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and Related Agencies

"HUD Management Issues"

Testimony of
The Honorable David A. Montoya
Inspector General
Office of Inspector General
U.S. Department of Housing and Urban Development

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Chairman Latham, Ranking Member Pastor, and Members of the Subcommittee, I am David Montoya, Inspector General of the U.S. Department of Housing and Urban Development (HUD). Thank you for the opportunity to discuss the Department's management challenges and my Office's oversight of its programs.

The Department's primary mission is to create strong, sustainable, inclusive communities and quality, affordable homes for all. HUD seeks to accomplish this mission through a wide variety of housing and community development grant, subsidy, and loan programs. Additionally, HUD assists families in obtaining housing by providing Federal Housing Administration (FHA) mortgage insurance for single-family and multifamily properties. It relies upon many partners for the performance and integrity of a large number of diverse programs. Among these partners are cities that manage HUD's Community Development Block Grant funds, public housing agencies that manage assisted housing funds, HUD-approved lenders that originate and service FHA-insured loans, Government National Mortgage Association (Ginnie Mae) mortgage-backed security issuers that provide mortgage capital, and other Federal agencies with which HUD coordinates to accomplish its goals. HUD also has responsibility for administering disaster assistance programs which has evolved substantially over the years. It also has assumed a prominent role in administering new mortgage assistance and grant programs in response to the Nation's financial crisis, to increases in foreclosures, and to declining home values.

Achieving HUD's mission continues to be an ambitious challenge for its limited staff, given the agency's diverse programs, the thousands of intermediaries assisting the Department, and the millions of beneficiaries of its housing and development programs. The continuing national credit and financial crisis is having a profound impact on departmental operations. Proposed and new program changes have introduced new risks and enforcement challenges. HUD is an important spoke to the Nation's housing industry in that FHA-insured mortgages finance approximately one-fourth of all home purchases in the United States.

I want to acknowledge that since becoming the Inspector General on December 1, 2011, I have had open and honest dialogues with Secretary Donovan on the management challenges that the Department faces and on the work my office has done to bring these matters to his attention. I meet regularly with him and his key staff on areas of concern.

Last year, I spoke about the Department and Office of Inspector General working collaboratively to achieve a historical result in the national mortgage settlement of more than $25 billion - the largest consumer financial protection settlement in U.S. history. We are building on that success and have undertaken an initiative to review fraudulent loan originations made by some of the nation's largest mortgage companies in the FHA program. These endeavors showcase the accomplishments that we have undertaken not only with the Department, but working closely with the Department of Justice. While I continue to support our activities relating to this review, I also endeavor to manage my limited resources to provide proper oversight of the many other programs and operations within the Department.

Financial Health of the FHA Insurance Fund

The Mutual Mortgage Insurance (MMI) Fund is the largest of the Federal Housing Administration's (FHA) four mortgage insurance funds. The Fund consists of a system of accounts used to manage FHA's single-family mortgage insurance programs. The Cranston-Gonzalez National Affordable Housing Act of 1990 mandated that the MMI Fund maintain a capital ratio of two-percent from October 1, 2000 forward. The capital ratio is defined as the ratio of the Fund's economic value to its insurance-in-force. The economic value essentially represents capital that is in excess of the amount needed to cover anticipated losses. The capital ratio has been below this required two percent level for the past four years, and each year has seen a further decline in the ratio to the point where, based on the latest actuarial study in November of last year, the ratio has fallen below zero to (negative) 1.44 percent. This represents a negative economic value of $16.3 billion. FHA has increased premiums and taken other steps to restore the financial health of the Fund. Nevertheless, based upon FHA's deteriorating financial condition, last month, the Government Accountability Office (GAO) included FHA concerns in its "high risk" area relating to "Modernizing the U.S. Financial Regulatory System and Federal Role in Housing Finance."

While I acknowledge the Department's actions to address the Fund's finances, my office remains concerned about whether the actions are enough to make up for the losses FHA has sustained and to reach the required two-percent level in a timely manner. For example, FHA is now using credit scores as part of the eligibility requirements for FHA loans. As of October 2010, borrowers with credit scores below 500 are no longer eligible for FHA insurance, and the maximum loan-to-value ratio for borrowers with credit scores between 500 and 579 is 90 percent. At the time these changes were being proposed, we expressed our overall support, but also took the position that the changes did not go far enough and would likely have minimal impact on the MMI Fund in terms of bringing in additional premiums. Loans for borrowers with credit scores below 580 were less than one percent of new activity. Moreover, the 580 credit score threshold is well into what is traditionally considered subprime territory in the conventional marketplace with 620 being the usual demarcation for subprime. A higher down payment requirement at the 620 level would force borrowers to have more personal stake and financial exposure which would have a more meaningful impact, to protecting the Fund, due to the larger volume of loans at this level.

