TOP MANAGEMENT AND PERFORMANCE CHALLENGES

Facing the
U.S. Department of Housing
and Urban Development



FY 2027

Memorandum

October 15, 2026

To: The Honorable Scott Turner
Secretary, S

From: Brian D. Harrison
Acting Inspector General, G



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Date: 2026.10.15 14:14:05 -04'00'

Subject: Top Management and Performance Challenges Report

Attached to this memorandum is the Office of Inspector General's (OIG) report on the top management and performance challenges facing the U.S. Department of Housing and Urban Development (HUD) in Fiscal Year 2027. We identified these challenges based on the evidence obtained through our oversight work and our learned assessment of the actions HUD has been taking in its programs and operations to address these issues and execute on its mission of supporting affordable housing solutions throughout the United States. By statute, this report is required to be included in HUD's Agency Financial Report.

This year's report identifies three overarching challenges that we believe continue to represent the most pressing concerns for HUD:

- Protecting Taxpayer Funds and Programs from Fraud, Waste, and Abuse
- Ensuring the Availability of Affordable and Quality Housing
- Improving Business Operations: Modernizing IT Systems and Streamlining Procurement

These are not new challenges for HUD, and our work shows that HUD is taking steps to overcome some of the obstacles and is developing plans to respond to those that remain. As HUD moves forward with executing its plans and its mission of supporting access to affordable, quality housing, we hope this report will aid HUD in its efforts to improve program effectiveness, enhance business operations, and address the significant challenges it faces.

We look forward to continuing to work with HUD to analyze and respond to these important issues in the year ahead.

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Protecting Taxpayer Funds and Programs from Fraud, Waste, and Abuse

One of the most significant challenges HUD faces is safeguarding taxpayer funds and the programs they support from fraud, waste, and abuse. HUD's programs are vast and complex, and HUD relies on many entities, such as public housing agencies (PHA) and private landlords, to provide the assisted housing services that those programs are designed to deliver. In addition to vouchers and rent subsidies, HUD also supports housing needs through grant programs that award billions of dollars to private organizations, state and local governments, and nonprofit entities for disaster recovery, economic development support, and homelessness. Often, these entities redistribute the funds to subrecipients, or subgrantees, and create a layered assembly of organizations responsible for managing HUD dollars and delivering housing services. Because the work, the money, and the related data and information are scattered across tiers of entities, HUD has been challenged with monitoring how grantees, subgrantees, and housing providers spend and utilize HUD resources and execute the programs. HUD's aging technology systems and slow modernization efforts appear to exacerbate this challenge and hamper HUD's ability to provide needed oversight, responsibly manage grants, and protect taxpayer funds from fraud and waste.

In March 2026, the President issued Executive Order 14395, establishing a Task Force to Eliminate Fraud and calling on HUD, among other federal agencies, to develop and implement a measurable plan for detecting, preventing, and reducing fraud across HUD programs.[1] In response to this Executive Order, HUD developed an anti-fraud plan, highlighting categories of actions it will take to improve its stewardship of taxpayer dollars and strengthen its internal controls for financial management. Among several, the most striking actions HUD identified include rectifying issues with payment integrity; deploying tools and technology that expand the collection of data needed to identify fraud; and increasing efforts to hold housing providers accountable by suspending and debarring them from receiving federal funds.

Although HUD characterized these actions as responsive to the March 2026 Executive Order, HUD's effort to better detect fraud had been underway since early 2025, when its Office of the Chief Financial Officer (OCFO) began developing Project HUGS. Project HUGS is a tool and a technology platform intended to (1) centralize across all HUD grant programs the collection and review of data, such as financial evidence for all grantee and subgrantee spending; and (2) leverage Super Intelligence (SI) and machine learning to monitor the data for fraud, waste, and abuse patterns and to automate compliance monitoring. Thus far, HUD has piloted Project HUGS in two program offices, testing its feature for automated monitoring of grant payments and identifying improvements with data accuracy and a reduction of manual reconciliation.

Still in its early stages, Project HUGS appears to represent an important step in HUD becoming a better steward of taxpayer funds. Deploying Project HUGS and institutionalizing it and other planned anti-fraud actions throughout the enterprise will require strong and consistent leadership, robust training for HUD

[1] See Executive Order 14395, *https://www.whitehouse.gov/presidential-actions/2026/03/establishing-the-task-force-to-eliminate-fraud/*.

staff and housing providers, and a heightened focus on addressing several recurring issues the OIG has continued to identify in its audit and investigative work. These issues include estimating and preventing improper payments; avoiding wastefulness in mutual mortgage insurance and other funds; and developing comprehensive fraud risk management frameworks. As HUD takes steps to manage and resolve these issues, HUD will be able to better ensure that taxpayer funds are supporting the critical housing needs for eligible Americans and are not wasted on ineffective programs or worse, end up in the pockets of fraudsters.

