U.S. Department of Housing and Urban Development

Office of Inspector General

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Washington, D.C. 20410-4500

October 17, 2008

MEMORANDUM FOR: Steven Preston, 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 2009 and beyond. Through our audits, investigations, and 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 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 hundreds of cities that manage HUD's Community Development Block Grant funds, hundreds of public housing agencies that manage assisted housing funds, thousands of HUD-approved lenders that originate and service FHA-insured loans, hundreds of Ginnie Mae 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. In its January 2007 high risk update, the Government Accountability Office removed HUD's single-family mortgage insurance and rental housing assistance programs from its high risk list. Although HUD was removed from the high risk list, it needs to continue to place a high priority on efficient and effective management of these programs. Proposed and new program changes have introduced new risks and oversight and enforcement challenges. More specifically, HUD has implemented mortgage assistance for homeowners at risk of foreclosure through refinance options in its FHA-Secure and Hope for Homeowners programs. In addition, HUD has seen a dramatic increase in FHA-insured home equity conversion (also known as "reverse") mortgages. As a result, HUD will be challenged to develop adequate systems to account for these loans and help prevent fraud on this vulnerable population of seniors.

HUD's reported management challenges are addressed in the President's Management Agenda's government-wide and HUD-specific initiatives. As of the end of the third quarter of fiscal year 2008, HUD's President's Management Agenda scoring status for the nine applicable initiatives consisted of five "green," three "yellow," and one "red" baseline goal scores. Based upon a comprehensive set of standards, an agency is green if it meets all of the standards for success, yellow if it has achieved some but not all of the criteria, and red if it has even one serious flaw. It is noteworthy that HUD's human capital score has progressed from yellow to green; however, as noted in two OIG reports, HUD needs to improve existing procedures and controls regarding its succession planning and management of human capital. HUD's score for competitive sourcing declined to red during the third quarter of fiscal year 2007; however, during fiscal year 2008, the score increased from red to yellow.

HUD's baseline score for E-Government (E-Gov) declined from green to yellow during fiscal year 2008. HUD was downgraded from green to yellow because it did not remediate weaknesses in the agency's strategic plan and did not fulfill all E-Gov funding requirements. HUD's initiative to eliminate improper payments had declined from green to yellow because it was unable to achieve its reduction target by 0.5 percent. In the most recent scorecard, however, the score was raised back to green. HUD has been scored red on its credit management program since it was added to the President's Management Agenda in fiscal year 2006.

Although the management structure, size, and range of departmental programs make it difficult to correct and overcome program weaknesses, HUD is working to address these challenges. The Department's management challenges we are reporting this year include the following:

- HUD's response to the nation's financial crisis,
- Human capital management,
- Financial management systems,
- FHA single-family management,
- Public and assisted housing program administration, and
- Administering programs directed toward victims of natural disasters.

The attachment provides a greater discussion of these challenges and OIG's efforts to help the Department resolve these matters.

Attachment

HUD Management and Performance Challenges

Fiscal Year 2009 and Beyond

HUD's response to the nation's financial crisis. In view of the current credit and financial crisis impacting the nation, we are reporting a new management challenge to recognize the profound impact this will have on HUD. As we note later in our discussion of FHA's single-family program, HUD has already sustained significant losses in its single-family program, based on the results of the latest actuarial study, and is taking on additional risk. In response to increasing delinquencies and foreclosures brought about by the deteriorating subprime mortgage market, in September 2007, HUD acted administratively to provide mortgage assistance through the FHA Secure program to refinance existing conventional mortgages. This program was expanded in May 2008 to provide lenders the added flexibility to refinance and insure more mortgages, including those for borrowers who were late on a few payments and/or received a voluntary mortgage principal write-down from their lenders. The Housing and Economic Recovery Act of 2008 was enacted on July 30, 2008, and created a new Hope for Homeowners program to enable FHA to refinance the mortgages of at-risk borrowers provided that (1) mortgage holders write down the principal of the mortgages, (2) borrowers agree to share future equity with the federal government, and (3) borrowers can afford to repay their new loans. These programs are challenges for HUD to administer while minimizing risk to the FHA fund. The Congress authorized FHA to guarantee $300 billion in new loans to help prevent an estimated 400,000 homeowners from foreclosure.

The Housing and Economic Recovery Act of 2008 also created a new Neighborhood Stabilization Program. As part of this legislation, HUD must administer $3.92 billion in Community Development Block Grant funds to redevelop abandoned and foreclosed homes. In response to the state and local communities hard-hit by foreclosure, HUD was required to design the program and determine funding allocations within 60 days of enactment. Currently, there is no database that will provide HUD with sufficient data on units assisted, acquired, or disposed of. HUD must rely on the grantees to maintain this information at the local level. HUD is challenged to ensure, as Congress directed, that these grant funds are obligated for specific activities within 18 months and that state and local governments make the most effective use of available funds.

HUD needs to quickly hire more staff and upgrade its technology to be able to handle the huge increase expected in new business, but questions remain as to whether HUD will be given the resources it needs. In addition, we are concerned as to whether HUD has the necessary capacity or internal controls in place to assume the risks of the mortgage market being placed upon the agency. In creating the Hope for Homeowners program, the Housing and Economic Recovery Act of 2008 provided a mechanism, through the issuance of "HOPE bonds," to fund administrative costs for that program. HUD reports that funding for 22 staff positions and about $20 million in systems improvements have been made available in this manner. The Housing and Economic Recovery Act of 2008, however, did not provide for additional resources for other FHA modernization initiatives in the Act, nor did it provide HUD with additional resources to implement the Neighborhood Stabilization Program. FHA has had to reprogram other funds to address other FHA modernization needs. While the Congress subsequently appropriated $6.5

million that HUD may use for the Neighborhood Stabilization Program, part of that funding is also to be used for other unrelated disaster recovery activities.

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. To address its human capital needs and respond to the President's Management Agenda, HUD developed a comprehensive Five-Year Strategic Human Capital Management Plan that identifies three strategic goals for human capital:

- Becoming a "mission-focused agency," resulting in a more effectively deployed workforce;
- Maintaining a "high quality workforce," which recruits, develops, manages, and retains a diverse workforce; and
- Implementing "effective succession planning" to ensure that retirees over the next five years are succeeded by qualified employees.

To link HUD's human capital initiatives as presented in the Strategic Human Capital Management Plan, HUD has recently instituted a Human Capital Accountability System. In May 2006, to address the potential staff reduction due to retirement, HUD implemented a probability model to more accurately project future retirement and target high-risk critical positions for succession planning purposes. A 2007 OIG audit found that HUD had not fully initiated adequate succession planning to address future staffing concerns. Specifically, some HUD offices had failed to identify and/or support the actions needed to fully implement HUD's succession plan. HUD needs to ensure that all program offices initiate succession planning to comply with HUD's requirements.

HUD lacked a valid basis for assessing its human resource needs and allocating staff within program offices, as evidenced in OIG's 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. As a result, HUD lacked assurance that its program offices' hiring was appropriate.

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. However, the FHA home equity conversion mortgage systems were identified as a material weakness in the fiscal year 2007 FHA financial statement audit. The rapidly growing program was being supported by a combination of servicer-provided applications, vendor databases, modification of existing FHA legacy systems, and manually performed input to FHA's general ledger. FHA initiated a series of planned corrective actions during fiscal year 2008. These actions included performing a risk analysis of home equity conversion mortgage processing to identify accounting control risks. The risk analysis identified staff capacity as the primary vulnerability, and, reportedly, FHA is addressing this risk.

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. Additionally, the HIFMIP project manager position has been vacant since February 2008. 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 will 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 2009. The success of the HIFMIP project continues to be at risk due to dated requirement documents, as well as the project manager vacancy. 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.

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.

Another information technology systems concern is FHA's inability to fund systems development and to upgrade and replace legacy (developed in the 1970s and 1980s) application systems that had been previously scheduled to be integrated. Given the significant growth in FHA market share (from 16 to 36 percent during the year ending July 2008) that is expected to continue, FHA's system environment remains at risk.

As of June 30, 2008, HUD's E-Gov element on the President's scorecard has slipped from green to yellow status. In addition, as part of our annual information technology security review mandated by the Federal Information Security Management Act, we found that HUD has not completed all risk assessments for systems that are Web accessible and require some form of authentication (e.g., password).