By law, HUD has to pay the claim on a defaulted FHA-insured mortgage but can then go back to the lender that underwrote the loan to recover losses incurred if it finds that the loan was ineligible for insurance. The OIG has noted in past audits HUD's unnecessary exposure when paying claims on loans that were not qualified for insurance. In addition, FHA has been slow to implement a rigorous claim review process and to go back to the lenders to recover losses instead relying primarily on a strategy to focus efforts on loans that had not reached claim status. FHA recently agreed to review all loans where a claim was paid within the first 24 months. This takes on even greater importance in light of the significant amount of claims projected to be filed by lenders in the coming months and of HUD's current limited capacity for reviewing submitted claims.

In the early part of 2011, the OIG, in partnership with the Department and the U.S. Department of Justice (DOJ), initiated a number of mortgage lender reviews whereby statistical samples were drawn of claims, defaults, and all other loans in order to determine the accuracy and due diligence of the underwriters of FHA loans by a number of the largest lenders nationwide. Our results to date have shown high percentages of loans reviewed containing multiple significant deficiencies that should not have been underwritten. The reviews completed to date have resulted in a total of $1.24 billion in civil settlements for alleged violations of the False Claim Acts and for failure to fully comply with FHA requirements. The loan level reviews my office has been conducting, and which have resulted in large civil fraud settlements with major lenders, is on the order of what we would expect HUD to be doing for itself as an inherent program responsibility.

FHA states that its current losses are primarily from loans made from 2007 to 2009 and continues to project that the current and future years' books of business will be profitable and make up for these past years' losses. However, what we have seen in the past four years is a troubling trend whereby the point at which the Fund is expected to reach its mandated capital level is pushed farther into the future. In the fiscal year 2009 independent actuarial study, it was predicted that by the end of fiscal year 2011, the MMI Fund's capital ratio would be 1.74 percent, and that the Fund would meet the two-percent mandate sometime during fiscal year 2012. In the following three years, that forecast has changed dramatically as the capital ratio has continued to move in the wrong direction and is now negative and, in addition, we now have concerns about the fiscal year 2010 and 2011 books of business as the profitability appears to be lower than budgeted.

Based on current projections, the capital ratio is not projected to reach the two-percent level until 2017. Moreover, these estimates are heavily influenced by the pace at which housing prices will recover. Any additional slowdown in our nation's housing market will increase FHA losses and further delay FHA's ability to meet its statutorily-mandated two-percent requirement. We continue to work with FHA to ensure that they are instituting sound risk management and lender oversight practices. My office continues to stress that the FHA actuarial model is complicated and difficult to audit, use, and employ for risk management and strategic planning purposes. We continue to recommend modeling at the midterm or on a quarterly basis which we believe would provide the FHA a better basis for timely policy corrections and assessing the actuarial value of the Fund.

The Department also continues to face challenges in ensuring its single-family programs benefit eligible participants and is not paying improper claims. In a recent review of FHA's pre-foreclosure sale program, OIG identified that FHA did not always pay claims for only those pre-foreclosure transactions that met the criteria for participation in the program. This condition occurred because HUD did not have adequate controls to enforce the program requirements and requirements were not well written. Specifically, FHA relied entirely on the lenders in approving borrowers for the program, and did not provide lenders with detailed instructions for reviewing borrower assets. As a result, the FHA insurance fund may have taken unnecessary losses while borrowers, who may otherwise have been able to sustain their obligations, were inappropriately relieved of their debt using FHA insurance fund reserves. FHA has agreed that existing program policy and lender execution against that policy is inconsistent. In response to our recommendations to improve alignment and ensure that the long-term interest of the FHA insurance fund are met, FHA is working toward (1) introducing a streamlined program approval policy based on loan characteristics and borrower credit profile, and (2) specifying income documentation requirements for the income deficit test that must be met for borrowers that do not meet the streamlined requirements.

