



OFFICE of
INSPECTOR GENERAL
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UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

HUD Did Not Comply with the Payment Integrity Information Act of 2019

Audit Report Number: 2025-FO-0006

May 13, 2025

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Subject: HUD Did Not Comply with the Payment Integrity Information Act of 2019

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our audit of HUD's compliance with the Payment Integrity Information Act of 2019.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, as amended, requires that OIG post its reports on the OIG website. Accordingly, this report will be posted at <https://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call Brittany Wing, Audit Director, at (202) 320-7296.

Highlights

HUD Did Not Comply with the Payment Integrity Information Act of 2019 | 2025-FO-0006

What We Audited and Why

We audited the U.S. Department of Housing and Urban Development's (HUD or the Department) fiscal year 2024 compliance with the Payment Integrity Information Act of 2019 (PIIA) and implementation of Office of Management and Budget (OMB) guidance. PIIA was enacted to prevent and reduce improper payments and requires each agency's inspector general to perform an annual review of the agency's compliance with PIIA. Our objectives were to assess (1) whether HUD had met all the requirements of PIIA and OMB Circular A-123, Appendix C, Requirements for Payment Integrity Improvement, and (2) HUD's efforts to prevent and reduce improper and unknown payments.

What We Found

HUD did not comply with PIIA because it did not report compliant improper and unknown payment estimates for the Office of Public and Indian Housing's Tenant-Based Rental Assistance (PIH-TBRA) program and the Office of Multifamily Housing Programs' Project-Based Rental Assistance (MF-PBRA) program. HUD determined that these programs were susceptible to significant improper and unknown payments based on HUD's own risk assessment. These were HUD's two largest program expenditures, totaling more than \$50 billion in fiscal year 2024. This was the eighth consecutive year HUD has been unable to produce compliant estimates in its PIH-TBRA and MF-PBRA programs. In those 8 years, HUD's expenditures for these two programs were approximately \$315 billion. HUD has been noncompliant with improper payment laws for 12 consecutive years.

These programs present payment integrity challenges because they entail thousands of program administrators outside of HUD processing large volumes of payments using nonstandardized processes, and supporting documentation needed for testing is not maintained at HUD. The lack of a detailed approach to resolve these systemic challenges, including coordination by leadership, has prevented HUD from making the progress needed to achieve compliance. A detailed plan and timeline are not only essential for achieving compliance but are also required by OMB for agencies that have not consistently complied with PIIA. HUD's required non-compliance report was significantly delayed, and it did not include meaningful details on its plan to achieve compliance. The report indicated that HUD requested and received funding for system enhancements, is generally making progress towards compliance, and is exploring a number of statutory and budget proposals. However, the report did not include 1) any proposed statutory changes, 2) details on the progress, 3) how the system enhancement funding would be used to address the issues, 4) actions it plans to take to bring the programs into compliance, or 5) a planned date to achieve compliance.

Finally, we determined that HUD did not comply with the Do Not Pay Initiative (DNP) as required by the Payment Integrity Information Act of 2019 because it did not consistently use DNP for prepayment verification. This occurred in large part because the computer matching agreement between HUD and Treasury, related to DNP, expired in 2019 and has still not been renewed. Additionally, we found HUD's governance of DNP implementation to be weak. Despite the lack of a computer matching agreement, several program offices still used DNP manually to confirm entity eligibility prior to award, but did not



confirm eligibility consistently or effectively for prepayment verification. Therefore, if an entity's status changed after the initial validation was performed, but prior to subsequent payments, HUD would not identify this ineligibility and would therefore disburse payments that could be classified as improper. Without this computer matching process in place and because of weak governance around DNP implementation, HUD's risk of improper payments increased. At least \$212 million of HUD funds were technically improper payments since the funds were paid to at least 11 entities that did not have an active registration on SAM.gov.

What We Recommend

In our prior reports, we made recommendations to develop and execute a detailed plan and timeline to complete all the activities necessary to achieve testing and reporting within the required timeframes, as well as to establish an improper payment council to assist with identifying risks and challenges to compliance for the Department. These recommendations remain open, and we have identified them as priority. We are making new recommendations for HUD's Office of the Chief Financial Officer (OCFO) to update its DNP policies and procedures. We have designated the recommendation to update HUD's DNP policy as a priority recommendation, as it includes defining responsibilities for preaward and prepayment verification, and developing a process and governance structure to ensure that preaward and prepayment verification are consistently performed across HUD's programs.

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Background and Objectives

An improper payment is a payment that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Improper payments erode public trust in government, waste taxpayer dollars, and hinder agencies' efforts to execute their missions and program objectives effectively and efficiently.¹ Improper payments include overpayments, such as overpaying for a good or service, and underpayments, such as not paying the full amount of benefits to, or on behalf of, an eligible family. The term improper payment includes, for example, any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, and any payment that does not account for credit or applicable discounts. An unknown payment is a payment that could be either proper or improper, but the agency is unable to discern whether it is proper or improper as a result of insufficient or the lack of documentation.

The Payment Integrity Information Act of 2019 (PIIA) was enacted in March 2020. PIIA requires agencies to review all programs that outlay more than \$10 million annually and identify those that are susceptible to significant improper and unknown payments, estimate the annual amount of improper payments for each program or activity identified as susceptible, and report those estimates. PIIA also requires agencies to follow the Do Not Pay Initiative (DNP), which requires agencies to match records with Treasury's DNP Working System preaward and prepayment. Preaward is different than prepayment because an award involves signing an agreement for future federal financial assistance payments,² whereas payments are the actual transfer of funding.³ The DNP contains databases with information on death records, incarceration, entities and individuals excluded from doing business with the government as well as credit and debt status. Finally, PIIA also requires each inspector general to determine whether the agency complied with PIIA, including improper payment reporting requirements. On March 5, 2021, the Office of Management and Budget (OMB) issued guidance for implementing PIIA through OMB Circular A-123, appendix C.

