

GAO Highlights

Highlights of [GAO-16-497](#), a report to congressional requesters

Why GAO Did This Study

Through its \$48 billion fiscal year 2016 budget, HUD administers a wide variety of programs that help millions of households obtain safe, decent, and affordable housing and that seek to build and strengthen communities. However, GAO and HUD's Office of Inspector General have identified management deficiencies that limit the effectiveness and efficiency of HUD's operations. For example, the Inspector General cited human capital management, financial management systems, and information security among the major management challenges facing HUD in fiscal year 2016 and beyond. GAO was asked to review HUD's management practices.

This report examines HUD's efforts to (1) meet requirements and implement key practices for management functions, including financial, human capital, acquisition, and IT management; and (2) oversee and evaluate programs. GAO reviewed HUD policies and compared them with federal requirements, key practices, and internal control standards. GAO also interviewed HUD officials and industry stakeholders.

What GAO Recommends

GAO makes eight new recommendations designed to improve HUD's strategic and human capital planning, governance, and program oversight and evaluation. HUD concurred with our recommendations. GAO also maintains that 63 recommendations it made in prior work should be fully implemented to help improve aspects of HUD management.

View [GAO-16-497](#). For more information, contact Daniel Garcia-Diaz at (202) 512-8678 or garciadiazd@gao.gov.

July 2016

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

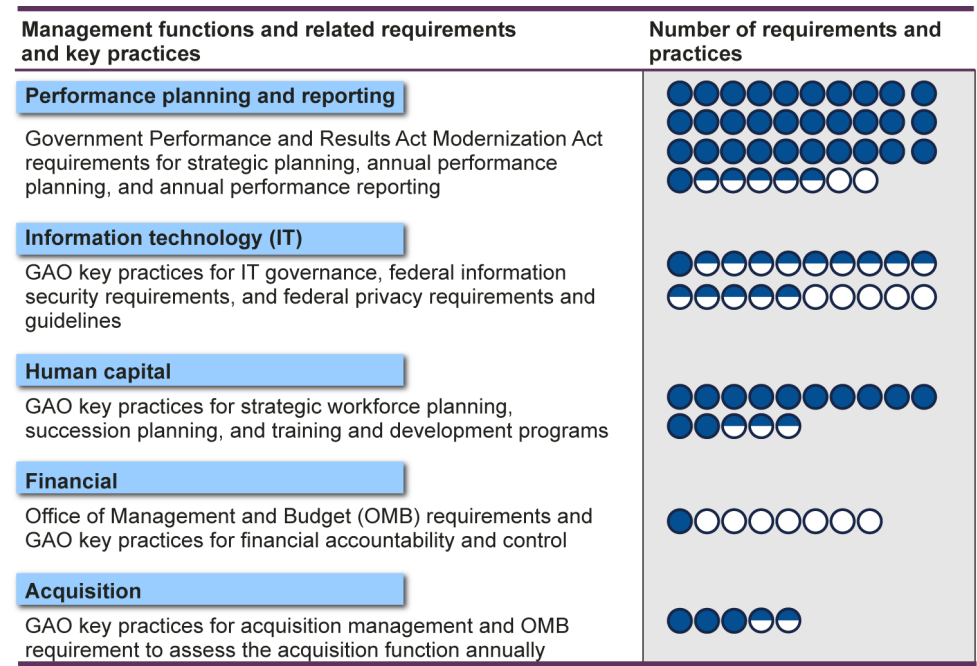
Actions Needed to Incorporate Key Practices into Management Functions and Program Oversight

What GAO Found

The Department of Housing and Urban Development (HUD) has struggled to resolve persistent management challenges, in part because it has not consistently incorporated requirements and key practices identified by GAO to help ensure effective management into its operations. In addition, HUD's past remedial actions were not always effective because they were not sustained. Turnover among senior leadership, shifting priorities, and resource constraints have contributed to HUD's difficulties in implementing needed changes. As a result, GAO and others continue to find deficiencies in numerous aspects of HUD's operations. Sustained focus on integrating requirements and key practices into agency management could enhance HUD's ability to more effectively accomplish its mission.

HUD has not fully met some requirements or implemented a number of key practices for its management functions, including performance planning and reporting and information technology (IT), human capital, financial, and acquisition management (see figure). In particular, some HUD plans for executing critical management functions are missing key elements, as described below. HUD also has not always maintained current and complete policies and procedures, an important component of agency governance. These challenges stem partly from a lack of controls to help ensure timely updates of plans, policies, and procedures.