Financial Management Systems

Since fiscal year 1991, OIG has annually reported on the lack of an integrated financial management system, including the need to enhance FHA's management controls over its portfolio of integrated insurance and financial systems. We continue to report that HUD's financial management systems did not substantially comply with the Federal Financial Management Improvement Act of 1996, which encourages agencies to have systems that generate timely, accurate, and useful information with which to make informed decisions and to ensure accountability on an ongoing basis

The lack of an integrated financial system impedes HUD's ability to generate and report the information needed to both prepare financial statements and manage operations on an ongoing basis accurately and in a timely manner. A financial management system includes the core financial systems and the financial portions of mixed systems necessary to support financial management, including, automated and manual processes, procedures, and controls, data, hardware, software, and support personnel dedicated to the operation and maintenance of system functions. Because of inherent system limitations and weaknesses, HUD continues to rely on costly, labor intensive and inefficient compensating procedures to prepare its annual financial statements and other financial reports. This situation could negatively impact HUD's ability to perform required financial management functions and efficiently manage financial operations of the agency, which could translate to lost opportunities for achieving mission goals and improving mission performance. Consequently, we have classified HUD's continued lack of an integrated financial management system as a material weakness, which is a downgrade from prior years.

In fiscal year 2003, the Department initiated the HUD Integrated Financial Management Improvement Project (HIFMIP) to modernize its financial management system. HIFMIP was expected to result in the creation of the HUD Integrated Core Financial System (ICFS). The original scope of HIFMIP was to encompass all of HUD's financial systems, including those supporting FHA and Ginnie Mae. However, the FHA and Ginnie Mae portions were put on hold as a result of review by the Office Management and Budget (OMB). The scope of the project was further reduced to replace only two of the five financial management systems that HUD uses to accomplish the core financial system functions. Unfortunately, HUD did not properly plan and manage the implementation of ICFS. The initial HIFMIP vision document was initiated in 2003 and issued in 2004. The contract was awarded in September 2010. Before executing the HIFMIP contract, HUD implemented new core financial systems at FHA and Ginnie Mae to address some of the weaknesses that OIG previously identified. At the time the contract was awarded, we reported that HUD had not updated project information and expressed concerns that this would negatively impact completion of the project. When we reviewed the ICFS implementation in 2012, we again reported that HUD did not update project information. The Department also did not follow up with system owners to ensure that required actions were completed, plan for the conversion of public and Indian housing data within the existing system, set up a project performance measurement baseline for each data conversion cycle, and ensure that the scope of the conversion would meet HUD's needs and comply with the contract. Also, HUD did not ensure that key staff and program office stakeholders were involved in pertinent decisions, establish an effective deliverable approval process, ensure that converted data were independently verified, and verify that the contractor complied with the scope of the conversion. As a result, base period performance goals and objectives were not met and additional time and funding was, and will be, needed to complete the project.

In March 2012, work on HIFMIP was stopped, and HUD began reevaluating its options for the project. Since March 2012, project sponsorship was transferred from the Office of the Chief Financial Officer (OCFO) to the Deputy Secretary. The Deputy Secretary and a working group comprised of the OCFO, the Office of the Chief Information Officer, and the Office of the Chief Procurement Officer are reassessing HUD's options. The OMB has stopped funding this project until HUD can provide a more detailed project management plan. Since 2003, HUD has spent more than $35 million and does not have a modern operational core financial system to show for this investment. While there are various reasons, such as the complexity and magnitude of the projects and the number of subprojects that are required to migrate to a new financial system, it was a lack of proper project management or mismanagement, and not funding, which caused this critical project's delay.

Overall, it appears that the lack of a funding commitment has reduced the FHA Information System Transformation project to a continuation of high level planning without a defined timetable to complete the new application systems and to phase out and deactivate the current outdated systems. These delays bring about another concern: the ability to maintain the antiquated infrastructure on which some of the HUD and FHA applications reside while the transformation initiative is underway. Workloads have dramatically increased and are processing on systems that are 15 to 30 years old. These legacy systems must be maintained to effectively support the current market conditions and volume of activity. However, the use of aging hardware and software can result in poor performance and high maintenance costs. If the IT infrastructure is not modernized in a timely manner, it will become increasingly difficult and expensive to maintain operations, make legislative-required system modifications, and maintain interfaces to other IT systems.

My office continues to report weaknesses in internal controls and security regarding HUD's general data processing operations and specific applications. The effect of these weaknesses is that HUD cannot be reasonably assured that system information will remain confidential, safeguarded, and available to those who need it without interruption. Of particular concern is the Integrated Disbursement and Information System (IDIS), which supports HUD's Office of Community Planning and Development's formula grant programs, including the Community Development Block Grant and HOME programs. HUD's design and implementation of IDIS, we believe, is not in compliance with Federal financial management system requirements. The system arbitrarily liquidates obligations on a "first-in-first-out" basis, irrespective of the budget fiscal year funding source, and decreases the amounts that HUD would be required to return to the U.S. Treasury after the programs' fixed-year appropriations expires. Because the Department did not agree with our interpretation and we could not seek alternative actions that met the intent of our recommendation, we forwarded our concern to the GAO who has been reviewing this matter given the potential wide impact to other agencies. Most recently, I credit the Secretary for taking a personal interest in our concerns and he has recently committed his staff to seek workable solutions to our concerns.