OMB requires that agencies review all programs and activities and identify those that are susceptible to significant improper and unknown payments. Programs are considered susceptible to significant improper payments if they are likely to have an annual amount of improper payments plus unknown payments above the statutory threshold, which is (1) both 1.5 percent of program outlays and \$10 million of all program or activity payments made during the fiscal year reported, or (2) \$100 million (regardless of the improper and unknown payments' percentage of total program outlays). Programs above the statutory threshold have additional requirements, such as reporting an annual improper and unknown payment estimate. Agencies are required to produce a statistically valid estimate of the annual improper and unknown payments in such programs and ensure that the improper and unknown payment rate is less than 10 percent for each program and activity. For all programs and activities determined to have significant improper and unknown payments, agencies must publish corrective action plans to prevent

¹ Improper Payments and Fraud: How They are Related but Different, published by the U.S. Government Accountability Office, December 7, 2023.

² Per 2 CFR 200, award means the instrument (grant agreement, cooperative agreement, or other agreement for assistance) setting forth the terms and conditions for the federal financial assistance.

³ Per OMB M-21-19, payment is any transfer of Federal funds (including a commitment for future transfer, such as cash, securities, loans, loan guarantees, and insurance subsidies) to any non-Federal person or entity, that is made by a Federal agency, a Federal contractor, a Federal grantee, or a Governmental or other organization administering a Federal program or activity.

and reduce improper and unknown payments, meet annual reduction targets, and report this information annually in their financial statements and post them on OMB's website, PaymentAccuracy.gov. Programs resulting in monetary losses that exceed \$100 million are considered high-priority and are designated as such by OMB. High-priority programs have further reporting requirements, such as providing OMB with quarterly Payment Integrity Scorecard reports.

HUD's Office of the Chief Financial Officer (OCFO) is responsible for producing a statistically valid estimate of the improper and unknown payments made for programs that HUD determines are susceptible to significant improper and unknown payments and is responsible for the information required in the accompanying materials to the financial statements. While OCFO is the lead office overseeing HUD's actions to address improper payment issues and compliance with the requirements of PIIA, HUD's program offices are responsible for implementing and monitoring controls that ensure payment integrity and providing OCFO with the information it needs to complete testing and reporting requirements.

Under PIIA, the HUD Office of Inspector General (OIG) must annually issue a report on HUD's compliance with PIIA. The compliance report must evaluate and consider the adequacy of HUD's risk assessments, the accuracy of the rate estimates, and whether the sampling and estimation plan is appropriate given the program characteristics. For programs over the statutory threshold, OIGs are required to determine compliance with other requirements, such as corrective actions and reduction targets. However, in fiscal year 2024 HUD did not report a complete estimate; therefore, we could not evaluate HUD's corrective actions and reduction targets. Ultimately, the OIG determines whether HUD does not meet one or more of the requirements, at which point HUD is noncompliant under PIIA.

During fiscal year 2024, HUD identified two programs as susceptible to significant improper and unknown payments. In both programs, program administrators collected various documentation from tenants and performed calculations to determine the Housing Assistance Payment (HAP) amount that HUD will pay on the tenants behalf, as required by law.⁴ The first is the Office of Multifamily Housing Programs' Project-Based Rental Assistance (MF-PBRA) program, including the Section 202 Supportive Housing for the Elderly program and Section 811 Supportive Housing for Persons with Disabilities. Under this program, HUD enters into housing assistance payments contracts with multifamily rental property owners to provide subsidized housing assistance for all or some of the units within a property. HUD pays the difference between the approved rent and what low-income tenants can afford. The contracts can be administered on behalf of HUD by performance-based contract administrators (PBCA), traditional contract administrators (TCA), or State housing finance agencies (HFA).

The second program identified by HUD as susceptible to significant improper and unknown payment was the Office of Public and Indian Housing's Tenant-Based Rental Assistance Program (PIH-TBRA). Under PIH-TBRA, HUD provides local public housing agencies (PHA) with funding for rental subsidies so eligible families can afford safe and sanitary housing. The local PHAs determine the eligibility of families that apply for tenant-based vouchers, execute a housing assistance payments contract with property owners, and make subsidy payments on behalf of HUD and the family.

⁴ 42 U.S.C 1437a-Rental Payments and f- Low-income Housing Assistance describe the legal requirements, along with 24 CFR 5.628- Total Tenant Payment.

For the MF-PBRA, HUD has broken its improper payment testing into two tiers: Payee Tier and Eligibility Tier. HUD defines the Payee Tier as:

- Payments from HUD to a PBCA, TCA, or HFA and payments from contract administrators to property owners/agents based on the existence of a valid contract between all parties.

HUD defines the Eligibility Tier as:

- Payments made by contract administrators to property owners/agents based on the underlying tenant eligibility status and associated housing assistance. In this tier, HUD would obtain supporting documents to determine if the housing assistance payment was for the correct amount based on tenant and unit documentation.

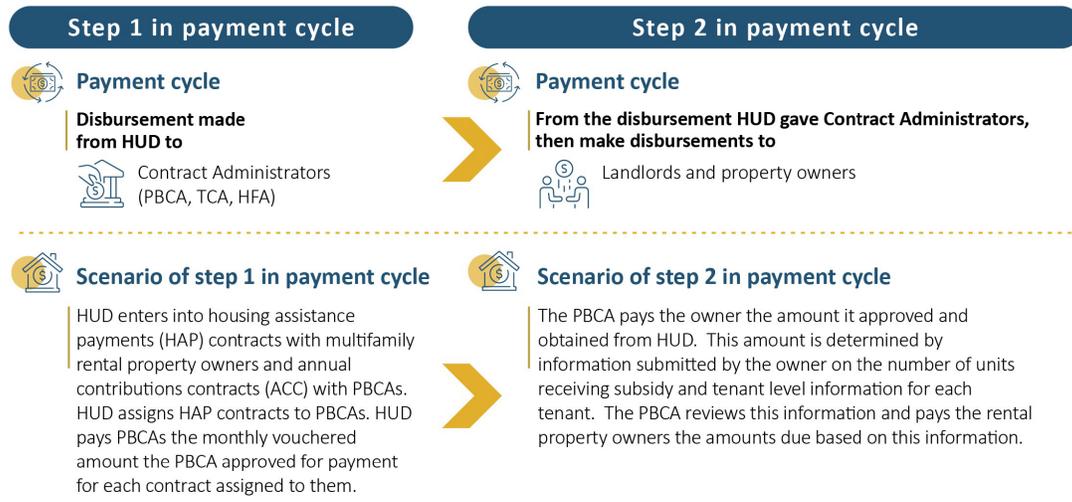
For the PIH-TBRA, HUD was still conducting exploratory testing to determine how it can test its full payment cycle.