FHA single-family management. FHA's single-family mortgage insurance programs enable millions of first-time borrower, minority, low-income, elderly, and other underserved households to realize the benefits of homeownership. HUD manages a rapidly growing portfolio of more than $450 billion in single-family insured mortgages. Effective management of this high-risk portfolio represents a continuing challenge for the Department. The President's Management Agenda has committed HUD to tackling long-standing management problems that expose FHA homebuyers to fraudulent practices. A key component of the Housing and Economic Recovery Act of 2008 is the FHA Modernization Act of 2008, which includes the following provisions:

- Increasing the minimum cash investment or downpayment for an FHA mortgage from 3.0 to 3.5 percent.
- Raising FHA loan limits in high-cost areas by setting the limit in such areas at 115 percent of the local area median home price, not to exceed a nationwide loan ceiling of $625,500 (150 percent of the conforming loan limit).
- Making several changes to FHA reverse mortgages by creating a higher, nationwide uniform loan limit, capping the maximum fee lenders can charge seniors for FHA reverse mortgages, establishing protections to prohibit requiring seniors to purchase other financial products in conjunction with FHA reverse mortgages, and authorizing reverse mortgages to be eligible for home purchase.
- Imposing a one-year moratorium on risk-based FHA insurance premiums.
- Eliminating seller-funded downpayment assistance.

While FHA did not participate directly in the subprime mortgage market, the collapse of that market and resultant decline in house prices has already had a significant impact on FHA's risk exposure. The recently completed actuarial review of FHA's Mutual Mortgage Insurance Fund estimates that the fund's economic value decreased from last year's $21.3 billion to $12.9 billion. This decline, coupled with a 29 percent increase in insurance in force, resulted in the fund's fiscal year 2008 capital ratio's decreasing from last year's 6.4 percent to 3.0 percent. The fund is mandated by law to maintain a capital ratio of at least 2.0 percent.

We continue to focus internal audit resources on the single family program. For example, we reported that HUD's Office of Single Family Housing had not fully implemented an internal control structure in accordance with Government Accountability Office internal control standards and HUD requirements. Specifically, it did not (1) perform a formal, systematic annual risk assessment of its programs and administrative functions, (2) plan and conduct ongoing management control reviews or alternative management control reviews of its programs, (3) establish an overall strategy regarding its risk-based monitoring of program activities and participants, or (4) identify corrective actions required to improve its management controls in a timely manner. Our internal audit of controls over the FHA appraiser roster indentified weaknesses in the quality control reviews and monitoring of the roster and in the retention of the initial application packages for all active appraisers on the roster. The roster contained unreliable data including the listing of 3,480 appraisers with expired licenses and 119 appraisers that had been state sanctioned. In another audit, we found that HUD's appraiser review process was not adequate to reliably and consistently identify and remedy deficiencies associated with appraisers. Additionally, HUD did not maintain information necessary to assess the effectiveness of its review process.

In support of HUD and the President's Management Agenda, OIG's strategic plan gives priority to detecting and preventing fraud in FHA mortgage lending through targeted audits and investigations. Our audits target lenders with high default rates. Our detailed testing focuses on mortgage loans that defaulted and resulted in FHA insurance losses. Results from these audits have noted significant lender underwriting deficiencies, prohibited late-endorsed loans, inadequate quality controls, and other operational irregularities. During fiscal year 2008, we completed 16 external audits of FHA-approved mortgage lenders as well as seven internal audits of single-family program activities. Judicial actions taken on Office of Investigation single-family-related cases included 261 indictments/informations. Recoveries on investigative cases totaled more than $45 million.

Public and assisted housing program administration. HUD provides housing assistance funds under various grant and subsidy programs to public housing agencies and multifamily project owners. These intermediaries, in turn, provide housing assistance to benefit primarily low-income households. HUD monitors these intermediaries' administration of the assisted housing programs.

HUD's Section 8 voucher program has evolved over the last four years as Congress passed legislation in the fiscal year 2005 appropriation bill that included budget-based funding for the Section 8 Housing Choice Voucher program. Under this methodology, public housing agencies receive an annual fixed amount of program funds. At year end, all excess funds are retained by the housing agencies, which account for the excess funds in a net restricted assets equity account but report to HUD on a quarterly basis. The excess program funds not used during the current year are eligible for program use in the next fiscal year, or if not used in subsequent fiscal years, the funds are reclassified as unusable but remain at the housing agencies. The challenges HUD faces in the monitoring of the Section 8 voucher program to ensure that housing agencies are fully utilizing public housing vouchers are evidenced in the June 30, 2008 indicators of public housing agency use of funds and voucher utilization rates, as follows:

- 2,335 public housing agencies participating in the Section 8 Program have accumulated $1.9 billion in excess funds since 2005, of which $1.4 billion is classified as unusable by HUD under the current program rules.
- The average voucher utilization rate for the 2,335 participating public housing agencies is 93.3 percent, which is less than the fiscal year 2004 rate of 98.5 percent achieved using the previous funding mechanism.
- 17 public housing agencies participating in the Moving to Work program have accumulated $1.8 billion in excess funds. Under the Moving to Work program, funds are expended in accordance with an agreement between HUD and each public housing agency.

While progress has been made, HUD continues to face challenges in establishing processes and systems for budgeting and funding Section 8 project-based contract renewals and amendments to meet program needs and ensuring appropriate funds control. Our work in fiscal year 2007 indicated that approximately $752 million in funding could have been recaptured.

HUD's ability to effectively monitor housing agencies and assisted multifamily projects continues to present challenges in achieving the intended statutory purposes of the housing assistance funds. These deficiencies have been reported for a number of years in OIG's annual audits of HUD's financial statements. HUD has made progress but needs to complete the implementation of the initiatives that address housing agencies' rental subsidy determinations, underreported income, and assistance billings. Although HUD has made substantial progress in taking steps to reduce erroneous payments, it must continue regular on-site and remote monitoring of the public housing agencies and project owners and use the results from the monitoring efforts to focus on corrective actions when needed.

Paralleling HUD efforts, our investigative and audit focus is concentrating on fraudulent practices and the lack of compliance with the Section 8 program statute and requirements. OIG conducted 34 external audits and two internal audits of the Section 8 Housing Choice Voucher program during fiscal year 2008. OIG also has professional appraisers on staff to assist in evaluating housing quality requirements as part of our audit efforts. In total, these external audits addressed whether housing agencies are correctly calculating subsidy amounts, correctly determining family income, complying with housing quality standards, fully using authorized vouchers, and implementing controls to prevent duplicative and fraudulent housing assistance payments. Our external audits identified questioned costs of $95 million and reported more than $40 million that could be put to better use.

Administering programs directed toward victims of natural disasters. Natural disasters continued to be a challenge for HUD in 2008. After spring floods in the Midwest and fires in California, the Gulf Coast was hit by two more major hurricanes, Gustav and Ike. Ike caused major home destruction in Texas along the Gulf Coast including Galveston and in the city of Houston. Gustav caused damage in Louisiana in and around New Orleans, as well as in the city of Baton Rouge. As result, HUD received more than $6.6 billion in emergency supplemental funding for rental assistance, the public housing capital fund, and the community development fund. As the disaster funds are awarded to various states, our OIG audit, investigative, and inspection staff resources will be assigned accordingly, since disaster funding is particularly vulnerable to waste, fraud, and abuse.

Due to unprecedented storm damage caused by hurricanes Katrina, Rita, and Wilma in 2005, HUD is overseeing approximately $20 billion provided in three separate supplemental disaster appropriations. For the period ending September 30, 2008, more than $10.5 billion has been disbursed for disaster recovery by the five Gulf Coast states: Alabama, Florida, Louisiana, Mississippi, and Texas. During the past year, we issued seven audit reports, resulting in findings of questioned costs of more than $20 million. In addition to the homeowner program, OIG has identified some other high-risk areas that will require continued oversight, including the following:

- Economic development (Small Business Loan Program),

- Texas Homeowner Program, and
- Gulf Coast regional infrastructure programs.

The Office of Investigation focused on disaster fraud regarding not only the Gulf Coast region hurricanes, but also the California wildfires and the Midwest region's floods. We continue to work with HUD to improve oversight and reduce program vulnerabilities. Current accountability concerns include (1) new disaster programs involving huge amounts of money, introduced with untested requirements and results, and (2) restrictions in using computer matching between HUD and other federal and local agencies. Such natural disasters will impact on HUD's resources and remain challenges into the future.