Estimating and Preventing Improper Payments

The Payment Integrity Information Act of 2019 (PIIA) requires that HUD estimate improper payments in programs that are susceptible to significant improper payments.[2] For the 9th consecutive year, HUD has been unable to produce estimates that comply with PIIA for its two largest and highest-risk housing assistance programs—Tenant-Based Rental Assistance (TBRA) and Project-Based Rental Assistance (PBRA).[3] Although in 2025 HUD used data matching to identify particular risk areas in these programs, moving into Fiscal Year (FY) 2027, HUD still has not developed a detailed plan for how it will assess, test, and estimate the volume of housing assistance payments which may be "improper." The U.S. Office of Management and Budget (OMB) requires agencies with programs that are continually noncompliant with PIIA, like HUD, to establish such a plan, and the plan would be a critical step for HUD to demonstrate progress toward achieving compliance with the law.

The OIG's work over the past year is illustrative of the breadth of the issues with improper payments at HUD. For instance, a recent OIG audit of the TBRA program projected an estimate of at least $1.430 billion of improper payments for FY 2025.[4] Examining a similar period, an audit of the PBRA program projected an estimate of at least $1.291 billion of improper payments.[5] Both audits showed that HUD heavily relies on tens of thousands of non-federal entities—such as PHAs, Project-Based Contract Administrators (PBCA), owners, and landlords—to ensure that housing assistance payments are made correctly. Yet, HUD does little monitoring to detect and address errors in the calculations of the payments, including when providers make mistakes and fail to comply with program requirements for determining tenant income, rent, and utility allowances; miss steps in reexamining tenant eligibility; and fail to maintain required supporting documentation for eligibility.

The OIG's audits also showed that HUD faces significant barriers that impair its ability to monitor for and estimate improper payments in TBRA and PBRA, including complicated formulas for calculating rental assistance amounts, a lack of access to data, and insufficient technology. As designed, TBRA and PBRA programs have complex eligibility and income requirements and involve tedious housing assistance payment calculations that are comprised of several elements and entail verification from third parties

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[2] 31 U.S.C. § 3301 et seq. Payment Information Act of 2019-Public Law 116-117-3351-Definitions. Improper payments are those that should not have been made or were made in incorrect amounts. *See* 31 U.S.C. § 3351.
[3] HUD OIG. (2025). *HUD Did Not Comply With the Payment Integrity Information Act of 2019 for FY 2025*. TBRA and PBRA accounted for approximately two-thirds, or $55.7 billion, of HUD's annual program expenditures in FY 2025. HUD. (2025). HUD's FY 2025 Agency Financial Report. Consolidated Statement of Net Cost and Note 20: Suborganization Program Costs. In 2016, the last year when HUD produced an estimate that complied with PIIA, HUD reported approximately $1.7 billion in improper payments for these programs. HUD OIG. (2024). *HUD Did Not Comply With the Payment Integrity Information Act of 2019*.
[4] HUD OIG. (2026). *HUD's Public and Indian Housing Tenant-Based Rental Assistance Program Had Significant Improper Payments*.
[5] HUD OIG. (2026). *HUD's Multifamily Project-Based Rental Assistance Program Had Significant Improper Payments*.

and manual computations.[6] In addition, PHAs, PBCAs, and other non-federal program administrators maintain tenant-level payment information and supporting data in systems that reside outside of HUD, and HUD also does not have its own effective platforms for collecting the underlying materials or payment calculations necessary to make certain that these entities legitimately spend taxpayer funds on TBRA and PBRA housing assistance. Exploring solutions to this challenge, HUD introduced Project Voucher, a tool intended to provide verification that the non-federal entities properly enforce rental assistance rules.[7] While Project Voucher remains in a conceptual stage, the OIG is cautious to title it a one-stop solution to HUD's multi-year non-compliance with PIIA. Still, the OIG looks forward to monitoring HUD's plans and progress for Project Voucher.

Beyond TBRA and PBRA, the OIG's audits also showed that other HUD programs appear to be similarly high-risk for improper payments.[8] In particular, our work showed that HUD's disaster recovery and homelessness programs, both of which receive grants through HUD's Office of Community Planning and Development (CPD), exposed to fraud and waste at least $150 million in taxpayer funds that were paid without proper verification or assurances. Specifically, one audit found that a New York City grantee, prematurely and without required documentation of the underlying expenses, drew $87 million in HOME ARP funds, and a City of Anaheim grantee drew $5.7 million HOME and HOME ARP funds, immediately after the federal funds freeze in January 2025.[9] An audit of a disaster recovery grantee in Puerto Rico found $50.5 million in unsupported costs.[10] An additional audit of a New York City grantee receiving Emergency Solutions Grant CARES Act funds for homelessness found that the entity could not adequately support expenses of more than $10.4 million, and two other audits of ESG CARES Act grantees in Honolulu and California found over $2 million in improper and unknown payments.[11]

Finally, to overcome its payment integrity challenges, HUD must also comply with the Do Not Pay (DNP) Initiative, a U.S. Department of the Treasury's tool that allows HUD to run automated, instant verification checks to prevent issuing payments to recipients who are not eligible to receive them.[12] This has been a challenge for HUD as it previously lacked governance around this initiative. In August 2026, after the issuance of our PIIA audit report[13], HUD issued its new *Do Not Pay Policy,* establishing clear responsibilities, governance, and automated system interfaces. This was a big step for HUD, and it closed two of our prior open recommendations, one of which was a priority open recommendation.