Extent to Which the Department of Housing and Urban Development (HUD) Met Requirements or Was Following Key Practices for Management Functions



Legend: ● Met or followed ◐ Partially met or followed ○ Not met or followed

Source: GAO analysis. | GAO-16-497

- **Performance planning and reporting.** HUD met most of the requirements in the GPRA Modernization Act of 2010 for its strategic plan and annual performance plan and report. But HUD's strategic plan does not clearly link HUD's goals and objectives with federal priority goals. In addition, HUD did not have formal procedures or controls related to conducting outreach to help ensure the department met all requirements for obtaining and documenting input from Congress and industry stakeholders. More fully incorporating these elements into the strategic planning process would help ensure that HUD's plans are relevant and responsive to its current environment.
- **Information technology management.** HUD has not demonstrated that it has the capacity to effectively plan for and manage IT projects. For instance, a recent effort to modernize its financial management systems was not adequately planned and resulted in ending the program without replacing aging systems. In addition, HUD's IT governance activities have not fully addressed a number of key practices outlined in GAO's IT investment management guide. For example, HUD has not yet developed 3 of the 11 policies that support its IT management framework but anticipates completing the remaining policies by July 2016. Furthermore, HUD's Office of Inspector General (OIG) has found continued and extensive noncompliance with federal information security and privacy requirements, although HUD has made some progress in addressing these issues recently. GAO also identified four recommendations from prior IT reports as being among the highest priorities for implementation, which HUD is in the process of addressing.
- **Human capital management.** HUD has made progress in developing new human capital plans and mostly followed key principles and practices for strategic workforce planning, succession planning, and training planning. But HUD has struggled to maintain current plans, as required by Office of Personnel Management regulation. For example, HUD's previous strategic workforce plan expired in 2009, and HUD did not complete the next plan until 2015. HUD has been unable to maintain current plans in part because it lacks a process to help ensure that it reviews and updates the plans before existing plans expire. Assessing and updating these plans on a regular basis would help ensure that HUD has a strategic vision for managing its workforce and addressing human capital challenges.
- **Financial management.** HUD did not follow seven of eight key practices for financial management, including receiving a clean audit opinion on its financial statements and operating in compliance with laws and regulations. Furthermore, HUD's financial management systems do not comply with requirements, and HUD was unable to provide assurance that its internal controls over financial reporting were operating effectively in fiscal years 2014 and 2015. According to OIG, HUD's outdated and incomplete financial management handbooks contributed to the agency's significant control deficiencies. According to HUD officials, efforts to revise and update these handbooks were ongoing.
- **Acquisition management.** HUD partially followed key practices for acquisition relating to organizational alignment and human capital. For example, OIG found that HUD has not always followed effective planning and program management practices for some recent acquisition improvement initiatives, including initiatives related to human capital. In February 2016, OIG recommended that HUD incorporate an acquisition human capital plan (among other practices) into its acquisition improvement strategy, which HUD agreed to do.

Additionally, in assessing HUD's efforts to oversee and evaluate its programs, GAO found that HUD has not formalized key practices for program oversight and evaluation. For oversight, HUD uses a risk-based approach but has not formally designated entities to manage fraud risk. GAO and OIG have identified oversight challenges, including a number that have been highlighted by instances of fraud, waste, and abuse. For example, investigations into loans insured by the Federal Housing Administration (FHA) identified a high percentage of loans that should not have been insured because of underwriting deficiencies. In fiscal years 2012 through 2015, the federal government reached civil settlements related to FHA loan underwriting totaling \$3.5 billion for alleged statutory violations. HUD's vulnerability to fraud stems partly from the large number of intermediaries—such as lenders and nonprofit organizations—that help administer its programs. HUD does not have a team or official formally dedicated to managing fraud risk because it seeks to manage it within existing program activities. In addition, HUD has implemented some practices to enhance program evaluation within the agency but not others. For instance, it has developed a strategic plan for its evaluations but lacks documented policies to help ensure their quality and consistency. HUD officials said that they had not considered creating such a policy because the evaluation principles they used were ingrained in HUD's culture. Leading practices indicate that having designated entities to manage fraud risk and formal policies for evaluations would strengthen the performance of HUD's oversight and evaluation functions.