MANAGEMENT AND PERFORMANCE CHALLENGES - HUD MANAGEMENT PERSPECTIVES

In accordance with the Reports Consolidation Act of 2000, HUD's annual Performance and Accountability Report "…shall include a statement prepared by the agency's Inspector General that summarizes what the Inspector General considers to be the most serious management and performance challenges facing the agency and briefly assesses the agency's progress in addressing those challenges." On October 19, 2008, HUD's Inspector General (IG) provided a statement on six management challenges for inclusion in this FY 2008 Performance and Accountability Report:

1. HUD's response to the nation's financial crisis;
2. Human capital management;
3. Financial management systems;
4. FHA single family management;
5. Public and assisted housing program administration; and
6. Administering programs directed toward the victims of natural disaster.

HUD Management's Perspective

HUD management generally agrees that the six areas identified in the Inspector General's statement are challenges currently facing the Department. As an indicator of the importance being placed on addressing each of these issues, four of these six challenges are included in high-visibility initiatives in the President's Management Agenda. The remaining two challenges (i.e., HUD's response to the nation's financial crisis, and administering programs directed toward victims of natural disasters) are being addressed by very specific initiatives directed toward recovery of the housing market (one of the significant issues contributing to the financial crisis), and for providing relief to the victims of hurricanes and other natural disasters. In addition to the progress on these challenges that is discussed below, and which is also acknowledged in the IG's statement, further information on HUD's specific FY 2008 actions to meet these challenges is provided in the President's Management Agenda section of this report.

HUD's response to the nation's financial crisis

HUD's response to the financial crisis is an enormous challenge, as well as an enormous opportunity for the Department to provide significant relief in a tumultuous housing market, while maintaining the viability of its mortgage insurance program and maximizing the benefits from grant funds available for redeveloping abandoned and foreclosed homes.

HUD understands the importance of its role in providing safe and affordable mortgage options to potential homebuyers and to homeowners facing difficulties in meeting obligations of existing mortgages. HUD has risen to the challenge of these difficult times by changing some requirements for FHA insured loans, first through *FHASecure* and more recently, through the implementation of *Hope for Homeowners* program mandated by the Housing and Economic

Recovery Act of 2008. To expeditiously implement a fiscally sound program, the requirements for the *Hope for Homeowners* program were crafted by a board consisting of high level officials of not only HUD, but also Treasury, the Federal Reserve Board, and the Federal Deposit Insurance Corporation. A front end risk assessment is currently underway at HUD to examine the risks and controls needed for this newly implemented program. HUD is also discussing whether another front end risk assessment is needed to review elements of the FHA Modernization Act, which was also enacted in the July 2008 legislation. As HUD analyzes risk, a major focus will be to ensure the financial stability of the FHA insurance funds. As noted in the Housing section of the MD&A, the capital ratio dropped from 6.4 percent in FY 2007 to 3.0 percent in FY 2008, still above the congressionally mandated minimum of 2.0 percent, but reflecting the serious downturn in the housing market.

Management acknowledges the strain that these new programs have on its resources. Recognizing the need for increased staff, HUD has focused on an initiative to accelerate and improve the hiring and recruiting process. A streamlined hiring process was adopted and 545 new positions were approved. As of September 30, 2008, 274 jobs had been filled by the Office of Housing during the 4th quarter. And, as noted in the IG Memorandum, resources for system development are scarce; however, management is working with Congress to obtain the resources needed to implement these very critical programs.

A front end risk assessment of the new Neighborhood Stabilization Program is also underway by HUD's Office of Community Planning and Development. HUD has published a Federal Register notice of allocations and application procedures for grants under this program and is proceeding to implement this program in a timely manner.

HUD disagrees with the IG's assertion that HUD does not have a database that provides sufficient data on units assisted, acquired, or disposed. The Disaster Recovery Grant Recovery system possesses the capability to collect such data at an address level. CPD expects that grantees will report address level data directly to HUD via the Disaster Recovery Grant Reporting (DRGR) system.

There is no doubt that risk has increased in this time of financial crisis, and that HUD must be vigilant in monitoring the effects of the changes to programs so that outcomes can be determined and reported accurately and corrective actions can be promptly taken to mitigate risk levels.

Human Capital Management – Management has recognized the challenges in this area and is moving forward with implementation of its Strategic Human Capital Management Plan. The Office of Personnel Management and the Office of Management and Budget have recognized the progress that has been made by scoring HUD as "Green" on the President's Management Agenda Human Capital Initiative in the 3rd quarter of FY 2008.

HUD has organized its current workforce of only 9,183 fulltime equivalent (FTE) staff[1] to more efficiently and effectively deliver 112 active programs and many more program set-asides and terminated programs that are still spending-out old obligations. This significant level of activity is supported by $54.0 billion in annual budgetary resources that includes supplemental disaster and related funding, and significant off-budget risks and costs associated with a combined FHA

[1] Includes all staffing funded from both Salaries & Expense (S&E) and Working Capital Fund (WCF), with the exclusion of OIG, OFHEO, and FHFB, which are independent organizations not involved in the administration of HUD's programs.

housing mortgage insurance and Ginnie Mae Mortgage-Backed Securities program portfolio that peaked at over one-trillion dollars early in this administration. HUD currently has eight program organizations, and thirteen support organizations that represent both the typical support functions required of a major cabinet level federal agency, as well as two unique organizational components (FPM and ODOC) necessary to coordinate, support and oversee HUD's extensive field office operations and decentralized program activity.

HUD's last major reorganization/realignment occurred in the 1996-1998 period, with input from a congressionally mandated study by the National Academy of Public Administration (NAPA). Those changes included centralization and/or streamlining of many functions, as well as an elimination of a regional program management structure to make field resources more accountable to the program Assistant Secretaries responsible for program performance. That reorganization/realignment also enabled HUD to better adapt to a budget-driven downsizing of the HUD workforce by 30 percent. For example, the HUD CFO closed 10 Regional Accounting Offices and centralized accounting in the Fort Worth Office. This was a major contributor to the overall reduction in OCFO staffing from 480 FTE staff to a current level of 212 FTE staff. HUD also established and centralized two new organizations with cross-program functional responsibility for program enforcement (the Departmental Enforcement Center - DEC) and implementation of remote monitoring systems on the physical conditions and financial compliance of the public and assisted housing portfolios (the Real Estate Assessment Center – REAC). REAC systems support multiple program areas and produce data that enable program staff to use risk-based targeting of available resources for on-site monitoring, technical assistance and enforcement to improve program compliance and performance.

A study of the need for further organizational refinements was conducted at the beginning of this administration in 2001, and additional realignments and staffing strategies were executed to make support functions more accountable to program clients and to right-size the staffing in support functions to free-up available resources for core program needs. For example, the CIO and CPO organizations were split out of the Office of Administration, who is also a key client of the CIO and CPO, and now report directly to the Deputy Secretary to better serve the Department. The new Departmental Enforcement Center was realigned under OGC to better support legal enforcement activity, and REAC was closer aligned with the public and assisted housing program areas to better work with those organizations. Staffing in the Office of Field Policy and Management, a HUD organization/function that coordinates, supports and oversees program field office activity, was reduced from 934 FTE staff in 2000 to 386 FTE staff for 2008, to free-up a greater percentage of HUD's resources for direct program needs.

The organizational changes implemented at HUD over the past 10 years have been contributing factors to the Department's success in eliminating material weakness and high-risk program designations identified by the OIG and GAO. HUD continues to look for opportunities to further streamline operations through improved use of automation and business process reengineering (BPR). BPR studies are currently underway in the areas of correspondence control and tracking and Internet web site management. Additionally, the Department has undertaken Lean BPR reviews in the Offices of Housing, Administration, and Procurement. The Office of Housing has led the way on Lean BPRs with an initiative to accelerate automation and streamlining across all FHA program areas. To date, the Lean BPR approach has been used for the 232-223(f) Skilled Nursing Facility/Assisted Living Facility and the Single Family (SF) Home Ownership Center (HOC) endorsement process. These same Lean BPR techniques are being applied by the Office of Administration to improve the Human Resources function and streamline the process for recruitment and hiring new employees, while providing a blueprint of the BPR staffing/hiring process to the incoming Administration. The Office of the Chief Procurement Office also is undertaking a Lean BPR effort to strengthen and improve the procurement and acquisition process by mapping and automating the current process from the annual strategic plan through award, creating paperless procurement request process, reducing the number of forms significantly, standardizing the review process and providing improved accountability. In addition, HUD is piloting the use of service level agreements by central service providers in the Admin/HR, CIO, CPO and CFO/Budget functions as a possible means of streamlining processes, improving performance, and reducing shadow support staff in program client organizations to free-up resources for program needs.