As part of our most recent annual review mandated by the Federal Information Security Management Act, we found that HUD has made progress on improving its information security environment. HUD had a security training program; maintained oversight of contractor systems; and had an effective risk management program but challenges still remain. HUD did not (1) adequately control user access to HUD systems and applications, (2) did not consistently implement continuous monitoring policies and procedures, (3) did not fully establish a security configuration management program, and (4) did not take action on the remediation of weaknesses identified in the plan of action and milestones.

Our review of information systems controls in support of the financial statements audit continued to identify weaknesses in internal controls and security regarding HUD's general data processing operations and specific applications. The effect of these weaknesses is that HUD cannot be reasonably assured that system information will remain confidential, safeguarded, and available to those who need it without interruption. For instance, HUD did not ensure that (1) obligation balances in one financial system were accurate and matched balances in another financial system; (2) privileged user accounts were properly managed; and (3) security controls over servers and digital media being transported to the disaster recovery site were adequately protected during transport. As a result, HUD's financial systems continue to be at risk of compromise.

Procurement and Contract Management

In prior years, we have reported on various concerns relating to HUD's procurement and contract management including HUD's information technology infrastructure contracts and HUD's transition to the third generation of its management and marketing contracts that are used to manage and dispose of its extensive inventory of foreclosed single-family properties. HUD continues to be challenged by its over-reliance on contractors in general and its ability to allocate sufficient resources to adequately oversee its contractor work force. Since taking this position, I have made this a priority and my office will continue to take a closer look at procurement and contract management to ensure that waste, fraud or mismanagement can be identified at its earliest occasion.

Perhaps the greatest area of concern with respect to this topic is with the management and marketing of foreclosed FHA single-family properties. HUD's inventory of real estate owned (REO) properties had increased dramatically from about 45,700 properties in March 2010 to nearly 69,000 at the end of March 2011. The inventory declined after HUD restructured its management and marketing contracts and, as of January 2013, stood at about 39,000. While the decline from the historically high levels of two years ago is a positive trend, the percentage loss on the sale of these properties remains high but has begun to decline. Still, during fiscal year 2012, losses averaged about 62 percent of HUD's acquisition cost. In contrast, HUD's average loss during 2007 was about 40 percent. HUD's oversight of these management and marketing contractors will be critical to ensure that returns on property sales are maximized thereby reducing further losses to the FHA insurance fund. During fiscal year 2012, FHA's losses on REO property sales exceeded $9.2 billion.

We recently completed an audit of HUD's oversight of its REO management and marketing program to determine whether HUD's policies and procedures provided for efficient and effective oversight of asset managers and field service managers under the program. HUD did not have adequate procedures in place to ensure consistent and adequate enforcement of asset and field service manager contracts. Specifically, (1) list prices were not always reduced according to the marketing plans, (2) bids were approved that did not meet HUD's flexible threshold, (3) bids were rejected that met the marketing plan thresholds, (4) bids that met applicable thresholds were not always counter offered or forwarded to the government technical representative for approval, and (5) properties were not assigned to field service managers based on performance even when HUD identified performance issues.

Also in connection with the ICFS project mentioned earlier, we audited HUD's plans and procedures for data conversion to assess HUD's readiness to fully implement ICFS and to determine whether HUD had properly managed contract payments related to data conversion activities. HUD incorrectly paid the project's contractor more than $1.3 million under the contract, even though it did not receive the contract deliverables associated with those tasks. Also, HUD paid the entire amount of another contract task before ensuring that the task had been completed.

Another area of concern relates to performance-based contracts that have been in place for several years to administer HUD's project-based rental assistance contracts with project owners. We previously reported that HUD did not obtain the best value for the nearly $300 million spent in 2008 on the Project-Based Contract Administrators (PBCA) contracts. In particular, HUD spent $107 million of this amount on incentive fees. While we could not quantify how much of this amount was excessive, HUD continued to pay incentives for tasks that were included in the contractors' basic fees. The current contracts are not cost effective and do not allow HUD to stop paying for services that it no longer requires. HUD has been slow in restructuring these contracts and last year was forced to re-compete most of the contracts after many of the bidders protested the manner in which HUD evaluated the proposals. After re-evaluating its competitive procedures, last year, HUD decided to complete the awarding of these contracts through a Notice of Funding Availability (NOFA) process. However, litigation was filed in the Court of Federal Claims seeking to enjoin HUD from proceeding with the PBCA NOFA. HUD agreed not to proceed with making the awards until the Court ruled on the matter. The court's ruling is still pending. Because the current PBCA contracts have been extended through June 2013, the court stated that it would make a decision before the end of June.

