing and payment of subsidies due between HUD and third party program administrators and/or housing providers.

From FY 2000 through FY 2008, HUD reduced the gross improper payments for the first 2 of these 3 categories of error from \$3.22 billion to \$963 million, a reduction of 70 percent. A baseline measurement for the third component, billing error, was completed in FY 2005, based on FY 2003 expenditures, and was estimated to be \$214 million. In FY 2008 the billing error

---

<sup>2</sup> HUD's methodology for statistical sampling in FY 2008 was to select 600 projects that were considered to be nationally representative of the 26,000 Public Housing Agencies and multifamily housing owners or management agents that administer rental housing assistance on HUD's behalf. Projects were selected with probabilities proportional to size. Projects having a size exceeding the sampling interval were selected for eight, twelve, or more households in the project and were counted as more than one project for purposes of determining the sampling size. Projects were allocated approximately equally among the three assisted program types, and four households were randomly selected from each project, for a total of 2,400 households with representation from among the three program areas. Some large projects were selected multiple times, so that the study sample included 546 distinct projects in 57 geographic areas across the United States and Puerto Rico. The sample is designed to obtain a 95 percent likelihood that estimated aggregate national rent errors for all programs are within two percentage points of the true population rent calculation error, assuming an error of ten percent of the total rents (based on OMB criteria). Previous studies determined that a tenant sample size of 2,400 will yield an acceptable precision for estimates of the total average error.

**Other Accompanying Information**  
**Improper Payments Information Act Reporting Details**

was estimated to be \$59 million. The following chart provides a summary for all three error components for FY 2008 as compared to FY 2007 and the baseline year (FY 2000).

**IMPROPER RENTAL ASSISTANCE PAYMENTS**

| <b>Administration/<br/>Error Type</b>         | <b>2008<br/>Subsidy Over-<br/>Payments*</b> | <b>2008<br/>Subsidy Under-<br/>Payments*</b> | <b>2008<br/>Net<br/>Erroneous<br/>Payments*</b> | <b>2008<br/>Gross<br/>Erroneous<br/>Payments*</b> | <b>2007<br/>Gross<br/>Erroneous<br/>Payments*</b> | <b>2000<br/>Gross<br/>Erroneous<br/>Payments*</b> |
|---|---|--|---|---|---|---|
| <b>Public Housing</b>                         |   |  |   |   |   |   |
| Administrator Error                           | -   | -  | -   | -   | \$37,341  | \$602,557   |
| Income Reporting Error                        | -   | -  | -   | -   | 13,864  | 294,000   |
| Billing Error**                               | -   | -  | -   | -   | 12,250  | Not available                                     |
| <b>Subtotal:</b>                              | -   | -  | -   | -   | <b>\$63,455</b>                                   | <b>\$896,557</b>                                  |
| <b>Section 8 Voucher</b>                      |   |  |   |   |   |   |
| Administrator Error                           | \$224,916                                   | \$175,332                                    | \$49,584  | \$400,248   | \$435,012   | \$1,096,535                                       |
| Income Reporting Error                        | 232,557                                     | -  | 232,557   | 232,557   | 97,543  | 418,000   |
| Billing Error**                               | -   | -  | -   | -   | -   | Not available                                     |
| <b>Subtotal:</b>                              | <b>\$457,473</b>                            | <b>\$175,332</b>                             | <b>\$282,141</b>                                | <b>\$632,805</b>                                  | <b>\$532,555</b>                                  | <b>\$1,514,535</b>                                |
| <b>Total PHA Administered</b>                 |   |  |   |   |   |   |
| Administrator Error                           | \$224,916                                   | \$175,332                                    | \$49,584  | \$400,248   | \$472,353   | \$1,699,092                                       |
| Income Reporting Error                        | 232,557                                     | -  | 232,557   | 232,557   | 111,407   | 712,000   |
| Billing Error**                               | -   | -  | -   | -   | 12,250  | Not available                                     |
| <b>PHA Subtotal:</b>                          | <b>\$457,473</b>                            | <b>\$175,332</b>                             | <b>\$282,141</b>                                | <b>\$632,805</b>                                  | <b>\$596,010</b>                                  | <b>\$2,411,092</b>                                |
| <b>Total Project Based/Owner Administered</b> |   |  |   |   |   |   |
| Administrator Error                           | \$117,780                                   | \$73,944                                     | \$43,836  | \$191,724   | \$199,104   | \$539,160   |
| Income Reporting Error                        | 138,143                                     | -  | 138,143   | 138,143   | 138,412   | 266,000   |
| Billing Error**                               | 24,000                                      | 35,000                                       | (11,000)  | 59,000  | 59,000  | Not available                                     |
| <b>Project Based Subtotal:</b>                | <b>\$279,923</b>                            | <b>\$108,944</b>                             | <b>\$170,979</b>                                | <b>\$388,867</b>                                  | <b>\$396,516</b>                                  | <b>\$805,160</b>                                  |
| <b>Total Improper Payments</b>                |   |  |   |   |   |   |
| Administrator Error                           | \$342,696                                   | \$249,276                                    | \$93,420  | \$591,972   | \$671,457   | \$2,238,252                                       |
| Income Reporting Error                        | 370,700                                     | -  | 370,700   | 370,700   | 249,819   | 978,000   |
| Billing Error**                               | 24,000                                      | 35,000                                       | (11,000)  | 59,000  | 71,250  | Not available                                     |
| <b>GRAND Total:</b>                           | <b>\$737,396</b>                            | <b>\$284,276</b>                             | <b>\$453,120</b>                                | <b>\$1,021,672</b>                                | <b>\$992,526</b>                                  | <b>\$3,216,252</b>                                |
| <b>TOTAL PROGRAM PAYMENTS</b>                 |   |  |   | <b>\$29,035,284</b>                               | <b>\$28,151,954</b>                               | <b>\$18,800,000</b>                               |
| <b>IMPROPER PAYMENT RATE</b>                  |   |  |   | <b>3.5%</b>                                       | <b>3.5%</b>                                       | <b>17.1%</b>                                      |