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[6] HUD OIG. (2026). *HUD's Public and Indian Housing Tenant-Based Rental Assistance Program Had Significant Improper Payments*; HUD OIG. (2026). *HUD's Multifamily Project-Based Rental Assistance Program Had Significant Improper Payments*.

[7] The OIG acknowledges that legislative action will be required to simplify or amend TBRA and PBRA's formulas for calculating rental assistance payments.

[8] OMB requirements consider a program high-risk when it is susceptible to more than $100 million in improper and unknown payments annually. OMB Memorandum M-21-19 "Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement", effective March 5, 2021.

[9] HUD OIG. (2026). *HOME and HOME ARP Draws Made Near Hold in Federal Funding Were Premature and Improper Payments*

[10] HUD OIG. (2026). *The Puerto Rico Department of Housing Could Improve its Community Energy and Water Resilience Installations Program*

[11] HUD OIG. (2026). *The New York City Department of Social Services Made Payments with its ESG CARES Act Funds that Could Not Be Determined As Proper; HUD OIG. (2026). The City and County of Honolulu Made Some Improper Payments in its ESG CARES Act Program*.

[12] See 31 U.S.C. § 3301 et seq. Payment Information Act of 2019-Public Law 116-117-3351; See 31 U.S.C § 3354(b) Do Not Pay Initiative

[13] HUD OIG. (2026) *HUD Did Not Comply With the Payment Integrity Information Act of 2019 for FY 2025*.

Fully implementing this policy should help HUD ensure governance around the DNP Initiative and dramatically improve HUD's DNP posture. As HUD was still working through challenges in this area in fiscal year 2026, it reported on this in its FY 2025 Agency Financial Report, and the OIG found that for the first 6 months of FY 2026, HUD did not consistently verify whether entities to whom it made payments had active SAM.gov registration status and/or Unique Entity Identifiers.[14] Active registration is necessary to ensure that entities are eligible to receive federal funding throughout the term of an award. Although HUD is now working on a method to ensure grantees renew their SAM.gov registration, our audit found that HUD's lack of pre-payment status verification resulted in payments being made to entities who may have been ineligible to receive them, exposing over $2 billion taxpayer dollars to risks of fraud and waste and inviting questions about funds being misspent.

Protecting Against Wastefulness in HUD's Mutual Mortgage Insurance and Other Funds

Another area where HUD can make improvements to better safeguard taxpayer funds involves the Mutual Mortgage Insurance (MMI) Fund. One OIG audit found that HUD's National Servicing Center did not service all due and payable partial claims in accordance with regulations and policies.[15] The lack of servicing increased the risk that the Federal Housing Administration (FHA) would not be able to collect on the debts, negatively impacting the stability of the MMI Fund. Another audit showed that the MMI Fund could lose $258 million because an estimated 1,237 borrowers could be at risk of default on their reverse mortgages if they end up being unable to pay out of pocket for certain costs that HUD had predicted could be covered by their Life Expectancy Set Asides.[16] A third audit found that HUD's Section 232 residential care facility program was not promptly mitigating financial risks reported in troubled borrowers' financial statements. Reviewing four portfolios, we found that lenders may be eligible to make insurance claims for 58 of 84 loans, potentially costing HUD and the MMI Fund more than $329.5 million.[17] These audits support HUD placing a focus on identifying actions it will take to safeguard the MMI Fund from paying for unnecessary and preventable costs.

The OIG also assessed HUD's progress toward protecting funds from waste by closing out grant obligations. We found that HUD has moved ahead with closing out newer obligations but has not focused on addressing significantly aged obligations. A recent audit showed that HUD had more than 1,000 inactive obligations that have had periods of inactivity ranging from 5 to 43 years.[18] Sampling 100 obligations, the audit showed that 60 should have been deobligated and, by not doing so, HUD allowed $149.4 million to remain obligated for purposes that no longer existed or could not be supported. Promptly deobligating unneeded funds is an important aspect of safeguarding taxpayer dollars from waste and ensuring that the funds are not misused for ineligible activities.

Developing and Utilizing Robust Fraud Risk Management Frameworks

Without comprehensive access to data and financial information to better monitor the spending of funds, HUD risks the integrity of housing assistance programs and exposes billions of dollars to potential waste, mismanagement, and fraud schemes by intentional actors. The OIG's investigations have identified mortgage origination schemes in which loan officers, real estate agents, title companies,

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[14] HUD OIG. (2026). *HUD Did Not Comply With the Payment Integrity Information Act of 2019 for FY 2025*.
[15] HUD OIG. (2026). *HUD Did Not Correctly Service all Due and Payable Partial Claims*.
[16] HUD OIG. (2026). *HUD Underestimated Rising Property Charges for an Estimated 1,237 HECM Borrowers*.
[17] HUD OIG. (2026). *HUD Did Not Always Address Risks Reported in Borrowers' Audited Financial Statements for Section 232 Residential Care Facility Portfolios*.
[18] HUD OIG. (2027). *HUD's Monitoring of Significantly Inactive Obligations Needs Improvement*.

appraisers, and other parties submitted falsified documents, causing the FHA to insure single-family and multifamily loans under false circumstances.[19] These illegal acts prompted financial institutions to approve loans and associated fees based on inaccurate data, resulting in defective mortgages that negatively impact borrowers' liability and lenders' financial stability.