For more information on HUD's tiered payments and testing process, see the infographic below:



Understanding HUD's tiered payments and testing process

Payments in HUD programs¹



HUD's Testing Process

Payee Tier - Testing the accuracy and validity of payments from HUD to a Contract Administrator and payments from a Contract Administrator to property owners/agents based on the existence of a valid contract between all parties.

Eligibility Tier - Testing the validity of payments made by Contract Administrators to property owners/agents based on the underlying tenant eligibility status and associated housing assistance.



¹ We completed this graphic to illustrate the process for MF-PBRA payments, however, many of HUD's program have a similar tiered payment structure that involves disbursements from HUD to an entity and then that entity pays another entity.



Our objectives were to assess (1) whether HUD has met all requirements of PIIA and OMB Circular A-123 Appendix C – Requirements for Payment Integrity Improvement and (2) HUD’s efforts to prevent and reduce improper payments.

Results of Audit

HUD Did Not Comply with PIIA Because it Did Not Report Improper or Unknown Payment Estimates For Its High Risk Programs

For the 12th consecutive year, HUD did not comply with Improper Payment laws.⁵ For its FY 2024 payments, HUD reported an estimate for its MF-PBRA program that did not test the eligibility tier of the payment cycle and failed to report an estimate for its PIH-TBRA program. The lack of a detailed approach and plan to resolve HUD's systemic challenges has prevented HUD from making the progress needed to achieve compliance. Without compliant estimates, HUD does not know what the improper payment rates are for PIH-TBRA and MF-PBRA, or whether those rates exceed the statutory threshold. Therefore, HUD was unable to implement OMB requirements for programs above the statutory threshold, such as corrective actions, reduction targets, and demonstrating improvements in reducing the risk of, or actual, improper and unknown payments, and demonstrating improvements to ensure payment integrity. This noncompliance was significant because these are the two largest program expenditures in HUD's portfolio and totaled more than \$50 billion in fiscal year 2024. Consequently, HUD is unable to determine how much of this \$50 billion portfolio was made toward improper payments and is unable to implement corrective actions to mitigate the amount of actual or potential improper payments made in these two programs.

HUD's Overall Compliance Status

In fiscal year 2024, HUD did not comply with PIIA because it reported a noncompliant estimate for MF-PBRA, and it did not produce or report improper and unknown payment estimates for its PIH-TBRA programs. HUD did comply with PIIA in all its programs other than PIH-TBRA and MF-PBRA, as detailed in appendix A. Below is a table showing the PIIA compliance criteria and the status for HUD's two noncompliant programs.

Fiscal Year 2024 Compliance Status Table – Noncompliant Programs

Criteria	PIH- TBRA	MF-PBRA
1a. Published payment integrity information	Yes	Yes
1b. Posted the annual financial statement and accompanying materials	Yes	Yes
2a. Conducted improper payment risk assessments	Yes	Yes
2b. Adequately concluded on the risk assessment	Yes	Yes
3. Published improper and unknown payment estimates	No	No
4. Published corrective action plans	No*	No*
5a. Published an improper and unknown payment reduction target	No*	No*

⁵ PIIA was effective starting in 2021. HUD has not complied with PIIA since inception (4 years non-compliance). HUD also did not comply with prior improper payment laws for 8 consecutive years, including the Improper Payments Elimination and Recovery Act, enacted in 2010.

Criteria	PIH- TBRA	MF-PBRA
5b. Demonstrated improvements	No*	No*
5c. Developed a plan to meet reduction target	No*	No*
6. Reported an improper and unknown payment estimate of less than 10%	No*	No*

*No: OIG was unable to assess these criteria because HUD has not published improper and unknown payment estimates (number 3 in this table), preventing it from assessing and reporting on the other OMB requirements in this table that are designed to improve payment accuracy for programs above the statutory threshold.

HUD Did Not Report Improper and Unknown Payment Estimates for PIH-TBRA and MF-PBRA Programs

Although deemed susceptible to significant improper and unknown payments during fiscal year 2024, HUD did not report improper and unknown payment estimates for the PIH-TBRA in its accompanying materials to its annual financial report. For the MF-PBRA program, HUD reported an estimate that was not compliant because it only included the Payee Tier and did not include the Eligibility Tier, which means the full payment cycle of the MF-PBRA program was not tested. This is the eighth consecutive year that HUD will be unable to report compliant improper payment estimates for the PIH-TBRA and MF-PBRA programs and that deficiency has contributed to HUD’s noncompliance with improper payment laws for 12 consecutive years.

HUD’s testing of the Payee Tier for MF-PBRA included testing that payments (1) went to the correct contract administrator and property, (2) was supported by the owner’s certification and application for a Housing Assistance Payment, (3) covered the correct period, and (4) was supported by valid contracts between all parties (HUD, contract administrator, and property owner). However, HUD’s estimate did not include testing to ensure that housing assistance payments from contract administrators to owners were calculated correctly and supported by tenant-level documentation (Eligibility Tier testing). This testing is required because PIIA’s definition of improper payments includes payments made for an incorrect amount and includes transfers of funds made outside of HUD by organizations administering Federal programs.⁶ In its fiscal year 2024 agency financial report, HUD stated that it tested payment accuracy (Payee Tier) and tenant eligibility (Eligibility Tier). However, HUD acknowledged that it remained unable to complete testing on the Eligibility Tier portion of the MF-PBRA sample.

HUD has stated that it has experienced several challenges in carrying out this testing, such as decentralized payment processes, dated and disparate systems, a large volume of payments, lack of tenant-level payment information at HUD, and manual and nonstandard processes used by program administrators outside of HUD. We reported several of these challenges in our prior audit reports.⁷ We

⁶ PIIA -Section 31 USC 3351- Definitions - (4) “Improper Payments- means any payment that should not have been made or that was made in an incorrect amount.....” and (5) Payment- “the term payment means any transfer or commitment for future transfer of federal funds such as cash, securities, loans, loan guarantees, and insurance subsidies to any non-Federal person or entity or a Federal employee, that is made by a Federal agency, a Federal contractor, a Federal grantee, or a governmental or other organization administering a Federal program of activity.