Like other agencies that are already scored green on this PMA initiative, HUD has met the Green "organization structure" standards of this initiative through demonstrated improvements to the organization of available resources to improve performance results. In addition, we have strategies and plans to continue to assess and pursue opportunities for further efficiencies in the organization of available resources to improve results. The three areas identified in the IG's memorandum have been addressed by HUD as follows:

- Becoming a "mission-focused agency." HUD has implemented "SMART" performance plans throughout HUD. These plans tie each individual's performance plan and critical elements to specific strategic goals of the Department from senior executives to front-line staff. Managers and supervisors were provided training on how to develop SMART standards to meet these criteria.
- Maintaining a "high quality workforce." The Secretary has recognized the need to recruit, develop, manage, and retain a diverse workforce. Upon his arrival at HUD in July, he established a 200 day plan called iMPACT 200 that included two working groups to further address the Department's human capital needs. One group's focus was on HUD's hiring process and the other on management effectiveness. The hiring process working group's focus was on conducting a business process reengineering effort to address current inefficiencies in the office that slows the hiring of new employees. The management effectiveness working group focused on training, specifically for managers, but also for employees. Currently, 300 managers are participating in a 360 assessment program that will assist them in developing their managerial skills. The managers, in conjunction with this program will also be assisted by personal coaching. The working group recommended, and the Secretary accepted a recommendation to establish an executive board with representation from each program area to provide oversight over HUD's training academy to ensure all training needs are being assessed. The managerial working group also is looking at best practices used by other agencies to retain staff.
- Succession planning. HUD continues to implement its Succession Management Plan. This year, management implemented the HUD Fellows Program and the appointment of the 2008 class of Emerging Leaders to develop its leaders for the future.

Regarding Human Capital Management as a whole, HUD has taken significant steps to better utilize existing staff capacity, and to obtain, develop, and maintain the capacity necessary to adequately support HUD's future mission-critical program delivery. The Department's five-year Human Capital Management Strategy seeks to ensure that: 1) HUD's organizational structure is optimized; 2) succession strategies are in place to provide a continuously updated talent pool; 3) performance appraisal plans for all managers and staff ensure accountability for results and a link to the goals and objectives of HUD's mission; 4) hiring strategies are in place to sustain a diverse workforce; 5) skill gaps are assessed and corrected; and 6) human capital management accountability systems are in place to support effective management of HUD's human capital.

Financial Management Systems – Management recognizes the challenges in this area as well, and OMB has recognized the progress that HUD has made on the Improving Financial Performance Initiative of the President's Management Agenda by scoring HUD's status as "Green." Specifically, OMB recognized HUD's use of financial information by managers for decision making and the continued progress towards the implementation of the HUD Integrated Financial Management Information Project (HIFMIP). Also during FY 2008, HUD continued to build on the successes generated in previous years, and again was able to report substantial compliance with the federal financial systems requirements of the Federal Financial Management Improvement Act of 1996 and Section 4 of the Federal Managers' Financial Integrity Act of 1982.

Further, HUD was able to report substantial compliance for the Department's internal control over financial reporting, as required by Appendix A of OMB Circular A-123. HUD's financial systems supported the preparation and audit of Department-wide consolidated financial statements within 45 days after the end of the fiscal year, with an unqualified audit opinion.

To address the specific issues identified in the OIG's memorandum, management provides the following comments.

HUD has significantly addressed the FHA home equity conversion mortgage system material weaknesses through its corrective actions to eliminate one material weaknesses, and lower the second material weakness to the level of a significant deficiency. FHA continues its efforts to improve in this area by supporting business process engineering and related development and configuration work to adapt the FHA Subsidiary Ledger to new processes for HECM financial operations.

Progress continues towards an implementation of HIFMIP. As noted in the OIG Memorandum, the project manager position has been unfilled since February 2008, however the position has been filled in an "Acting" capacity since that time, and a selection for the position has been made.

HUD disagrees that the requirements documents are dated. Since the issuance of the original Request For Proposal, the requirements have been updated with each of the 10 amendments to the proposal.

A Shared Service Provider/Systems Integrator contract will be awarded in Quarter 1 of FY 2009 and as mentioned above, a project manager has been selected and will report in early FY 2009. During FY 2008, HUD staff examined and documented 18 OCFO financial management systems and their interfaces with HUD Program Office systems and external business partner systems to document and verify 114 interfaces with supporting functional descriptions, data elements/data file layouts, technical requirements, and quality assurance actions in preparation for HIFMIP systems implementation/integration.

HUD's ability to prepare financial statements accurately and timely has not been deterred by the lack of a new core financial system, however, we recognize the benefits in efficiencies and effectiveness of procuring a system utilizing the latest technologies, and are moving forward as expeditiously and prudently as possible.

HUD continues to improve its controls over HUD's computing environment to reduce the risks associated with safeguarding funds, property, and assets from unauthorized use or misappropriation. In FY 2008, HUD:

- Obtained sufficient audit record storage capacity,
- Established an audit reduction and report generation capability to support the fact investigations of security incidents,
- Ensured that all Unisys security audit log events are monitored, analyzed, reported and followed up for the Unisys production system, and
- Restricted access to log files to those whose job function requires that access.

The Department does not agree, however, with the Inspector General's assessment that HUD has limited availability of information to assist management in effectively managing operations on an ongoing basis. During FY 2008, the Department maintained its score of "Green" on the "Improved Financial Performance" initiative of the President's Management Agenda, in large part due to the Department's ability to document the availability and current uses of financial information to facilitate decision-making, much of which comes from the HUD Financial Data Mart. The Financial Data Mart assists management decisions in the areas of budget planning, budget execution and spending, project management, and contract management. Data is also used to support information requests, improve trend analyses, meet OMB's accelerated deadlines for financial reporting, provide metrics to measure financial/accounting performance, identify and reduce unneeded unobligated balances, and ensure that unexpended funds are managed appropriately.

The Department has provided Financial Data Mart access to over 400 users representing 10 major allotment holders and over 150 unique HUD organizational units. The users are primarily those that are responsible for financial decision-making, e.g., budget officers, program managers, financial analysts, accountants, and auditors. Users of the Data Mart access hundreds of millions of financial records via over 530 web-based or broadcast reports, primarily financial in nature, e.g., Status of Funds, cash management, general ledger reconciliation, grant-level subsidiaries, contract balances, historical activity-based, and event-based quality assurance. In addition, HUD staff has created hundreds of specialized reports since deployment of the Financial Data Mart to meet ad-hoc requests.

The IG's concern about FHA's inability to fund systems development and upgrade and replace legacy application systems that had been previously scheduled to be integrated has been partially addressed through Home Economic Recovery Act provisions that allow HUD to finance administrative costs including system development by selling bonds. Although this does not cover all system development needs, it does provide some funding relief.

HUD acknowledges the slippage in its scores on the PMA E-GOV initiative. HUD had an OMB approved Plan of Action and Milestones, and HUD met all but two milestones during FY 2008. OMB lowered HUD's score because it did not obtain the funding from Congress for all its

E-GOV initiatives and because HUD did not use one of the grant management line of business centers of excellence for its grant management systems. The Appropriators did not have the same sense of urgency regarding the funding of E-GOV initiatives as HUD concerning the former, while the latter was a prudent business decision on HUD's part to not proceed with a change in the business process that would not meet its requirements, as the centers of excellence were unable to meet HUD's unique requirements for grant management.

FHA single family management – FHA Single Family Housing Mortgage Insurance Program risks are higher in the current economic climate, and HUD has taken actions to ensure these risks are managed effectively. HUD is monitoring, through program evaluations, the impact of new activities for the purpose of proposing legislative or administrative changes to ensure the financial stability of FHA. The financial stability of the Mutual Mortgage Insurance fund is important to HUD and the Congress. To ensure the stability of this fund, Congress has mandated a minimum level for the capital ratio, currently set at 2.0 percent. The capital ratio is defined as the ratio of the economic value or present value of cash flows (i.e., the present value of premiums and proceeds from the sale of foreclosed properties) to the value of the insurance-in-force. The capital ratio has consistently exceeded this minimum requirement. In FY 2007, it significantly exceeded the requirement at a value of 6.4 percent. In FY 2008, HUD again surpassed the minimum level, though this ratio decreased significantly to 3.0 percent. This decrease was caused by two primary factors. The estimated economic value of the fund decreased significantly with the forecast of expected house price declines due to the declining housing market. Conversely, the total MMI insurance-in-force increased significantly due to the volume of new endorsements. The combination of these factors resulted in the decrease in the capital ratio.