The OIG also uncovered instances of public corruption involving government officials, contractors, and employees of grantee organizations engaging in bribery, kickbacks, embezzlement, bid-rigging, and other improper allocation of grant resources meant for program administration.[20] Other investigations showed that individuals and organizations attacked grant funds through procurement fraud schemes, manipulating how contracts and awards are distributed, or stealing and misusing HUD grant funds for personal gain.[21] These schemes frequently involved steering contracts to parties with whom the perpetrators had a financial conflict of interest or securing contracts in exchange for bribes or kickback payments.[22] Collectively, these schemes diverted taxpayer resources for personal gain and undermined the integrity and efficacy of HUD programs.

One mechanism for addressing fraud that HUD highlighted in its anti-fraud plan is increasing efforts to hold entities and individuals accountable for misusing HUD funds by suspending and debarring them from receiving funds in the future. Suspensions and debarments can be an effective tool in safeguarding taxpayer funds by keeping the money away from known and suspected bad actors. The OIG looks forward to HUD institutionalizing this tool throughout its program offices such that every HUD employee has the skills and ability to identify entities and individuals whose stewardship of taxpayer dollars may need to be terminated.

In conjunction with other anti-fraud actions HUD has been taking, the OIG's work again supports HUD continuing to develop and incorporate comprehensive fraud risk management frameworks into its business processes. In 2022, the OIG found that HUD was in the early stages of developing a fraud risk management program and needed to perform an agency-wide fraud risk assessment and better integrate anti-fraud practices across all its programs.[23] In response, some HUD program offices have completed fraud risk assessments, developed plans for identifying and managing fraud risks, and have begun taking action to timely detect fraud and prevent it from occurring, such as incorporating relevant training topics during meetings with grantees to educate them about fraud, conducting limited financial reviews of grantees whose practices exhibit fraud indicators, and referring entities with suspicious

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[19] U.S. Attorney's Office (USAO), Middle District of Florida. (2026, July 2). Former Florida Resident Sentenced to 20 Years in Federal Prison for Appraisal Fraud [Press Release]; USAO, Middle District of Florida. (2026, July 28). Clermont Mortgage Consultant Pleads Guilty in Bank Fraud Scheme [Press Release].

[20] USAO, Central District of California. (2026, January 23). Executive Director of South L.A.-Based Charity Arrested on Federal Complaint Alleging $23 Million Swindle of Homelessness Funds [Press Release]; USAO, District of New Jersey. (2026, June 3). Former Newark Deputy Mayor and Director of the Newark Department of Economic and Housing Development Sentenced to Prison for Scheming to Obtain Bribes [Press Release]; USAO, Central District of California. (2026, September 16). 2 Defendants Employed at L.A.-Area Homeless Nonprofits Arrested on Federal Charges Alleging Misuse of Millions of Taxpayer Dollars [Press Release]

[21] USAO, Northern District of Texas. (2025, August 6). Former Amarillo Employee Sentenced to 18 Months in Federal Prison for Embezzling HUD Program Funds [Press Release]; USAO, District of New Mexico. (2026, July 8). Former Santa Fe Nonprofit Executive Agrees to Pay $735,000 to Resolve HUD Grant Fraud Allegations [Press Release].

[22] USAO, Southern District of Texas. (2026, June 1). Porter Woman Admits to Fraud, Threats and Assault After Fraudulently Receiving $435,000 New Home [Press Release].

[23] HUD OIG. (2022). *Improvements are Needed in HUD's Fraud Risk Management Program*.

activity to HUD OIG for investigation. Still, most offices appear to have remained in the early stages of implementing changes to their fraud risk management processes, and HUD has not completed an agency-wide fraud risk assessment or plan. Under these circumstances, HUD's efforts of managing fraud risks across the enterprise appear fragmented.

In sum, HUD can make great progress in protecting taxpayer funds from fraud, waste, and abuse by estimating and preventing improper payments; avoiding wastefulness in the MMI and other funds; and building robust fraud risk management frameworks. Moreover, the OIG looks forward to learning how HUD grows and leverages Project HUGS and Project Voucher to have better access to the right data and information, educates grantees about the new data reporting, trains HUD's workforce on leveraging the reported data for effective monitoring, and sustains continued support of these endeavors into the foreseeable future.

Ensuring Access to Affordable and Quality Housing

In many communities across the United States, housing is not affordable for low- and middle-income families, either to rent or own. With a stated priority of reducing barriers to affordable, quality housing, HUD is dually challenged with monitoring housing providers and ensuring that they (1) fully utilize the available housing resources and (2) upkeep HUD-assisted properties such that they are functionally adequate, operable, and free of hazards.[24]

Echoing earlier sections of this report, HUD is best positioned to address these challenges by being comprehensive and timely in its oversight of providers and property conditions, modernizing housing information systems, and improving the accuracy of data residing on its platforms. As HUD executes on its commitment to expand access to affordable and safe housing, the OIG's work described below can aid HUD's focus throughout FY 2027.