\* Dollars in Thousands.

\*\*Billing error estimates are baselines established in FY 2004 for PHA Administrators and FY 2005 for Owner Administrators.

**Percent Reductions in Improper Payments**

| <b>Error Type</b>      | <b>Baseline Estimates*</b> | <b>FY 2008 Estimates*</b> | <b>Percent Reduction</b> |
|------------------------|----------------------------|---------------------------|--------------------------|
| Administrator Error    | \$2.238                    | \$0.592                   | 74%                      |
| Income Reporting Error | \$0.978                    | \$0.371                   | 62%                      |
| Billing Error          | \$0.214                    | \$0.059                   | 72%                      |
| <b>Total</b>           | <b>\$3.430</b>             | <b>\$1.022</b>            | <b>70%</b>               |

*\* Dollars in billions*

**Corrective Actions Taken to Reduce Improper Payments**

The overall reduction in improper payments for HUD’s three major types of Rental Housing Assistance Programs over the past eight years has been primarily attributed to HUD’s efforts to work with its housing industry partners through enhanced program guidance, training, oversight, and enforcement. Collectively, these efforts have had a positive impact on the program administrators’ ability to reduce their errors in the calculation of income, rent and subsidies. The Department also has found a direct correlation in the reduction of improper payments to the number of monitoring reviews of public housing agencies (PHAs) and the number of management and occupancy reviews at multifamily housing properties. HUD also uses information systems to reduce the level of improper payment, specifically the Enterprise Income Verification (EIV) system. Increased availability and use of the EIV system by PHAs, owners, management agents, and contract administrators for HUD’s Project-based Assistance programs also has a direct correlation to the reduction of improper payments. The Department intends to make the use of EIV mandatory, as noted in the published final rule “Refinement of Income and Rent Determination Requirements in Public and Assisted Housing Programs,” which was issued in January 2009. The effective date for implementation of the mandatory use of EIV is January 2010.