FHA is striving to conduct the actions noted by the IG including performing a formal, systematic annual risk assessment of its programs and administrative functions, planning and conducting ongoing management control reviews, establishing an overall strategy regarding its risk-based monitoring of program activities and participants, and identifying corrective actions required to improve its management controls in a timely manner.

In order to effectively implement new programs, FHA must still overcome the challenge of modernizing and integrating old, COBOL-based program feeder systems into its integrated core financial system, the FHA Subsidiary Ledger System. Systems development plans have been delayed by funding cuts in HUD's Working Capital Fund for IT investments. Sufficient IT systems investments will eliminate the need for compensating manual controls over aspects of FHA's business.

Public and assisted housing program administration – As noted in the IG's memorandum, there are several issues concerning public and assisted housing. HUD has undertaken a comprehensive approach to address the utilization of public housing vouchers and the monitoring of housing agencies and assisted multifamily projects.

To enhance its monitoring efforts that will address both of the above issues, during FY 2008, HUD:

- Continued improvements in oversight and monitoring of subsidy calculations and intermediaries program performance by timely completing all monitoring activities, including the development of an internal tool to identify high-risk PHAs targeted for on-site monitoring, and providing training to the Public Housing Revitalization Specialists, Financial Analysts, and Facilities Management staff members on conducting the monitoring reviews, and developed an internal checklist that ensures consistency in gathering and analyzing monitoring information,

- Conducted 90 Tier I monitoring activities, as prescribed in the PIH FY 2008 Management Plan, and 92 Voucher Management System onsite reviews,
- Conducted on-site reviews in multifamily housing,
- Awarded a contract to assist in the review, evaluation, and verification of rental assistance data,
- Issued an Operating Subsidy Review Guide,
- Completed a thorough review of all operating subsidy calculations by the Subsidy and Grants Information Systems and provided training on the same to National Association of Housing and Redevelopment Officials,
- Provided Enterprise Income Verification training to all HUB and Program Centers to coincide with the implementation of EIV for multifamily housing, with publication of the final rule for mandatory use of EIV scheduled for early FY 2009,
- Obtained sufficient funding to increase the scope of A-133 audits,
- Trained staff on how to review Financial Assessment Subsystem submissions,
- Developed Utilization and Net Restricted Assets-Housing Assistance Payment tools for the field,
- Converted Section 8 projects under the FMC payment process to Performance Based Contract Administrator contracts under Housing, and
- Converted the remaining portfolio of the traditional Contract Administrators' Section 8 contracts back into Housing's accounting system.

HUD set and communicated clear measurable goals and corrective actions for reducing improper rental housing assistance payments and improving public and assisted housing conditions, and continues to work collaboratively with the housing industry and local housing program administrators to meet or exceed those goals.

To accomplish this progress, PIH modified its overall monitoring strategy for public and assisted housing during FY 2007 by stratifying PHAs into two tiers. Tier 1 is composed of approximately 500 PHAs, which account for more than 80 percent of the PIH funding provided. Tier 2 covers the remaining 3,600 PHAs. HUD conducted detailed annual reviews of approximately 20 percent of the Tier 1 PHAs and as many of the Tier 2 PHAs as funding permitted, concentrating monitoring resources on the PHAs with the greatest risk.

Similarly, HUD's Office of Multifamily Housing and their Performance-Based Contract Administrators continued to conduct on-site monitoring reviews in FY 2008, directed at improving program administrator performance to reduce improper payments and improve housing conditions. The full implementation of HUD's Enterprise Income Verification System for upfront verification of tenant income has the potential to eliminate much of the remaining improper rental assistance payment problem caused by tenant under reporting of income. Implementation of EIV was initiated for Multifamily Housing Programs in January 2008.

Results of the increased monitoring focus that began in FY 2007, in addition to program changes, have resulted in a profound reduction in the improper payment rate for HUD's rental assistance programs. The estimated recovery rate for FY 2007 (there is a one year lag in the reporting) was 3.5 percent compared to a goal of 4.6 percent. This achievement resulted in HUD's score for the Eliminating Improper Payment PMA Initiative to returning to a status of "Green" at June 30, 2008.

Finally, to address the IG's specific comment concerning their estimate that approximately $752 million in funding for Section 8 project-based contracts should have been recaptured, HUD responded to the IG on March 17, 2008 that upon further review, approximately only $100 million should have been recaptured. However, HUD agrees to modify its FY 2008 recapture methodology to include consideration of current year expirations (that were not included in the prior methodology) in our review. Recaptures will be made when field offices can certify that the contract is terminated and no outstanding, unpaid vouchers remain.

Concerning unused Housing Assistance Payment (HAP) funds and their classification as "unusable," the terms "usable" and "unusable" are informal designations of that portion respectively of the Net Restricted Assets (NRA) that is estimated to be required for a program to reach 100 percent utilization, and the portion that is estimated to not be required for that purpose. In reality, all NRA funds are available to be used and no portion is officially categorized as unusable.

A challenge to raising the utilization rate and using all funds is the leasing cap that has been included in each recent Appropriations Act which restricts each PHA to assisting only the number of households covered by vouchers provided for in its Annual Contributions Contract. Accordingly, if a PHA is more efficient in the use of the funds provided, it will reach the leasing cap, and thus create or increase the NRA balance.

Similarly, a dollar based budget with a fixed number of vouchers creates the opportunity for lower utilization. If the PHA nears the dollar limit, but has an ample number of vouchers and due to the uncertainty of what the funding provisions in future years will be, the PHA will under-lease in order to build a cushion in their NRA accounts to avoid the potential need to terminate families' assistance if all funds are used.

Additionally, regarding the $1.9 billion NRA balances accumulated as of June 30, 2008, we must clarify that Congress required an offset of $723 million of the (unusable) NRA balances in 2008. This was accomplished. Language has also been incorporated in the President's FY 2009 and FY 2010 budget requests to account for the NRA balances in future funding allocations.

Notwithstanding these challenges, PIH is concerned with and taking steps to improve utilization rates. Since implementing the budget-based approach, utilization rates improved in 2007 and 2008. As of June 30, 2007, the voucher utilization rate was 91.7 percent and as of June 30, 2008, the rate increased to 93.3 percent. The HCVP goal will be 95 percent by 2010, and 97 percent by 2011.

Administering Programs Directed Toward Victims of Hurricanes Katrina and Rita – HUD responded quickly in the wake of this unprecedented natural disaster to help meet the temporary housing needs of displaced households, assess the impacts on HUD-supported housing, and plan the long-term recovery of the devastated region. While HUD's response was immediate and comprehensive, it also recognized that the enormous amount of relief funds creates the potential for fraud and abuse. The Community Planning and Development (CPD) Disaster Recovery and Assistance (DRA) Division was provided an influx of disaster funding beginning in FY 2005 and continuing into FY 2008 to address the hurricane disaster recoveries. In addition to the $19 billion of appropriated funds for hurricanes Katrina, Rita, Wilma, in FY 2008, HUD received (1) $300 million for the Mid-west floods, (2) $3.9 billion for the Neighborhood Stabilization Program (NSP) to assist state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities, and (3) $6.5 billion supplemental funds as enacted for 2008 disasters. In total, HUD has oversight of approximately $30 billion in disaster supplemental funding.

Management recognizes the program vulnerability, and the need for oversight of disaster funds. To address such concerns, in FY 2008 CPD awarded a contract to examine grantee oversight of the Gulf Coast disaster recovery funds, by assessing the design and execution of the program delivery structure and internal controls for the States of Louisiana and Mississippi. Funding for these states comprises more than 90 percent of the $19 billion in Gulf Coast disaster recovery funds. The contractor's overall assessment concluded that both states had design control gaps as lacking either: (1) written policies and procedures to guide internal control and quality assurance, or (2) a formal monitoring plan that seperately addresses fraud, waste, abuse, and mismanagement of funds.

The contractor's report on suggested best-practices recommended more stringent monitoring protocols over disaster recovery funds to together reduce program vulnerabilities. Action on a number of the recommendations was already underway because the issues had previously been identified as part of HUD program monitoring, grantee internal audit, or audits by the Office of Inspector General.