Optimizing the Use of the Limited Stock of Affordable Housing and Program Resources

A recent OIG audit found that many PHAs have struggled to turn over vacant units to house more families and ended up with occupancy rates below HUD's optimal levels.[25] This audit showed that the average unit turnover time for 11 of the 15 sampled PHAs ranged from 242 to 1,113 days in 2025. The audit highlighted that although HUD generally tracks public housing occupancy rates, HUD did not monitor the conditions of vacant units and still does not require that those units undergo inspections by HUD's Real Estate Assessment Center (REAC). The OIG recommended that HUD expand its monitoring of vacant units to assess unit conditions for compliance with standards and to monitor the timeliness of PHAs' unit turnovers. If HUD implements these recommendations, HUD will better assist PHAs with optimally using available housing resources to maximize the number of eligible low-income families they serve.

Another OIG audit showed that HUD did not design its Section Eight Management Assessment Program (SEMAP) to adequately measure whether PHAs effectively administered their Housing Choice Voucher (HCV) programs.[26] Specifically, this FY 2023 audit showed that SEMAP's metrics did not allow HUD to assess if PHAs assisted the "maximum number" of eligible families with obtaining affordable and decent rental units at the correct subsidy cost—a key component of a successful HCV program. Several years after the audit, two recommendations have remained open, including one that urges HUD to enhance SEMAP's performance measures or explore the development of a new system that will identify PHAs with underperforming HCV programs. Meanwhile, in FY 2025, HUD spent more than $38 billion in HCV funds intended to provide housing assistance to very low-income families, the elderly, and the disabled—but still has not designed measures to assess whether PHAs efficiently manage their HCV programs.

HUD can also ensure that its HCV and public housing programs maximize the number of eligible tenants they serve by strengthening requirements for PHAs to check tenant eligibility at regular reexamination

[24] HUD's FY 2026 Annual Performance Plan.
[25] HUD OIG. (2026). *PHAs and HUD Remain Challenged to Improve and Sustain Optimal Occupancy in Public Housing to Maximize Families Served.*
[26] HUD OIG. (2023). *HUD's Section Eight Management Assessment Programs*.

periods. Three OIG audits of PHAs in Washington, DC, Chicago, and Los Angeles[27] showed that the PHAs differed in their practices of conducting follow-up criminal background and citizenship checks after initial program admission and also made errors in initial admission checks that allowed lifetime sex offenders and ineligible non-U.S. citizens to participate in the programs. HUD's Secretary sent a letter to all PHAs in November 2025 stating that they must monitor assisted households to remove individuals that pose a threat to safety and continuously monitor for criminal activity. However, without a specific requirement for background checks at recertification, monitoring is left up to PHA discretion. Errors in initial checks, coupled with a lack of follow-up checks, increased the likelihood that PHAs, and HUD, did not take steps to ensure compliance with laws nor know when tenants potentially became ineligible for HUD-assisted housing because of changes in criminal history or immigration status.

In parallel with the OIG's audits that call on HUD to improve its monitoring of PHAs, the OIG's investigations showed that financial fraud and other unlawful conduct by housing providers can compound HUD's challenge of optimizing the use of program resources for the delivery of affordable housing. For instance, the OIG uncovered cases where landlords and PHA staff took advantage of HUD and the economically vulnerable populations HUD serves by charging inflated rents or housing fees and by engaging in acts of sexual harassment or abuse.[28] To address these issues, close collaboration between HUD, the OIG, and the U.S. Department of Justice (DOJ) is essential for holding these providers accountable for their actions.[29]

Moving forward, comprehensive oversight, appropriate measures of program performance, and the right technological solutions will help HUD ensure that the existing and new housing providers take all the steps necessary to maintain, and possibly increase, the inventory of affordable housing. Reducing barriers to affordable housing for more eligible tenants will create greater self-sufficiency and build stronger communities across the nation.

Addressing Health and Safety Hazards in HUD Housing

In addition to making certain that providers fully utilize the available housing resources, HUD is also responsible for holding providers accountable for maintaining HUD-assisted properties such that they are functionally adequate, operable, and free of health and safety hazards.[30] The aging housing stock demands that HUD and housing providers remain vigilant in monitoring property conditions to prevent taxpayer funds from being spent on units that pose risks to the American people. For years—due to ineffective IT systems, delayed technology deployment, and leadership failures oversight—HUD has faced persistent challenges with ensuring timely inspections of properties and holding housing providers

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[27] HUD OIG. (2026) *Interim Results on PHA Crime Prevention and Tenant Eligibility Determinations*, *The Housing Authority of the City of Los Angeles Did Not Always Ensure Tenants Met Eligibility Requirements*, *The Chicago Housing Authority Could Improve Its Controls Over Tenant Eligibility and Crime Prevention*, *District of Columbia Housing Authority Needs Improvements in Its Eligibility Screening Process for Housing Assistance Programs*

[28] HUD OIG. (2024). *Landlord Overcharging Section 8 Tenant Fraud Scheme* [Work Start Announcement]; HUD OIG. (2023). *Sexual Harassment in Housing is ILLEGAL. Fair Housing is your RIGHT*; USAO, Eastern District of Virginia. (2024, December 18). *Hampton landlord who racially harassed and evicted tenants sentenced to 17 years in prison* [Press Release].