⁷ 2024-FO-0006, HUD Did Not Comply with the Payment Integrity Information Act of 2019; 2023-FO-0009, HUD Did Not Comply with the Payment Integrity Information Act of 2019; 2022-FO-0005, Compliance With the Payment Integrity Information Act of 2019.

also elevated the issue to the highest level of HUD management through our Management Alert 2024-IG-0001.⁸

The size and structure of the PIH-TBRA and MF-PBRA programs make testing complicated. These programs accounted for approximately two-thirds of HUD's fiscal year 2024 expenditures and have complex payment structures. For example, both programs also have complex eligibility requirements, and substantial parts of program administration have been delegated to thousands of non-Federal administrators.⁹ The greatest risk to payment integrity occurs at the PHA and PBCA level when these entities determine which renters are eligible to receive rental assistance from HUD and then make payments to landlords on HUD's behalf. However, HUD's methodology and testing have not been able to gather the information needed to test the accuracy of the payments that PHAs and PBCAs make on HUD's behalf. The nature of the payment structure that makes testing for improper payments difficult is what makes these programs increasingly susceptible to significant improper payments and the reason why it is important that HUD perform testing of the full payment cycle.

HUD Needs a Detailed Plan and Coordination Across HUD

With such large and complex payment cycles, detailed planning and coordination across HUD and with applicable non-Federal entities is critical. We have made several recommendations in prior reports for HUD to coordinate across programs in order to achieve success with improper payment testing and reporting, including elevating the matter to the highest levels of HUD management and recommending to the then-Deputy Secretary that HUD develop and execute a detailed plan and timeline for both testing and reporting estimates of improper payments in the PIH-TBRA and MF-PBRA programs in compliance with Federal law and OMB guidance. HUD has not developed a detailed plan to achieve compliance.

In the absence of a detailed plan to achieve compliance, we found that both programs continued to experience challenges in fiscal year 2024:

- MF-PBRA – HUD was unable to produce an estimate for the MF-PBRA Eligibility Tier because there was a poor response rate from PBCAs and owners to its data call for supporting documentation. Additionally, the data that were received was incomplete or submitted after the deadline, preventing HUD from reporting an estimate by the required reporting date. We also determined that the population used to develop the sample was flawed because it contained transactions that were submitted to PBCAs but never paid or processed by HUD because the PBCA determined they were submitted in error. This is because HUD used the Claim or requested amount in the Tenant Rental Assistance Certification System (TRACS) instead of the Paid Amount to select their sample.
- PIH-TBRA – HUD did not report an estimate for PIH-TBRA because HUD has not determined how it will obtain the data and documentation needed to conduct its eligibility testing. While PIH has a system that captures tenant-level information, the system did not contain the related payment

⁸ HUD Office of Inspector General Management Alert 2024-IG-0001, Action Is Needed From HUD Leadership to Resolve Systemic Challenges With Improper Payments, issued January 23, 2024

⁹ HUD provides blocks of funding to PHAs and PBCAs to execute its PIH-TBRA and MF-PBRA programs, which then determine tenant eligibility and are responsible for making payments to landlords and owners on behalf of HUD to subsidize millions of tenants.

information. Consequently, HUD lacked a universe of payments made from PHAs to landlords on behalf of tenants. PIH was engaged in different phases of modernizing several of its IT systems, however, there was not a plan that indicated how the system upgrades will address this issue or a timeline for implementation. PIH has indicated that it plans to address this data issue as part of its IT modernization process but has not said how that will occur.

A detailed plan and timeline are not only essential for achieving compliance but are also required by OMB for programs that are continually non-compliant. Agencies that are deemed non-compliant with PIIA for three consecutive years must submit a plan to Congress that describes the steps they will take to become fully compliant. Fiscal year 2023 was HUD's third year of non-compliance with PIIA of 2019, which was enacted in fiscal year 2020 and effective in starting in fiscal year 2021. HUD's third year noncompliance report¹⁰ should have been submitted in June 2024, but it was not submitted to OMB until January 17, 2025, due to delays in HUD's leadership review process. Since fiscal year 2023 was HUD's third consecutive year of noncompliance with PIIA, it was required to submit to Congress, OMB, and the Comptroller General a report including reauthorization proposals, and proposed statutory changes for each noncompliant program. If HUD determined that those two actions would not bring the programs into compliance, OMB requires that the report provide a description and timeline of agency planned actions to bring the programs into compliance.

In its January 2025 report, HUD reported that it requested and received funding for system enhancements and was exploring a number of statutory and budget proposals that would further support its efforts to achieve compliance with PIIA. However, no additional details nor a timeline for such proposals were included in its required report, and it did not explain how the system enhancement funding would address the issues. Consequently, HUD's report did not include the details necessary to fully address the requirements. Additionally, the report did not include reauthorization proposals, proposed statutory changes for each noncompliant program, nor a timeline for when HUD expects the programs will achieve compliance.

Conclusion

For the eighth consecutive year, OCFO was unable to produce compliant MF-PBRA and PIH-TBRA improper and unknown payment estimates, causing HUD to not comply with PIIA. HUD continued to experience challenges in obtaining the supporting documentation needed for its testing and determining an effective approach to conduct testing for both programs. Additionally, HUD did not complete a detailed plan towards compliance or issue its third year noncompliance report with the required elements in a timely fashion. Without estimates, HUD did not know whether its improper payment rate for these programs was below or above the statutory threshold. Therefore, HUD could not implement OMB requirements for programs above the statutory threshold, such as taking corrective actions, reduction targets, and demonstrating improvements. Consequently, HUD is unable to determine how much of the payments towards these combined \$50 billion rental assistance portfolios were improper, and therefore is unable to implement corrective actions to mitigate the root cause behind them. Further, the lack of valid improper and unknown payment estimates limits OMB's ability to determine whether these programs should be designated as high-priority programs, which would require additional actions

¹⁰ As noted in footnote 5, HUD has also been non-compliant with prior improper payment laws, contributing to the 12 years of overall non-compliance.

and reporting requirements. Lastly, not reporting compliant estimates reduces accountability and transparency to Congress and the public.