More recently, program structure changes have reduced the opportunities for improper payments in two of HUD’s Rental Housing Assistance Programs. In HUD’s Public Housing program, significant program structure changes were implemented to improve the efficient use of funding in the Public Housing Operating Fund. These structure changes effectively eliminated all three previously reported types of improper payments due to Administrator, Income Reporting, and Billing errors for that program. It should be noted that PHAs could still make Administrator errors, and tenants could still not report or under-report their income. However, in the new structure, the effect of these errors would be borne by the PHA and HUD’s subsidy payment would remain unchanged. Nonetheless, HUD retains program oversight responsibility to ensure the proper performance and benefits of the program, and will continue to focus on effective measures to reduce performance errors by PHAs. These changes were implemented in the second quarter of FY 2007 (i.e., error reductions affecting HUD were realized for three-quarters of the year); accordingly, the Improper Rental Assistance Payment Estimate chart on the preceding page reflects the estimated improper payment amount for the first quarter of FY 2007.

In addition, the establishment of a budget based funding methodology was implemented for the Housing Choice Voucher Program in FY 2005 to eliminate the opportunity for billing errors in that program.

## **HUD's Improper Payment Reduction Forecast**

HUD will continue to take aggressive steps to address the causes of improper rental housing assistance payments to ensure that the right benefits go to the right people. Based on the above results for the three types of rental housing assistance errors, as well as plans to address known causes and levels of improper payments, HUD provides the statistical results for FY 2008 and the outlook for improper payment percentages on a combined program basis from FY 2009 – FY 2011, as follows:

### **Rental Assistance Improper Payment Reduction Outlook**

**FY 2009 – FY 2011**

(Dollars shown in billions)

| <b>Activity</b>           | <b>FY 2007<br/>Payments</b> | <b>FY 2007<br/>IP</b> | <b>FY 2007<br/>IP%<br/>Goal/Actual</b> | <b>FY 2008<br/>Payments</b> | <b>FY 2008<br/>IP</b> | <b>FY 2008<br/>IP%<br/>Goal/Actual</b> | <b>FY 2009<br/>IP% Goal</b> | <b>FY 2010<br/>IP% Goal</b> | <b>FY 2011<br/>IP% Goal</b> |
|---------------------------|-----------------------------|-----------------------|--|-----------------------------|-----------------------|--|-----------------------------|-----------------------------|-----------------------------|
| <b>Rental Assistance</b>  | \$28.151                    | \$0.992               | 4.6/3.5                                | \$29.035                    | \$1.022               | 3.4/3.5                                | 3.3                         | 3.2                         | 3.1                         |
| <b>Estimated Payments</b> |                             |                       |  |                             |                       |  | \$30.0                      | \$30.0                      | \$30.0                      |

*The annual Improper Payment calculation is based on prior year data. Accordingly, the FY 2009, FY 2010, and FY 2011 results will be reported in the FY 2010, FY 2011, and FY 2012 PARs respectively.*

The FY 2007 goal was originally set at 5.5 percent. During FY 2008, however, the FY 2007 goal was revised based on program changes made to the Rental Housing Assistance Programs during FY 2007 and HUD exceeded the updated goal of 4.6 percent, achieving an improper payment rate of 3.5 percent. Actions taken to reduce improper payments included full implementation of the Enterprise Income Verification system, the efficient use of funding in the Public Housing Operating Fund, the establishment of a budget based funding methodology in the Housing Choice Voucher Program, and providing technical assistance and training to minimize Administrator errors. However, during FY 2008 the improper payment rate remained steady at 3.5 percent, thus missing HUD's FY 2008 goal by one-tenth of one percent. HUD believes that the goals for FY 2009 and beyond are realistic and achievable. Program simplification, via revised legislation, could lend to further significant improper payment reductions for HUD's Rental Housing Assistance Programs.

An increase in income reporting errors caused HUD to miss its goal. To meet future goals, Public Housing Agencies and Multifamily Housing owners must put more discipline in the use of the EIV system to further reduce income reporting errors. HUD's corrective action plans will include addressing this issue during the Management and Occupancy Reviews and Rental Integrity Monitoring reviews. In addition, HUD has mandated the use of the EIV system effective January 2010 which should help further reduce income reporting errors.

Further information on HUD's efforts to reduce improper rental housing assistance payments is provided in Indicator E.3 in Section 2 of this report.