[29] Office of Public Affairs, U.S. Department of Justice. (2025, February 13). *Justice Department Secures $360,000 Settlement in Sexual Harassment Lawsuit Against New Mexico Property Manager and Apartment Complex* [Press Release]; Office of Public Affairs, U.S. Department of Justice. (2024, November 19). *Justice Department Sues Kentucky Rental Property Manager and Owners for Sexual Harassment* [Press Release].

[30] 24 C.F.R. § 5.703(a).

accountable for addressing identified deficiencies and hazards, especially those related to lead. Although HUD has made some improvements more recently, HUD continues to face significant obstacles when it comes to monitoring the physical conditions of properties in its portfolio. The OIG's work described below illustrates HUD's challenges in this regard, and HUD should consider leveraging this work as it strives to expand access to affordable, quality housing.

Of primary significance is the OIG's work showing that HUD's ability to effectively monitor the physical conditions of properties is dependent on timely inspections, access to complete and accurate data, and active engagement with housing providers to ensure that they comply with HUD's inspection standards.[31] As of October 2026, HUD had not yet resolved a 2023 recommendation related to an OIG audit finding that REAC, which oversees the inspections process, did not have adequate policies, procedures, and controls to ensure that public housing properties, including those designated as high priority, were inspected timely.[32] HUD informed the OIG that funding approvals and other resources delayed HUD's ability to complete system enhancements to the NSPIRE system, which has contributed to HUD's inability to close this recommendation. A subsequent OIG audit found that although HUD implemented the National Standards for the Physical Inspection of Real Estate (NSPIRE) standards for inspections in 2023, HUD has not yet inspected all properties utilizing those standards.[33] Further, because HUD had not secured a contract for the operation and maintenance support of the Public Housing Assessment Subsystem (PHAS), HUD struggled to compute and/or issue overall assessment scores for rural and small PHAs. As a result, HUD was unable to identify when the properties maintained by these PHAs needed to undergo future inspections because they did not designate small and rural PHAs as Troubled.

Another aspect of ensuring that HUD-assisted properties are safe from hazards relates to collecting complete and accurate data on the physical conditions of properties converted to Project-Based Vouchers (PBV) and Project-Based Rental Assistance (PBRA) under the Rental Assistance Demonstration (RAD) program. Last year, the OIG highlighted two audits finding that HUD performed limited monitoring of the physical conditions of RAD PBV and PBRA projects because HUD either (1) did not have a system to collect and maintain information about the physical and financial conditions of PBV properties, affecting nearly 101,000 units as of June 2024, or (2) did not have staffing capacity to perform oversight of PBRA and FHA-insured PBV projects, affecting more than 90,000 units as of March 2024.[34] Most of the 22 recommendations for improvement the OIG made in these audits remain open.

A different OIG audit of the Housing Authority of the City of New Orleans found that the housing authority did not have sufficient oversight of housing inspections and expended taxpayer funds on HCV

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[31] On May 11, 2023, HUD published the final rule "Economic Growth Regulatory Relief and Consumer Protection Act: Implementation of National Standards for the Physical Inspection of Real Estate" to strengthen HUD's standards for physical conditions of properties and align and consolidate inspection regulations used to evaluate HUD housing across multiple programs. *See* 88 Fed. Reg. 30442 (2023).

[32] HUD OIG. (2023). *Improvements Are Needed To Ensure That Public Housing Properties Are Inspected in a Timely Manner*.

[33] HUD OIG. (2026). *HUD Did Not Effectively Implement the Requirements for the Timing of Inspections Under NSPIRE*.

[34] HUD OIG. (2025). *HUD's Office of Public and Indian Housing Needs to Improve Its Oversight of Non-FHA-Insured PBV Projects Converted Under RAD*; HUD OIG. (2024). *HUD's Office of Multifamily Needs To Improve Its Oversight of PBRA and FHA-Insured PBV Properties Converted Under RAD*.

program units that did not meet HUD's standards for quality housing.[35] This is a recurring issue for HUD, and this finding is consistent with the OIG's prior work showing that PHAs in HUD's HCV program, as well as those in the public housing program, have struggled with conducting appropriate unit inspections under the Uniform Physical Condition Standards (UPCS) and Housing Quality Standards (HQS) inspection protocols.[36] If, as discussed above, HUD were to implement the OIG's outstanding recommendation concerning SEMAP, HUD would achieve greater oversight and strengthen its ability to assess whether housing providers , like the Housing Authority of the City of New Orleans, are vigilant in monitoring property conditions of HUD-assisted housing.