Recommendations

We did not make new recommendations for this finding because there are existing open recommendations HUD needs address to resolve this issue. Specifically, the recommendation from Management Alert 2024-IG-0001 remains open, along with one recommendation from audit report 2023-FO-0009. These recommend HUD to develop and execute a detailed plan and timeline for testing and reporting estimates within required laws and guidance as well as establish a council of senior accountable officials to work as a collaborative group to identify risks and challenges toward achieving PIIA compliance. These recommendations can be found in the Followup on Prior Audits section of this report.

HUD Did Not Comply with the DNP Initiative as Required by PIIA

PIIA requires that agencies comply with the DNP, which mandates a thorough review of available databases with relevant information on eligibility preaward and prepayment.¹¹ However, HUD did not consistently perform prepayment verification to confirm entity eligibility utilizing relevant databases because HUD's Computer Matching Agreement (CMA) with Treasury expired in 2019. Also, until fiscal year 2024, HUD incorrectly reported on the number of payments that were screened through DNP matching on paymentaccuracy.gov while the CMA was expired. This occurred because of a lack of governance around this process, including a lack of comprehensive departmentwide policies and procedures. Consequently, HUD's risk of making improper payments increased, resulting in payments made to entities with expired SAM.gov registrations that totaled \$212 million of HUD funds, which are technically improper payments.¹² Further, HUD did not comply with DNP as required by PIIA and it missed opportunities to prevent, detect, and reduce improper payments within its programs.

HUD Did Not Consistently Use DNP to Confirm Eligibility Prior to Disbursement

As part of DNP, Treasury developed the Treasury Working System (referred to as DNP), which includes the databases required for matching entity information by PIIA. Per OMB's implementing guidance, agencies are required to use the DNP at a minimum before issuing any payment or award.¹³ However, HUD did not consistently utilize Treasury's DNP to confirm entity eligibility at the time of disbursement because HUD's CMA with Treasury expired in 2019. As of February 2025, staff in all of HUD's major program offices had access to DNP. With the exception of PIH, who reported not using it at all, the other program offices reported that they were using their access to verify eligibility prior to making an award. In addition, some offices were also using it on an ad-hoc basis, however, this was not consistent, nor done prior to each individual payment that was made under the award. Therefore, if an entity's status changed after the initial validation was performed, but prior to subsequent payments, HUD would not identify this ineligibility and would therefore disburse payments that could be classified improper.

The use of DNP is not only required, it is important because it allows HUD to quickly match its entity data to other federal data sets to identify red flags, which strengthens HUD's payment integrity within its programs. For example, one match that is performed is to the System for Award Management (SAM.gov) to ensure entities are registered and not excluded from doing business with the government.¹⁴ Entities are required to renew their registration annually and may be ineligible to receive funds if their

¹¹ Payment Integrity Information Act – Section 3354 (a)(1)(2) and (c)(2). Refer to footnotes 2 and 3 on the difference between an award and a payment.

¹² M-21-19 Requirements for Payment Integrity Improvement OMB A-123 Appendix C – Part I, Section A.2.a, A technically improper payment is a payment to the right recipient for the right amount where the payment process failed to follow applicable statute or regulation.

¹³ M-21-19 Requirements for Payment Integrity Improvement OMB A-123 Appendix C- Part IV, Section E.1 states, "All agencies are required to use the Treasury Working System to support their payment process. At a minimum and before issuing any payment or award, each agency shall review as appropriate the databases within the Treasury Working System to verify eligibility of the payment."

¹⁴ Federal Acquisition Regulations (FAR) requires that each entity that does business with the Federal government obtains a Unique Entity Identifier (UEI) and registers in the System for Award Management (SAM). 2 CFR Part 25 requires that all applicants, recipients, and their direct subrecipients of Federal financial assistance obtain a UEI and register in SAM.gov.

registration has expired. Since HUD was not using DNP consistently at the time of payment, it risked doing business with unregistered and excluded parties.¹⁵ Excluded parties include entities where there is adequate evidence of a lack of business honesty and integrity or other serious issues that affect present responsibility, or are determined ineligible based on regulation, statute, executive order or legal authority.

The fact that HUD was not using DNP was especially problematic because HUD was also not using the controls within its disbursement system designed to check for inactive SAM.gov registrations. Specifically, HUD had not enabled the control that could check for inactive SAM.gov registrations in its Line of Credit Control System (LOCCS) at the time of payment and the control at the point of obligation was temporarily lifted during the Data Universal Numbering System (DUNS) to Unique Entity Identifier (UEI) transition.¹⁶

While several HUD programs verified SAM.gov registration status as part of an annual review, preaward, or at the point of obligation, the matching of the entity to SAM.gov was not always occurring before payments were disbursed for all programs. Therefore, there was an increased risk that HUD was making payments to ineligible entities. This risk materialized in fiscal year 2024 when the OCFO flagged 24 of 131 MF-PBRA samples during its PIIA testing because the federally required UEI number or the SAM.gov registration was not found or had expired. As of February 2025, we found that 11 of 24 (45.8 percent) samples flagged by OCFO still had an expired SAM.gov registration status. Per the Line of Credit Control System (LOCCS), these 11 entities from the sample group provided were paid approximately \$212 million with HUD funds after their registration expired.¹⁷ Active registration is necessary to ensure that entities are eligible to receive federal funding throughout the term of the award.

In addition to the matching that was required for HUD's payments, HUD missed opportunities to use DNP in its program areas to identify improper payments that may have been made outside of HUD. For example, HUD could use DNP to match tenant-level data to better identify payments that should not have been made by contract administrators in its PIH-TBRA and MF-PBRA programs. Although HUD matches tenant-level data to some databases through its Enterprise Income Verification (EIV) system, it is not taking advantage of additional matching that could be identified through matching with DNP databases.