### **Recovery Auditing Activity**

In addition to the requirements of the IPIA and Section 831 of the Defense Authorization Act of 2002, OMB guidance requires agencies that enter into contracts with a total value in excess of \$500 million in a fiscal year to carry out a cost-effective program for identifying errors made in paying contractors and for recovering amounts improperly paid to contractors. HUD, with contractor assistance, previously performed a detailed recovery auditing review. The review disclosed two contracts with potential recoveries. However, HUD's Contracting Officer and Government Technical Representative validated these payments as proper.

The current internal controls present in HUD's contract payment and contract close-out process are adequate to reduce the risks of overpayments. HUD continues to focus on strengthening its funds control processes, increasing training classes for Government Technical Representatives and Government Technical Monitors, and further improving the contract close-out process. Therefore, HUD concluded that a recovery auditing program would not be beneficial and is not warranted.



## HUD Assisted Housing Units by Program

### HUD Assisted Housing Units by Program

|   | 2006             | 2007             | 2008             | 2009             |
|---|------------------|------------------|------------------|------------------|
| <b>Section 8 Low Income Rental Assistance Program:</b>  |                  |                  |                  |                  |
| Tenant-based assistance   | 2,084,917        | 2,110,000        | 2,071,195        | 2,091,700        |
| Project-based assistance  | 1,287,529        | 1,286,662        | 1,285,331        | 1,279,383        |
| <b>Total Section 8</b>  | <b>3,372,446</b> | <b>3,396,662</b> | <b>3,356,526</b> | <b>3,371,083</b> |
| <b>Public Housing Program a/</b>  | <b>1,172,204</b> | <b>1,155,377</b> | <b>1,140,294</b> | <b>1,128,891</b> |
| <b>Sub-total</b>  | <b>4,544,650</b> | <b>4,552,039</b> | <b>4,496,820</b> | <b>4,499,974</b> |
| Housing for the Elderly Sec. 202  | 86,056           | 93,925           | 99,221           | 106,663          |
| Housing for the Disabled Sec. 811   | 25,227           | 26,656           | 28,014           | 30,221           |
| Tenant-based 811  | 14,634           | 14,836           | 14,811           | 14,811           |
| <b>Sub-total</b>  | <b>125,917</b>   | <b>135,417</b>   | <b>142,046</b>   | <b>151,695</b>   |
| <b>Other Assistance Programs</b>  |                  |                  |                  |                  |
| Homeownership Assistance Program (Section 235)  | 5,573            | 4,758            | 4,302            | 3,557            |
| Rental Housing Assistance Program (Section 236)   | 318,561          | 298,046          | 280,636          | 265,190          |
| Rent Supplement   | 16,619           | 15,041           | 13,904           | 13,368           |
| <b>Sub-total</b>  | <b>340,753</b>   | <b>317,845</b>   | <b>298,842</b>   | <b>282,115</b>   |
| Less estimated number of households receiving more than one form of assistance (double count)   | (217,250)        | (217,250)        | (189,069)        | (184,253)        |
| <b>Total, Public and Assisted Housing</b>   | <b>4,794,070</b> | <b>4,788,051</b> | <b>4,748,639</b> | <b>4,749,531</b> |
| HOME Tenant-Based Assistance  | 23,325           | 18,172           | 25,381           | 18,763           |
| HOME Rental Units Completed   | 47,598           | 28,039           | 23,170           | 19,098           |
| HOME Homebuyer Units Completed  | 55,652           | 34,985           | 26,790           | 23,711           |
| HOME Existing Homeowners Completed  | 16,821           | 11,221           | 10,847           | 9,737            |
| <b>HOME Total Households</b>  | <b>143,396</b>   | <b>92,417</b>    | <b>86,188</b>    | <b>71,309</b>    |
| CDBG Households (homeownership assistance)  | 7,628            | 6,919            | 4,521            | 2,441            |
| CDBG Households (owner-occupied rehabilitation)   | 131,508          | 117,830          | 121,158          | 103,926          |
| Self-Help Homeownership Opportunity Program New Homebuyers  | 1,868            | 1,887            | 1,927            | 1,809            |
| Housing Opportunities for Person With AIDS Households   | 67,000           | 67,850           | 62,210           | 58,367           |
| Indian Housing Block Grant Households   | 8,027            | 6,168            | 4,192            | 5,936            |
| Rural Housing & Economic Development  | NA               | NA               | NA               | NA               |
| Native Hawaiian Homeland Block Grant Households   | 23               | 65               | 95               | 49               |
| ADDI (American Dream Downpayment Initiative)  | 9,096            | 6,094            | 4,209            | 2,162            |
| <b>Total of CDBG, HOME, Self-Help Homeownership Opportunity Program, Housing Opportunities for Persons With AIDS, Indian Housing Block Grant, Rural, Title VI Native Hawaiian Homeland Block Grant, Households Served</b> | <b>368,546</b>   | <b>299,230</b>   | <b>284,500</b>   | <b>245,999</b>   |