Additionally, CPD recognizes the shortcomings of staffing, support, and systems mentioned in the memo, and is proposing funding in the FY 2010 budget to address them.

IMPROPER PAYMENTS INFORMATION ACT REPORTING DETAILS

The Requirements

Under the Improper Payments Information Act (IPIA) of 2002 (Public Law 107-300) and Office of Management and Budget (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 along with plans to reduce improper payments to the President and the Congress. 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 considered "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 put in place 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 under the President's Management Agenda.

HUD's Process

The HUD process for complying with the Improper Payments Information Act consists of four steps:

1) Step one is an initial survey of all program and administrative activities, for potential indicators of significant improper payments;
2) Step two is a detailed risk assessment of programs identified in the first step with annual expenditures in excess of $40 million;
3) Step three consists of statistical sample testing of payments by independent reviewers in any program activity determined to be susceptible to a significant improper payment level; and

4) The final step is to establish, execute, and monitor corrective action plans for reducing improper payments in the identified at-risk programs.

Summary of HUD Results to Date

HUD is fully compliant with the requirements of the IPIA and was the first federal agency to achieve the President's goals for reducing improper payments. HUD's initial annual assessment of the risk of improper payments was conducted in FY 2004, based on the $52.9 billion in payments made in FY 2003 in support of over 200 programs and administrative activities.

HUD's initial assessment identified 10 activities, representing 57 percent of all payments, as potentially "at risk" of a significant improper payment level. Statistical sampling to measure and estimate the actual level of improper payments in those 10 program activities found that only 5 of the 10 areas actually had a significant improper payment problem. Corrective actions were subsequently completed to eliminate the significant improper payments in 2 of those 5 areas, pertaining to payments under the Single Family Acquired Asset Management System and the Public Housing Capital Fund.

Prior to enactment of the Improper Payments Information Act, the Office of Management and Budget requested agency input on improper payments in select programs, including the CDBG Entitlement and State/Small Cities Programs, through Section 57 of OMB Circular No. A-11. HUD's original Section 57 assessment and initial annual risk assessments found these CDBG programs to be at low risk of improper payments not warranting reporting. However, OMB subsequently revised its guidance to clarify that agencies should report on the former Section 57 programs until they can 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.

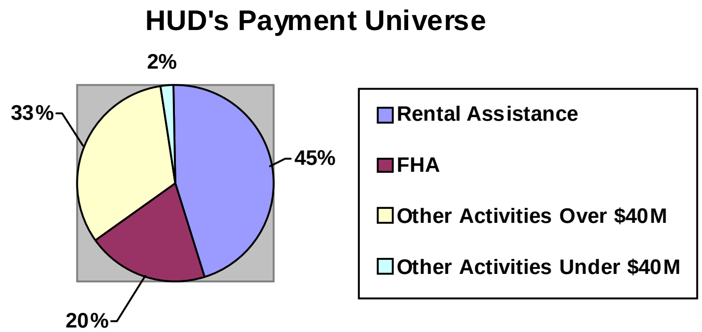
HUD's analysis determined that the CDBG Program is below the annual $10 million threshold for required reporting, and on March 14, 2007, OMB approved HUD's request for relief from annual improper payment reporting. HUD will continue to conduct an annual assessment of the CDBG programs and provide results to OMB by March 31.

HUD set aggressive goals for reducing improper payments in the remaining three high-risk program areas – the Public Housing, Housing Choice Vouchers and Project-based Assistance Programs – 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 $993 million in Fiscal Year 2007, a reduction of 71 percent.

Results of Annual Risk Assessment Update and Continued Payment Testing

The FY 2008 risk assessment update was based on payment and other relevant activity that occurred during FY 2007. An inventory of over 200 distinct program and administrative payment activities was identified from all of HUD's financial management systems in FY 2007, with total payments of $63.3 billion.

The payment universe consisted of the following general distribution:



HUD's risk assessment update in FY 2008 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 – Public Housing, Housing Choice Vouchers, and Project-based Assistance – had previously been assessed as 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 $28 billion, or 45 percent, of HUD's total payments in FY 2007.

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 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 2007, HUD reduced the gross improper payments for the first 2 of these 3 categories of error from $3.22 billion to $921 million, a reduction of 71 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 2007 the billing error was estimated to be $71 million. The following chart provides a summary for all three error components for FY 2007 as compared to FY 2006 and the baseline year (FY 2000).

IMPROPER RENTAL ASSISTANCE PAYMENT ESTIMATES

Administration/ Error Type	2007 Subsidy Over-Payments*	2007 Subsidy Under-Payments*	2007 Net Erroneous Payments*	2007 Gross Erroneous Payments*	2006 Gross Erroneous Payments*	2000 Gross Erroneous Payments*
Public Housing						
Administrator Error	$26,598	$10,743	$15,855	$37,341	$172,824	$602,557
Income Reporting Error	13,864	0	13,864	13,864	101,050	294,000
Billing Error**	8,750	3,500	5,250	12,250	49,000	Not available
Subtotal:	**$49,212**	**$14,243**	**$34,969**	**$63,455**	**$322,874**	**$896,557**
Housing Choice Vouchers						
Administrator Error	$282,840	$152,172	$130,668	$435,012	$520,020	$1,096,535
Income Reporting Error	97,543	0	97,543	97,543	193,428	418,000
Billing Error**	0	0	0	0	72,000	Not available
Subtotal:	**$380,383**	**$152,172**	**$228,211**	**$532,555**	**$785,448**	**$1,514,535**
Total PHA Administered						
Administrator Error	$309,438	$162,915	$146,523	$472,353	$692,844	$1,699,092
Income Reporting Error	111,407	0	111,407	111,407	294,478	712,000
Billing Error**	8,750	3,500	5,250	12,250	121,000	Not available
PHA Subtotal:	**$429,595**	**$166,415**	**$263,180**	**$596,010**	**$1,108,322**	**$2,411,092**
Total Project Based/Owner Administered						
Administrator Error	$134,460	$64,644	$69,816	$199,104	$261,324	$539,160
Income Reporting Error	138,412	0	138,412	138,412	90,512	266,000
Billing Error**	24,000	35,000	(11,000)	59,000	59,000	Not available
Project Based Subtotal:	**$296,872**	**$99,644**	**$197,228**	**$396,516**	**$410,836**	**$805,160**
Total Improper Payments						
Administrator Error	$443,898	$227,559	$216,339	$671,457	$954,168	$2,238,252
Income Reporting Error	249,819	0	249,819	249,819	384,990	978,000
Billing Error**	32,750	38,500	(5,750)	71,250	180,000	Not available
GRAND TOTAL:	**$726,467**	**$266,059**	**$460,408**	**$992,526**	**$1,519,158**	**$3,216,252**
TOTAL PROGRAM PAYMENTS				$28,151,954	$27,505,331	$18,800,000
IMPROPER PAYMENT RATE				3.5 %	5.5 %	17.1 %

* 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

Error Type	Baseline Estimates*	FY 2007 Estimates*	Percent Reduction
Administrator Error	$2.238	$0.671	70%
Income Reporting Error	$0.978	$0.250	74%
Billing Error	$0.214	$0.071	67%
Total	$3.430	$0.992	71%

*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, as well as the increased availability and use of the Enterprise Income Verification system by PHAs, owners, management agents, and contract administrators for HUD's Project-based Assistance programs.

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. 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. 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 2007 and the outlook for improper payment percentages on a combined program basis from FY 2008 – FY 2010, as follows:

Rental Assistance Improper Payment Reduction Outlook
FY 2008 – FY 2010
(Dollars shown in billions)

Activity	FY 2006 Payments	FY 2006 IP	FY 2006 IP% Goal/ Actual	FY 2007 Payments	FY 2007 IP	FY 2007 IP% Goal/ Actual	FY 2008 IP% Goal	FY 2009 IP% Goal	FY 2010 IP% Goal
Rental Assistance	$27.505	$1.519	5.0 / 5.5	$28.151	$0.992	4.6/3.5	3.4	3.2	3.1
Estimated Payments							$28,553	$29,000	$29,000

* The annual Improper Payments calculation is based on prior year data. Accordingly, the FY 2008, FY 2009, and FY 2010 results will be reported in the FY 2009, FY 2010, and FY 2011 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. The 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 the technical assistance and training to minimize Administrator errors made it possible to lower HUD's FY 2007 and future improper payment reduction outlook. HUD believes that the goals for FY 2008 and beyond are realistic and achievable.