Finally, as the OIG reported in several past work products and in the FY 2026 Top Management and Performance Challenges report, HUD continues to be challenged by oversight gaps in the management of lead-based paint and documentation of lead-based paint testing and abatement performed. This issue is especially concerning because lead exposure can severely impact the health of HUD tenants, in particular children, for whom even minimal blood lead levels may result in life-altering consequences. Recent OIG audits found that two PHAs did not properly manage lead-based paint in their public housing units.[37] These audits showed that the PHAs could not confirm that the developments they represented to be exempt from the requirements of the Lead Safe Housing Rule did not, in fact, contain any lead-based paint. More alarming, children with elevated blood lead levels (EBLL) lived at one of the developments, and both PHAs had confirmed cases of children with EBLLs but their units had either not undergone environmental investigations or the investigations had identified lead-based paint hazards in their units and the hazards had not been properly addressed. The audits also showed that both PHAs did not consistently perform timely lead-based paint visual assessments and did not provide accurate lead-based paint disclosures to tenants residing in their public housing units.

Moving ahead, HUD can assist more eligible tenants have greater access to affordable and quality housing by 1) ensuring that housing providers optimally use their limited stock of housing resources and maintain records of lead-based paint inspections and abatement, 2) improving timeliness of unit inspections, expanding access to accurate information on unit conditions, and 3) holding housing providers accountable for failing to abide by HUD policies and standards. Once more, making enhancement and modernizing housing information systems will allow HUD to better monitor housing providers and reduce the hazards that exacerbate the shortage of housing that is safe and affordable for eligible Americans.

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[35] HUD OIG. (2026). *The Housing Authority of New Orleans Did Not Always Comply With HUD's Requirements for Its Housing Choice Voucher Program*. Although HUD has generally transitioned away from using housing quality standards for property inspections and now uses the NSPIRE standards, HUD allowed PHAs that administer the HCV program to make such a transition by February 1, 2027. Federal Register Notice, 90 FR 46911.

[36] HUD OIG. (2026). *The Boston Housing Authority Did Not Always Comply With HUD's and Its Own Requirements for Its Public Housing Program Units*; HUD OIG. (2026) *The Boston Housing Authority Did Not Always Comply With HUD's Requirements for Its Housing Choice Voucher Program Units*; HUD OIG. (2026). *Jackson Housing Commission Did Not Provide Decent, Safe, or Sanitary Public Housing at Chalet Terrace;* HUD OIG. (2026). *The Columbus Metropolitan Housing Authority, Columbus, OH, Did Not Always Comply With HUD's Requirements for Its Housing Choice Voucher Program Units*

[37] HUD OIG. (2026). *The Buffalo Municipal Housing Authority Did Not Have Adequate Oversight of Lead-Based Paint in Its Public Housing; HUD OIG. (2026);* HUD OIG. (2026). *The Housing Authority of Baltimore Did Not Have Adequate Oversight of Lead-Based Paint in its Public Housing*.

Improving Business Operations: Modernizing IT Systems and Streamlining Procurement

HUD and the OIG are aligned in noting that HUD needs secure, robust, and twenty-first-century information technology (IT) systems to conduct comprehensive monitoring of housing providers, identify fraud and waste in the spending of grant funds, and ensure that eligible families have access to affordable properties that are safe from health and safety hazards. Over the past year, HUD prioritized the design and development of Project HUGS, a data-focused platform and tool for identifying fraud across HUD programs; continued to mature its information security program; grew its customer engagement and collaboration with program offices; and began deploying Super Intelligence (SI) solutions. With a smaller workforce and budget uncertainties, these efforts are commendable. Even so, HUD remains challenged with ensuring that its networks and applications are most ready to withstand breaches and cyberattacks and, as highlighted in the earlier sections of this report, modernizing the capabilities of several systems critical to HUD's mission. Furthermore, HUD continues to grapple with complex and fragmented procurement processes that delay the acquisition and renewal of IT contracts and compromise efforts to modernize and protect aging systems or obtain new IT solutions.

Turning to the topic of network and systems security, a recent OIG evaluation of HUD's compliance with the Federal Information Security Modernization Act of 2014 (FISMA) found that HUD needed to implement additional cybersecurity controls to better protect its platforms.[38] Specifically, our evaluation showed that although HUD was in the process of implementing controls required by the National Institute of Standards and Technology (NIST) Special Publication 800-53 Rev. 5, some systems, including systems that support HUD's operations and mission, did not meet federal security oversight requirements. Additionally, in fiscal year 2026, some of HUD's systems had expired authorization to operate (ATO) certificates. Federal guidelines require agencies to regularly review and validate the security posture of their information systems to ensure appropriate risk management. HUD has since reported that all of its FISMA-reportable systems have a current ATO certificate; however, the challenge going forward is maintaining continuous authorization and oversight across HUD's system inventory, which is essential to the increasing overall concerns about effective governance of its information security program.

By contrast, the same FISMA evaluation showed that HUD made improvements in implementing multifactor authentication in some of its systems through the Enterprise Identity and Access Management (eICAM) program.[39] A robust eICAM program is critical in today's IT landscape because it provides strong systems access controls by verifying identities, assigning privileges, and continuously monitoring for unauthorized access and data leakage. Our evaluation showed that HUD deployed an eICAM pilot, onboarded nearly 100,000 users and brought approximately 100 systems into eICAM. Still, until HUD can onboard the remaining 270 systems, these systems will lack the necessary cybersecurity measures, like multifactor authentication.