HUD's Inaccurate Reporting of DNP on Paymentaccuracy.gov

The OMB data call for paymentaccuracy.gov reporting requires that each agency report on its use of the DNP and evaluate whether it has reduced improper payments. Although HUD's agreement expired in 2019, this expiration was not acknowledged in HUD's response to OMB until fiscal year 2024. In fiscal year 2024, HUD did not report DNP activity in its response; instead, it acknowledged the lapse of the agreement since 2019, and that DNP was applied inconsistently across HUD. However, for the other years the agreement was not in place, HUD did not indicate that in its reporting. Instead, it improperly reported that it was screening its payments. For example, in its 2023 reporting, it reported that it screened 1.4 million payments totaling \$80.2 billion in fiscal year 2022 and had an observed ineligible party rate of 0 percent.

¹⁵ An individual or entity that is excluded from receiving federal contracts, certain subcontracts, and some types of federal financial and nonfinancial assistance and benefits.

¹⁶ On July 28, 2021, General Services Administration (GSA) announced the transition from using the DUNS as a UEI to a UEI generated by SAM. GSA directed federal agencies to complete their transition to using SAMs Numbers no later than April 4, 2022.

¹⁷ This amount is the total subsidy payments made by HUD for the 11 sample items during the period after their SAM registration expired through February 28, 2025.

Lack of Governance Around the DNP Process

HUD is not in compliance with the PIIA requirement to use DNP for all payments due to an overall lack of governance surrounding the implementation of DNP within HUD's program eligibility and payment processes. Specifically, HUD lacks policies and procedures that implement the requirement to use DNP within the programs eligibility and payment processes. HUD's current DNP policy is outdated and does not define a governance structure surrounding DNP that includes establishment of roles and responsibilities, requirements, and control and monitoring activities across HUD's program and support offices. Specifically, HUD's DNP policy:

- Has not been updated since its initial issuance in 2015 and contains references to the Improper Payments Elimination and Recovery Improvement Act, which was replaced by PIIA in March 2020.
- Does not outline responsibilities for initiating, executing, monitoring, and renewing the CMA with Treasury.
- Conflicts with current practices because it states that program and support offices are responsible for preaward and prepayment checks against DNP. However, the OCFO stated that program offices were only required to perform preaward checks. In current practice, it is not clear who is responsible for performing prepayment checks.

Without a clear process and defined responsibilities, there was not a lead office responsible for ensuring the CMA was renewed before it expired and Departmental policy on this requirement was not regularly updated. This led to HUD not realizing its CMA had expired, delays in the CMA renewal process, and untimely reporting of the issue to OMB, HUD stakeholders and the public. It was not reported on [paymentaccuracy.gov](https://www.paymentaccuracy.gov) until fiscal year 2024. For prior year reporting, HUD was relying on a Do Not Pay Payment Activity Report that it was receiving from Treasury. However, the OCFO accountant did not understand what the report meant and provided it annually to OCFO-Financial Management (FM) for reporting without a full understanding of what it represented and which payments had been matched. The report included a total that appeared to represent that all HUD's payments were being matched; however, the details included in the report did not support this total. Without a full understanding of the report and HUD's matching process, the total was provided to OCFO-FM for reporting.

During fiscal year 2024, HUD's OCFO assumed ownership of the process, and is nearing completion of the final steps to reinitiate the CMA in fiscal year 2025.

Conclusion

HUD did not comply with the Do Not Pay Initiative (DNP) as required by PIIA. HUD's weak governance surrounding the implementation of the DNP requirement across the Department risks HUD's ability to ensure payment integrity across its programs. Ensuring consistent use of DNP allows for an automated instant check on eligibility across the billions of payments HUD processes. Without this process in place, technically improper payments of at least \$212 million in HUD funds were paid to at least 11 entities that did not have an active registration on SAM.gov. Further, beyond the matching that was required for HUD's payments, HUD has missed opportunities to use DNP in its program areas to match tenant-level data to better identify payments that should not have been made by contract administrators in two programs that were susceptible to significant improper payments.

Recommendations

We recommend that the Principal Deputy Chief Financial Officer

2A. Update HUD Handbook 1900.40, Do Not Pay policy, to clearly define the responsibilities for all parties and align it with current laws, processes, and procedures. This should include defining responsibilities for preaward and prepayment verification, and developing a process and governance structure to ensure that preaward and prepayment verification are consistently performed across HUD's programs¹⁸.

2B. Develop a standard operating procedure to ensure that the OCFO is 1) monitoring the DNP Computer Matching agreement to ensure continuity, 2) reporting accurately on its DNP matching, and 3) working with program offices to adjudicate any payments that are identified as potentially improper during the computer matching process.

2C. Work with Multifamily Housing to investigate the 11 of 24 entities with expired SAM.gov registrations to determine if those entities should have received payments totaling \$212,208,450 and perform the required follow-up actions once a determination is made.

In audit report 2023-FO-0009, we recommended that the OCFO, "1A. Establish an improper payment council within HUD that consists of senior accountable officials from across the Department with a role in the effort that would work to identify risks and challenges to compliance and identify solutions as a collaborative group." If implemented, we believe this recommendation would also address the governance issues cited in this report.

¹⁸ We have designated this recommendation as a Priority Recommendation for HUD.

Agency's Overall Efforts to Prevent and Reduce Improper and Unknown Payments

HUD made progress in fiscal year 2024, however significant efforts are needed to bring HUD into compliance with PIIA. From an agencywide perspective, HUD is in compliance with the risk assessment requirements and has assessed all its programs within the last three years. The risk assessment identified the following programs as susceptible to significant improper payments: the PIH-TBRA and MF-PBRA programs. Therefore, these programs were the focus of our audit.

We acknowledge HUD's progress in determining an estimate for the MF-PBRA program's Payee Tier. In prior years, HUD did not produce an estimate. In fiscal year 2024, HUD tested the Payee Tier, which included testing that payment (1) went to the correct contract administrator and property, (2) was supported by the owner's certification and application for Housing Assistance Payment, (3) covered the correct period, and (4) was supported by valid contracts between all parties (HUD, contract administrator, and property owner). However, the MF-PBRA sampling methodology for determining the Eligibility Tier population was flawed and efforts to collect all documentation for testing were unsuccessful. While HUD spent resources completing Payee Tier testing for its MF-PBRA program in fiscal year 2024, HUD could not provide evidence that it has made progress towards improving data collection efforts to produce estimates for the eligibility tier in future years.