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, Section 831 of the Defense Authorization Act of 2002, and 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. In FY 2003, HUD hired a contractor to conduct an independent recovery auditing review. In its study, HUD's contractor performed a detailed review on contracts with a value of $206.5 million to determine the potential universe of contracts for which recovery auditing was appropriate. Their review identified potential recoveries of only $46,650 on two contracts, which they referred to HUD for validation. Further work by HUD's Contracting Officer and Government Technical Representative validated these payments as being proper and correct. As a result, no recoveries were realized from the contractor's efforts.

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.

ROLE OF PROGRAM EVALUATIONS AND RESEARCH STUDIES IN ASSESSING PROGRAM PERFORMANCE

Each year, HUD completes a number of program evaluations and research studies related to significant policy issues. These studies provide a level of detail and confidence about the programmatic impacts that performance measures alone cannot capture. The Department uses the findings of this research to make informed decisions on HUD policies, programs, budget, and legislative proposals. This Appendix presents the primary findings of selected research reports completed since the beginning of FY 2008. Most of the reports are available from the Office of Policy Development and Research clearinghouse, HUD USER, which can be accessed at http://www.huduser.org.

Strategic Goal A: Increasing Homeownership Opportunities

HUD publishes the U.S. Housing Market Conditions (quarterly), the American Housing Survey for specific metro areas (annually), and the American Housing Survey for the United States (biennially) to provide data and analysis about housing markets. HUD and the Census Bureau jointly release monthly statistics on new residential construction including starts, permits, inventories of unused permits, new housing units under construction and completions, new residential sales such as new single-family sales, prices and inventories of unsold homes. HUD also publishes quarterly reports on the placement of new manufactured housing units and the absorption of new multifamily housing units.

Study of Closing Costs for FHA Mortgages. This study presents findings on how much borrowers pay in closing costs when they purchase a house, how much these costs vary, and factors to which the variation is related. The analysis uses data from a national sample of 7,560 FHA-insured, 30-year fixed-rate home purchase loans. Findings of the study demonstrate that loan fees, title fees, and real estate agent fees all add significantly to the total closing costs incurred by homebuyers. Closing costs vary with borrower characteristics, lender characteristics, neighborhood racial composition, and across states, even after controlling for factors that are legitimately related to lender costs. Minority borrowers and borrowers in minority neighborhoods and neighborhoods with lower educational attainment consistently pay higher fees. In addition, borrowers in neighborhoods with low educational attainment receive substantially higher-cost offers, and although a significant share “walk away” from these offers, enough accept them to be profitable to lenders and brokers.

Cityscape: A Journal of Policy Development and Research, Vol. 10 No. 2. This special issue examines the homeownership experience of low-income and minority households over time, and whether their experiences differ from those of higher income households. The articles show that low-income and minority households are as likely as others to gain from home value appreciation and reap the traditional benefits of homeownership. However, such households are more likely to face higher payment burdens, which make them more likely than higher income and non-minority households to return to being renters.

Strategic Goal B: Promote Decent Affordable Housing

Housing Needs of Persons With Disabilities: Supplemental Findings to the Affordable Housing Needs 2005 Report. This study supplements *Affordable Housing Needs 2005,* which presented estimates of worst case needs for affordable rental housing. It provides additional analysis and findings about worst case needs among households with disabilities. The new results indicate that a larger proportion of the 5.99 million households with worst case needs in 2005 included persons with disabilities than previously estimated.

Section 202 Supportive Housing for Elderly: Program Status and Performance Measurement. The Supportive Housing for the Elderly program provides capital advances and project rental assistance, under Section 202 of the Housing Act of 1959, for housing projects serving elderly households. This study assesses whether the program has been effective in meeting the needs of very low-income elderly Americans. The research findings demonstrate that Section 202 provides good quality housing for its residents. The study also offers programmatic recommendations for performance measurements.

Intergenerational Housing Needs and HUD Program Options: Report to Congress. This report addresses a Congressional mandate for "a study to determine an estimate of the number of covered families in the United States and their affordable housing needs" and includes "recommendations...regarding how the major assisted housing programs of the Department of Housing and Urban Development, including the supportive housing for the elderly program under Section 202 of the Housing Act of 1959 can be used and, if appropriate, amended or altered, to meet the affordable housing needs of covered families." The study, conducted by HUD and the Bureau of the Census, uses 2000 Census and American Housing Survey data to clarify the housing issues faced by grandparents and other relatives who accept the responsibility of providing care for minor children.

Trends in Housing Costs: 1985 - 2005 and the 30-Percent-of-Income-Standard. Public policy has focused on the ability of families both to acquire safe and sanitary housing in decent neighborhoods and to have sufficient income left over to purchase other basic necessities. Over time, policy analysts have come to use "30 percent" of household income as a standard to assess the affordability of housing. The belief is that households who have to pay more than 30 percent of their incomes for housing may be forced to forego other necessities. In this study, HUD examined the adequacy of the 30 percent-of-income standard. In general, the study finds that if spending 30 percent of income for housing allowed for an adequate level of non-housing expenditures in 1985, then spending 30 percent on housing in 2005 also allowed for an adequate level of non-housing expenditures. Additionally, the study examined changes in housing costs relative to income for owners with mortgages, owners without mortgages, and renters, and found that housing costs rose for each group.

Characteristics of HUD-Assisted Renters and Their Units in 2003. This report is the fourth in a series of reports providing information on the size, composition, and quality of HUD-assisted housing stock and the characteristics of its occupants. These reports are intended for the use of policymakers, analysts, and proponents of housing assistance for low-income households. HUD obtains this information by identifying assisted households that are also surveyed in the biennial national American Housing Survey. Data in the report represent assisted households and units in all 50 states and the District of Columbia, but exclude households and units in Puerto Rico, Guam, and the Virgin Islands, which are not included in the American Housing Study. The 2003 data are a statistically valid description of assisted households.

Cityscape: A Journal of Policy Development and Research, Vol. 10 No. 1. This issue of Cityscape represents the second series of articles devoted to research on the over 4 million households that receive housing assistance from HUD. Assisted housing is found in every metropolitan area and in every state, and nearly 15 percent is in non-metropolitan areas. The papers use a variety of theoretical and methodological tools to examine the relationship between housing assistance and poverty deconcentration; family composition and tenure in voucher program; and housing assistance and neighborhood quality.

US Housing Market Conditions. This is a series of quarterly reports on the current housing market conditions produced by HUD. The reports examine mortgage interest rates, as well as housing production and vacancy rates among single and multifamily homes. Each report also includes national, regional and historical data on housing activity. In addition, the last four quarterly reports (Q3 2007 – Q2 2008) have focused on the purchase goals of the GSEs, New Market Tax Credits, Home Equity Conversion Mortgages, and the use of income leverage in studying the recent mortgage market turmoil.

Strategic Goal C: Strengthen Communities

Study of Subdivision Requirements as a Regulatory Barrier. This study addresses the regulatory barriers that increase costs during the subdivision of land for single-family detached dwellings. Two distinguishable types of regulatory barriers were identified: a) those that lengthen the time for approval of a subdivision and b) land and site development standards that are more costly than minimum “benchmark” standards selected to provide adequate public health and safety.

Cityscape: A Journal of Policy Development and Research, Vol. 9 No. 3. This issue focuses on the challenges facing communities in planning for and responding to disasters. The goal of the articles is to highlight opportunities for planners to proactively position their communities for increased disaster resiliency. Each paper illustrates actions that can help minimize the effects of disaster on a community. Long-range planning and preparation can strengthen a community’s pre-disaster environment as well as its response during rescue and recovery. Thus, a well-developed plan can position communities to accelerate some recovery aspects through rapid, critical decision-making.

Comprehensive Housing Market Analysis Report. HUD’s Economic and Market Analysis Division prepares Comprehensive Housing Market Analyses that assist and guide HUD in its operations, but also could be useful to builders, mortgagees, and others concerned with local housing conditions and trends. Each analysis takes into consideration changes in the economic, demographic, and housing inventory characteristics of a specific housing market area during three periods: from 1990 to 2000, from 2000 to the as-of date of the analysis, and from the as-of date to a forecast date. The reports present counts and estimates of employment, population, households, and housing inventory. Comprehensive housing market analyses were completed for 18 cities and counties across the nation including Baton Rouge, Louisiana; Memphis, Tennessee; Orange County, California; and Reno, Nevada.