a/ The calculation used for the PAR is Eligible Unit Months (EUMSs), which is the basic unit for the Operating Fund formula. In addition, most formula elements are paid "per unit month" (PUM) in accordance with the formula regulation.

NA - Not Available

## Compliance Status of Financial Management Systems

**As of September 30, 2009**

Total Systems: 40

Total Non-compliant: 2

**COMPLIANT SYSTEMS– 38**

**Office of Administration (2)**

D67A Facilities Integrated Resources Management System (FIRMS)  
P162 HUD Integrated Human Resources Training System (HIHRTS)

**Office of Chief Financial Officer (12)**

A21 Loan Accounting System (LAS)  
A39 HUD Consolidated Financial Statement System (HCFSS)  
A67 Line of Credit Control System (LOCCS)  
A75 HUD Central Accounting and Program System (HUDCAPS)  
A91 Consolidated Cost and FTR Files (CCFF)  
A96 Program Accounting System (PAS)  
D08 Bond Payment System (BONDMAPPER)  
D61 EZBudget Budget Formulation System (EZB)  
D65A Section 8 Budget Outlay Support System (BOSS)  
D91A Total Estimation and Allocation Mechanism– Resource Estimation and Allocation Process (TEAM-REAP)  
H18 Integrated Automated Travel System (IATS)  
P221 Electronic Travel System Interface (eTravel)  
HIFMIP HUD Integrated Financial Management Improvement Project \*

**Office of Chief Procurement Officer**

HIAMS HUD Integrated Acquisition Management System \*

**Community Planning and Development (3)**

C04 Integrated Disbursement & Information System (IDIS)  
C38 Electronic Special Needs Assistance Program (eSNAPS)  
C08A Disaster Recovery Grant Reporting System (DRGR)

**Ginnie Mae (1)**

P237 Ginnie Mae Financial & Accounting System (GFAS)

\* In development; these systems are not included in the total inventory count of 40.

**Public and Indian Housing (2)**

P113 Inventory Management System (IMS)  
P232 Subsidy and Grants Info System (SAGIS)

**Office of Housing (18)**

A43 Single Family Insurance System (SFIS)  
A43C Single Family Insurance Claims Subsystem (CLAIMS)  
A80B Single Family Premium Collection System- Periodic (SEPCS-P)  
A80D Distributive Shares and Refund Subsystem (DSRS)  
A80H Single Family Mortgage Asset Recovery Technology System (SMART)  
A80N Single Family Mortgage Notes (SFMN)  
A80R Single Family Premium Collection System- Upfront (SFPCS-U)  
A80S Single Family Acquired Asset Management System (SAMS)  
D64A SF Housing Enterprise Data Warehouse (SFHEDW)  
F12 Home Equity Conversion Mortgages (HECM)  
F17 Computerized Home Underwriting Management System (CHUMS)  
F42D Single Family Default Monitoring Subsystem (SFDMS)\*\*  
F51 Institution Master File (IMF)  
F71 Debt Collection & Assets Management System – Title 1 Notes (DCAMS)  
F72 Title I Insurance and Claims (TIIS)  
F87 Tenant Rental Assistance Certification System (TRACS)  
P013 FHA Subsidiary Ledger (FHA-SL)  
P057 Multifamily Delinquency and Default Reporting System (MDDR) \*\*

\*\* During FY 2009, the Office of Housing reported these systems as non financial. However, they need to be validated by independent reviews.

**NON COMPLIANT SYSTEMS– 2**

**Office of Chief Procurement Officer (2)**

A35 HUD Procurement System (HPS)  
P035 Small Purchase System (SPS)