In terms of PIH-TBRA, HUD could not provide evidence that it made any progress toward compliance in fiscal year 2024. For this program, HUD stated that it cannot make any progress towards compliance without IT system modernization. However, HUD's actions to develop and implement a technology modernization plan, with a focus on PIIA compliance, were in the early stages and will require additional investment to have a significant impact on compliance.

HUD's inability to perform eligibility testing for the 8th consecutive year is particularly concerning. This consistent challenge prevents HUD from identifying root causes that could result in improper payments and implementing mitigating actions to ensure funds are awarded to eligible parties and for the correct amount. These steps are essential to prevent, identify, reduce, and recover improper payments.

Scope and Methodology

We conducted our audit of HUD's compliance with PIIA for fiscal year 2024 (October 1, 2023 – September 30, 2024) from October 2024 through March 2025 in Washington, DC. At the direction of OMB, we followed OMB Circular A-123 (21-19) guidance on the OIG's responsibility in determining compliance with PIIA, OMB Circular A-136, and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) guidance required under PIIA. OMB Circular A-123, appendix C, part VI, states the following:

Each fiscal year, the agency is responsible for ensuring it has met the requirements to achieve compliance with PIIA. The OIG is responsible for evaluating the agency's compliance and efforts to prevent and reduce improper and unknown payments. The IG [inspector general] is responsible for submitting a report on its compliance determination, recommendations for improvement, and evaluation of the agency's efforts to prevent and reduce improper and unknown payments.

If a program does not meet one or more of the following requirements, then it is not compliant under PIIA. An agency is considered to be not in compliance under PIIA if it has one or more programs that are found non-compliant with PIIA.

- 1a. Published Payment Integrity information with the annual financial statement.
- 1b. Posted the annual financial statement and accompanying materials on the agency Website.
- 2a. Conducted IP risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years.
- 2b. Adequately concluded whether the program is likely to make IPs and UPs above or below the statutory threshold.
3. Published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the annual financial statement.
4. Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.
- 5a. Published an IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement.
- 5b. Demonstrated improvements to payment integrity or reached a tolerable IP and UP rate.
- 5c. Developed a plan to meet the IP and UP reduction target.
6. Reported an IP and UP estimate of less than 10% for each program for which an estimate was published in the accompanying materials to the annual financial statement.

To accomplish our audit objective, we reviewed

- Requirements contained in the applicable Federal laws; regulations; OMB Circular A-123 (M-21-19), appendix C; the Payment Integrity Information Act of 2019 (Pub. L. 116-117); and in the CIGIE guide for improper payment audits.

- HUD’s fiscal year 2024 Annual Financial Report (AFR) and the accompanying materials (paymentaccuracy.gov).
- HUD’s policies and procedures to understand the controls in place for preventing, reducing, recovering, and accurately reporting on improper payments.
- HUD’s fiscal year 2024 improper payments risk assessments, which identified the programs that were assessed and those that were considered susceptible to improper payments.
- HUD’s responses to our questions regarding the process used to comply with PIIA for the two noncompliant programs: MF-PBRA and PIH-TBRA.
- HUD’s records and documents to support information published in the AFR and accompanying materials (paymentaccuracy.gov).

The scope of our internal control testing included controls over the preparation of the payment integrity section of HUD’s AFR and accompanying materials (paymentaccuracy.gov) and consisted of gaining an understanding of the controls in place, requesting evidence of implementation, and evaluating the reasonableness of the controls. We also obtained an understanding of the internal controls to identify, prevent, and detect improper payments in the two programs HUD deemed susceptible to significant improper payments (PIH-TBRA and MF-PBRA). However, since both programs did not produce an improper payment estimate, we were not required to test corrective actions, and we could not determine if the controls in these programs were adequate.

We also met with appropriate personnel within (1) OCFO responsible for overseeing HUD’s improper payments program and (2) program offices responsible for internal controls over the two programs deemed susceptible to improper payments.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective(s).

Followup on Prior Audits

Action Is Needed from HUD Leadership to Resolve Systematic Challenges with Improper Payments, 2024-IG-0001

We recommended that the Deputy Secretary

Develop and execute a detailed plan and timeline for both testing and reporting estimates of improper payments in the PIH-TBRA and PBRA programs in compliance with Federal law and OMB guidance.

This is a priority open recommendation. Addressing this recommendation would have had a positive impact on our current audit objectives: (1) whether HUD has met all requirements of PIIA and OMB Circular A-123 Appendix C – Requirements for Payment Integrity Improvement and (2) HUD’s efforts to prevent and reduce improper payments. A final action target date has not been established for this recommendation because HUD has not yet proposed a management decision.

HUD Did Not Comply with the Payment Integrity Information Act of 2019, 2023-FO-0009

We recommended that the Chief Financial Officer

1A. Establish an improper payment council within HUD that consists of senior accountable officials from across the Department with a role in the effort that would work to identify risks and challenges to compliance and identify solutions as a collaborative group.

This is a priority open recommendation. Addressing this recommendation would have had a positive impact on our current audit objectives: (1) whether HUD has met all requirements of PIIA and OMB Circular A-123 Appendix C – Requirements for Payment Integrity Improvement and (2) HUD’s efforts to prevent and reduce improper payments. A final action target date has not been established for this recommendation because OCFO has not provided an acceptable proposed management decision.

Appendixes

Appendix A – Compliance Status Table

Program name	1a. Published payment integrity information	1b. Posted the annual financial statement and accompanying materials	2a. Conducted improper payment risk assessments	2b. Adequately concluded on the risk assessment	3. Published improper and unknown payment estimates	4. Published corrective action plans	5a. Published improper and unknown payment reduction target	5b. Demonstrated improvements	5c. Developed a plan to meet the reduction target	6. Reported an improper and unknown payment estimate of less than 10%
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Noncompliant programs

PIH-TBRA	Yes	Yes	Yes	Yes	No	No*	No*	No*	No*	No*
MF-PBRA	Yes	Yes	Yes	Yes	No	No*	No*	No*	No*	No*

*Note: As described in finding 1, although these programs were deemed susceptible to significant improper payments, HUD did not publish improper and unknown payment estimates. As a result, HUD and OIG were not able to determine whether HUD needed to implement corrective plans and reduction targets or fulfill the criterion of achieving an improper payment rate of less than 10 percent. Based on the history of improper payments in these programs, we believe there is a high likelihood that HUD’s improper and unknown payments are above the statutory threshold. However, HUD’s noncompliance with criterion 3 prevented it from assessing and reporting on the other OMB requirements in this table that are designed to improve payment accuracy for programs above the statutory threshold.