[38] See HUD OIG's FY 2026 Annual FISMA CyberScope Report, issued July 30, 2026. The OIG has determined that, due to its sensitive nature, this report is not appropriate for public disclosure.
[39] See HUD OIG's FY 2026 Annual FISMA CyberScope Report, issued July 30, 2026. The OIG has determined that, due to its sensitive nature, this report is not appropriate for public disclosure.

Another component of improving IT security controls that HUD began remediating involves the HUDUSER system. This system makes available various publications and datasets to HUD staff and the public. The OIG's evaluation of HUDUSER's security controls identified four significant website security weaknesses that, if exploited, could disrupt system access and compromise data.[40] Addressing the findings of this evaluation, HUD began remediating the weaknesses in HUDUSER and expressed an intent to initiate similar security enhancements across other systems.

Finally, with respect to protecting data, our work showed that HUD remains challenged in its ability to determine the amount of personally identifiable information (PII) it has, including lacking an automated process to inventory that information.[41] In 2024, the OIG recommended that HUD develop data policies and procedures for data inventory, categorization, and labeling, and this recommendation remains open.

As HUD progresses with strengthening the security of its systems, modernizing platforms, and bringing forward new IT tools, it should consider the extent to which changes to its IT project management practices and business operations would enhance these efforts. Managing IT projects at HUD has been a shared responsibility between the Office of the Chief Information Officer (OCIO), the Office of the Chief Procurement Officer (OCPO), and program offices. The overlap and interdependence of responsibilities have resulted in some discord between these teams and have created a continuing lack of ownership and accountability for leading IT projects, overseeing contractor performance, and ensuring efficient and effective procurements.

Illustrative of these issues is an ongoing OIG review that found significant delays in HUD's efforts to modernize IMS-PIC and VMS, two essential platforms that HUD's Office of Public and Indian Housing relies on to administer and monitor the largest rental assistance programs.[42] HUD acknowledged that ineffective project management practices, including issues with holding contractors accountable for meeting milestones and producing deliverables, contributed to the delays in updating these systems. That said, multiple contract lapses and a wholesale pause on obligating any development and modernization funds for system updates have entirely impaired HUD from completing the work to expand the systems' capabilities. As had been planned when the modernization efforts first began in FY 2019 and FY 2021, the added capabilities would improve collection of data related to income eligibility verifications, housing inventory and inspections, subsidy and voucher payment calculations, and compliance with laws and regulations. This information is critical to HUD's ability to protect taxpayer funds from fraud and ensure that HUD accurately expends its affordable housing resources on tenants eligible to receive them.

HUD and the OIG agree that HUD's internal operations, including procurement practices, need to be improved. Although HUD has shifted some of its procurement actions to the General Services Administration, OCPO told the OIG that it is taking steps to implement the OIG's recommendation for creating a centralized acquisition tracking system.[43] The system is expected to streamline procurement processes and provide operational transparency by enabling real-time tracking of requirements,

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[40] HUD OIG. (2026). *The HUDUSER System Had Exploitable IT Security Weaknesses*.
[41] HUD OIG. (2024). *HUD Personal Identifiable Information Risk Management in a Zero-Trust Environment*.
[42] "IMS-PIC" is the *Inventory Management System/Public and Indian Housing (PIH) Information Center*. "VMS" is the Voucher Management System.
[43] HUD OIG. (2021). *HUD's Processes for Managing IT Acquisitions*.

contracts, and performance metrics across HUD's acquisition activities. Addressing another area of recognized risks in its operations and another OIG recommendation, in July 2026, HUD shared with the OIG a comprehensive human capital plan intended to guide recruitment and skill development of IT acquisition staff to ensure the teams are better equipped to support HUD program offices' IT needs.[44] Growing the sophistication and knowledge base of HUD's human IT capital will undoubtedly assist HUD in its continued efforts to upgrade existing systems and acquire new solutions. Finally, HUD has reported positive feedback on the pilot testing of its SI tool and the SI chat bot available on its external website. In addition, HUD is exploring opportunities for program offices to identify manual processes to be converted to SI. Taking these steps will bring HUD closer to closing the gap between its smaller workforce, the existing IT capabilities, and HUD's ability to execute its mission–and in FY 2027, the OIG will plan to assess HUD's progress in leveraging SI in its business processes.

As HUD continues to make strides to modernize its IT and streamline its business operations, it will make greater gains by focusing on building governance around converting manual processes to SI, completing upgrades to several cornerstone systems, and ensuring that its teams have clear lines of ownership around IT projects. With careful planning and focused improvements to internal operations and business processes, HUD can bring its IT systems into compliance with cybersecurity regulations, better monitor housing providers, and be a better steward of taxpayer funds.

[44] HUD OIG. (2021). *HUD's Processes for Managing IT Acquisitions*.

Appendix – HUD's Response