Empowering Local Communities Through Leadership Development and Capacity Building. This report offers practical approaches to developing and managing leadership development and capacity-building initiatives that have been supported by HUD’s Office of University Partnerships. The research was based on a one-year study by program staff. Key approaches that grantees used in their communities include relationship building, leadership development, and service provision.

Regional Approaches to Affordable Housing. This report, prepared by the American Planning Association with funding from HUD and the Fannie Mae Foundation, examines regional planning strategies that enhance the feasibility of affordable housing development and retention. The study identifies successful and promising planning approaches, effective institutional structures, alternative ways of providing financial assistance, and incentives for local governments to address regional housing needs. Among the strategies examined are fair-share programs, state and regional affordable housing trust funds, and private sector approaches.

Review of Regulatory Barriers to Employer Ability to Recruit and Retain Employees. This literature review surveys existing research on the influences of residential development regulation on housing markets, and through them, on businesses, labor markets, and regional economic competitiveness.

Zoning as a Barrier to Multi-family Housing Development. This study, part of HUD's Regulatory Barriers to Affordable Housing research series, examines whether zoning regulations limit the development of multifamily housing. Examination of census data, interviews of land-use experts, and reviews of zoning statutes reveals that the impact of zoning ordinances generally depends on factors such as local housing conditions and regional oversight on local zoning.

Accessory Dwelling Units: Case Study. Communities with land use restrictions or where all available land is used have significant barriers to overcome for increasing the stock of affordable housing. The limited availability of land suitable for development forces community leaders to come up with creative solutions to the affordable housing crisis. Several jurisdictions are now turning to accessory dwelling units -- also referred to as granny flats, accessory apartments, or second units -- as an inexpensive way to increase their housing supply. Restrictive zoning policies are being revised to allow development of these units. However, such policies are often met with community opposition from residents concerned that accessory units will change their neighborhood's character, promote overcrowding, and increase traffic congestion. This case study examines the history and benefits of accessory dwelling units, and highlights six communities that have successfully implemented ordinances to permit them.

Strategic Goal D: Ensure Equal Opportunity In Housing

Evaluation of the 2005 Change in the American Housing Survey (AHS) Income Questionnaire. After redesigning the AHS in 1997, the Census Bureau and HUD compared the income data collected in that survey with those found in the Current Population Survey. That study found that the AHS reported fewer households with non-wage income than the Current Population Survey and that American Housing Survey respondents tended to report self-employment income as wages. In addition, American Housing Survey data users requested that disability-related income sources be reported separately from other sources, to make it easier to count the number of households with disabled persons.

Summary Report: Consumer Testing of Good Faith Estimate Form. During the 2002 - 2007 period, a contractor conducted six rounds of qualitative testing on various mortgage forms to determine how they could be revised to become more consumer friendly. The objective was to increase clarity about added fees, interest rate comparisons across loan types, and the fiduciary roles of lenders and brokers, so that borrowers could become better consumers. The final outcome led to several key improvements to the Good Faith Estimate form, including additional consumer information, loan price comparisons, and important loan dates to note.

Strategic Goal E: Embrace High Standards of Ethics, Management, and Accountability

Quality Control for Rental Assistance Subsidies Determinations: Final Report for FY 2007. This study provides national estimates of the extent, severity, costs, and sources of rent errors in tenant subsidies for the PHA-administered public housing, Section 8 Housing Choice Voucher, and Moderate Rehabilitation programs, as well as owner-administered Section 8 programs. Findings show a continued downward trend in the percentage of errors when compared with results from previous studies. Detailed results are presented elsewhere in this report.

UNITS/HOUSEHOLDS RECEIVING HUD ASSISTANCE

	2005	2006	2007	2008 Actual
Section 8 Low Income Rental Assistance Program:				
Tenant-based assistance a/	2,056,430	2,084,917	2,110,000	2,071,195
Project-based assistance	1,306,740	1,287,529	1,286,662	1,285,331
Total Section 8	3,363,170	3,372,446	3,396,662	3,356,526
Public Housing Program b/	1,177,337	1,172,204	1,155,377	1,140,294
Sub-total	4,540,507	4,544,650	4,552,039	4,496,820
Housing for the Elderly Sec. 202	82,359	86,056	93,925	99,221
Housing for the Disabled Sec. 811	23,243	25,227	26,656	28,014
Tenant-based 811	14,739	14,634	14,836	14,811
Sub-total	120,341	125,917	135,417	142,046
Other Assistance Programs				
Homeownership Assistance Program (Section 235)	6,699	5,573	4,758	4,302
Rental Housing Assistance Program (Section 236)	322,083	318,561	298,046	280,636
Rent Supplement	17,239	16,619	15,041	13,904
Sub-total	346,021	340,753	317,845	298,842
Less estimated number of households receiving more than one form of assistance (double count)	(217,250)	(217,250)	(217,250)	(189,069)
Total, Public and Assisted Housing a/	4,789,619	4,794,070	4,788,051	4,748,639
HOME Tenant-Based Assistance	20,554	23,325	18,172	25,381
HOME Rental Units Completed	33,612	47,598	28,039	23,170
HOME Homebuyer Units Completed	32,307	55,652	34,985	26,790
HOME Existing Homeowners Completed	14,832	16,821	11,221	10,847
HOME Total Households	101,305	143,396	92,417	86,188
CDBG Households (homeownership assistance)	7,530	7,628	6,919	4,521
CDBG Households (owner-occupied rehabilitation)	124,544	131,508	117,830	121,158
Self Help Homeownership Opportunity Program New Homebuyers	2,277	1,868	1,887	1,927
Housing Opportunities for Person With AIDS Households	70,325	67,000	67,850	62,210
Indian Housing Block Grant Households	8,606	8,027	6,168	4,192
Rural Housing & Economic Development	NA	NA	NA	NA
Native Hawaiian Homeland Block Grant Households	72	23	65	95
ADDI (American Dream Downpayment Initiative)	8,894	9,096	6,094	4,209
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	323,553	368,546	299,230	284,500

a/ Figures represent HUD's estimate of funded units. Funded units are the number of units leased during a snapshot in FY 2004 with increases for new tenant protection vouchers. Disaster assistance vouchers are not included.

b/ The calculation used for the PAR has changed to 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.

c/ This number is for the period July 1, 2007 to June 30, 2008. Fourth quarter data were not available in time for publication of the PAR.

NA-Not Available

FINANCIAL MANAGEMENT SYSTEMS

AS OF SEPTEMBER 30, 2008

Total Systems: 42 Total Non-compliant: 2

COMPLIANT SYSTEMS - 40

Office of Administration (2)

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

Office of Chief Financial Officer (14) *

A21 Loan Accounting System (LAS)
A39 HUD Consolidated Financial Statement System (HCFSS) (Hyperion)
A65A Section 235 Automated Validation and Editing (SAVE)
A67 Line of Credit Control System (LOCCS)
A75 HUD Central Accounting and Program System (HUDCAPS)
A91 Consolidated Cost and FTE Files (CCFF)
A96 Program Accounting System (PAS)
D08 Bond Payment System (BONDMAPPER)
D21 Departmental Accounts Receivable Tracking/Collection System (DARTS)
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 (0) *

HIAMS HUD Integrated Acquisition Management System *

Community Planning and Development (2)

C04 Integrated Disbursement & Information System (IDIS)
C38 Special Needs Assistance Program (SNAPS)

Ginnie Mae (1)

P237 Ginnie Mae Financial & Accounting System (GFAS)

* In development; these systems are not included in the total inventory count of 42.

Public and Indian Housing (2)

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

Office of Housing (19)

A43 Single Family Insurance System (SFIS)
A43C Single Family Insurance Claims Subsystem (CLAIMS)
A80B Single Family Premium Collection System-Periodic (SFPCS-P)
A80D Distributive Shares and Refund Subsystem (DSRS)
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 SF Default Monitoring Subsystem (SFDMS)**
F47 Multifamily Insurance (MFIS)
F51 Institution Master File (IMF)
F71 Debt Collection & Assets Management System --Title I Notes (DCAMS)
F72 Title I Insurance and Claims (TIIS)
F75 Multifamily Insurance and Claims (MFIC)
F87 Tenant Rental Assistance Certification System (TRACS)
P013 FHA Subsidiary Ledger (FHA-SL)
P057 Multifamily Delinquency and Default Reporting (MDDR) **

**During FY 2008, 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)