Compliant programs

Office of Community Planning and Development (CPD)

CPD-Harvey, Irma, Maria	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Capacity building	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Community Development Block Grant (CDBG)	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Home Investment Partnerships	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Homeless Assistance Grants	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Housing Opportunities for Persons with AIDS	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A

<i>Program name</i>	<i>1a. Published payment integrity information</i>	<i>1b. Posted the annual financial statement and accompanying materials</i>	<i>2a. Conducted improper payment risk assessments</i>	<i>2b. Adequately concluded on the risk assessment</i>	<i>3. Published improper and unknown payment estimates</i>	<i>4. Published corrective action plans</i>	<i>5a. Published improper and unknown payment reduction target</i>	<i>5b. Demonstrated improvements</i>	<i>5c. Developed a plan to meet the reduction target</i>	<i>6. Reported an improper and unknown payment estimate of less than 10%</i>
Housing Trust Fund	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
CDBG Disaster Recovery (DRAA)-Sandy	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
CDBG-DR (Louisiana, Texas, West Virginia, Hurricane Ike, other disasters)	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Project-Based Section 8-Renewal of Expiring Sec. 8 Mod Rehab Single Room Occupancy	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Self-Help Homeownership Opportunity Program	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Community Project Funding - Community Project/Congressional Funding	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Housing – Federal Housing Administration										
Single-family claims	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Federal finance bank direct loans	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Home Equity Conversion Mortgage (HECM) claims	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
HECM notes	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Multifamily insurance claims	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Multifamily notes	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Single-family property	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Other disbursements	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Fair Housing and Equal Opportunity										

<i>Program name</i>	<i>1a. Published payment integrity information</i>	<i>1b. Posted the annual financial statement and accompanying materials</i>	<i>2a. Conducted improper payment risk assessments</i>	<i>2b. Adequately concluded on the risk assessment</i>	<i>3. Published improper and unknown payment estimates</i>	<i>4. Published corrective action plans</i>	<i>5a. Published improper and unknown payment reduction target</i>	<i>5b. Demonstrated improvements</i>	<i>5c. Developed a plan to meet the reduction target</i>	<i>6. Reported an improper and unknown payment estimate of less than 10%</i>
Fair Housing Assistance Program	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Fair Housing Initiative Program	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Government National Mortgage Association										
Master servicer default activity	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Housing – Multifamily										
Section 811 Housing for Persons with Disabilities (project rental assistance contract and capital advance)	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Rental Housing Assistance Program - Section 236	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Housing counseling assistance	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Housing for Special Populations- capital advance portion of expenditures, Section 202	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Salaries & expenses										
Salaries & expenses (agency level)	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Administrative										
Program offices – other contractual services	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Office of Inspector General – other contractual services	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Office of Healthy Homes and Lead Hazard Control										
Lead hazard reduction	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A

<i>Program name</i>	<i>1a. Published payment integrity information</i>	<i>1b. Posted the annual financial statement and accompanying materials</i>	<i>2a. Conducted improper payment risk assessments</i>	<i>2b. Adequately concluded on the risk assessment</i>	<i>3. Published improper and unknown payment estimates</i>	<i>4. Published corrective action plans</i>	<i>5a. Published improper and unknown payment reduction target</i>	<i>5b. Demonstrated improvements</i>	<i>5c. Developed a plan to meet the reduction target</i>	<i>6. Reported an improper and unknown payment estimate of less than 10%</i>
Office of Policy Development and Research										
Research and technology	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
PIH										
Project-Based Rental Assistance, Section 8 Moderate Rehabilitation	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Choice Neighborhoods Initiative	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Family Self-Sufficiency Program	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Indian Community Development Block Grants	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Native American Housing Block Grants	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Public Housing Capital Fund	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A
Public Housing Operating Fund	Yes	Yes	Yes	Yes	N/A	N/A	N/A	N/A	N/A	N/A

Appendix B – Schedule of Questioned Costs

Table 1. Schedule of Questioned Costs

Recommendation Number	Ineligible 1/
2C	\$212,208,450
Totals	\$212,208,450

1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.

Appendix C – Auditee Comments and OIG’s Evaluation

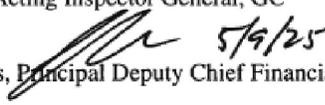
Auditee Comments



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410

May 9, 2025

MEMORANDUM TO: Stephen Begg, Acting Inspector General, GC

FROM: Irving L. Dennis,  5/9/25, Principal Deputy Chief Financial Officer, F

SUBJECT: HUD Response to Draft Payment Integrity Audit Report

HUD appreciates OIG's recognition of progress in our Payment Integrity workstreams, including Risk Assessment, Payment Recapture Audit, and OMB reporting.

HUD acknowledges longstanding challenges with manual processes and outdated systems that hinder effective financial oversight. Significant improvements were achieved during the prior Trump Administration, notably obtaining the Department's first clean audit in years, bringing three of six high-risk programs into compliance with payment integrity standards, and positioning the fourth high-risk program to reach compliance in fiscal year 2021. However, efforts to address the remaining two programs were not prioritized under the Biden-Harris Administration, leaving the two high-risk rental assistance programs untested and with unresolved issues.

This new leadership team has reinvigorated our commitment to remediating issues and modernizing technology, particularly within federal assistance programs. Our leadership has already identified control deficiencies that will be addressed through technology, automation, and process improvements.

Our goal is to develop a more efficient, accountable, and transparent HUD, ensuring comprehensive oversight of federal funds. We remain committed to ongoing improvements to strengthen Payment Integrity and oversight across all programs.

www.hud.gov

OIG Evaluation of Auditee Comments

We appreciate HUD's commitment to ongoing improvements to strengthen payment integrity and oversight across all of its programs. We look forward to working with HUD during the audit resolution process and in future efforts to move HUD forward to full payment integrity compliance.