Public and Assisted Housing Program Administration

HUD provides housing assistance funds under various grant and subsidy programs to multifamily project owners (both nonprofit and for profit) and to public housing agencies (PHAs). These intermediaries, in turn, provide housing assistance to benefit primarily low-income households. The Office of Public and Indian Housing (PIH) and the Office of Multifamily Housing provide funding for rent subsidies through its public housing operating subsidies, the tenant based housing choice voucher and the Section 8 multifamily project-based programs. These programs are administered by thousands of intermediaries and provide affordable housing for 4.5 million households.

We have performed numerous audits of PHA's Housing Choice Voucher program that focused on whether the units met applicable physical quality standards. In response to our audit work in this area, HUD has been working to revise its standards and to develop a uniform inspection protocol to provide for improved oversight of the physical condition of the rental units that are participating in the program.

HUD has challenges in monitoring the Housing Choice Voucher program. The program is electronically monitored through PHAs' self-assessments and other self-reported information collected in HUD's information systems. Based on recent audits and HUD's on-site confirmatory reviews, it is clear the self-assessments are not always accurate and there remains some question as to the reliability of the information contained in PIH systems. PIH management should be able to address these limitations with the Next Generation Management System, which is under development, and the Portfolio Management Tool, which has been implemented, according to PIH. Until both systems are completely implemented, HUD will continue to face challenges monitoring this program.

HUD has made improvements in the area of erroneous payments, but more improvement is needed. Last year, we noted that the projected error rate in HUD's Agency Report did not comply with OMB requirements. HUD combined the projected dollar of gross improper payment from programs tested with other program components that were not tested, and consequently diluted the total gross error rate reported by a half percent, impacting the improper payment estimate by approximately $125 million. HUD agreed to review their methodology and to exclude amounts not tested from the calculations. HUD must ensure the improper payment error rate complies with valid statistical methodologies. To continue its efforts in the improvement, the following enhancements are needed: (1) adequate disclosures of administrative errors made by intermediaries in performance reports, (2) improvement of methodology documentation and (3) enhanced oversight of controls over monitoring of improper payments.

Additionally, HUD has not yet developed plans to perform audits on contracts exceeding $1 million as required by the Improper Payments Elimination Recovery Act. According to the 2012 Accountable Official Report, HUD will develop a process to recover identified improper payments from PHAs and refer potential fraud cases to the OIG. Lastly, HUD's Office of Multifamily Housing is developing system improvements that are also expected to make changes in evaluating intermediaries' performance for eliminating improper payments.

HUD's monitoring and oversight of PHAs participating in the Moving to Work (MTW) demonstration program continues to be particularly challenging. The MTW program provides PHAs the opportunity to devise and test innovative, locally designed strategies that are aimed at using Federal dollars more effectively, help residents become self-sufficient, and increase housing choices for low-income families. Additionally, the MTW program gives PHAs exemptions from many existing public housing rules and more flexibility on how they use their Federal funds. Monitoring and oversight is complicated in that each PHA has a different MTW plan.

While participating PHAs report annually on their performance, an April 2012 GAO report found that MTW guidance does not specify that PHA MTW plans provide that performance be quantifiable and outcome oriented. By not identifying the performance data needed to assess the results of the PHA's MTW program, which should have been the intent of a "demonstration program," HUD is unable to effectively evaluate the program. Additionally, HUD has not developed a systematic way to identify lessons learned to get the benefit intended from the MTW program. HUD has indicated that it intends to expand the number of MTW participants and believes that with additional participants they will be able to demonstrate the positive impacts of the program. However, we believe HUD first needs to develop a methodology to assess MTW program performance as recommended by GAO, and to evaluate the results prior to making a decision on expanding the number of MTW participants. In fiscal year 2012, we reported significant departures from the MTW agreement by some of the participating PHAs. HUD needs to quantify a formal process for terminating participants from the demonstration program for failure to comply with their agreement especially because these PHAs are exempt from many existing public housing rules.

Because of long-standing concerns that my office has had with HUD's PIH programs, I have launched an initiative designed to focus HUD management's attention on problem areas that we and others have reported on over the years and to develop and carry out a set of strategies that will provide HUD and the Congress a clear path to correct such enduring problems.

HOME Program

The HOME program is the largest federal block grant to state and local governments, designed to create affordable housing for low-income households. Because HOME is a formula based grant, funds are awarded to the participating jurisdictions noncompetitively on an annual basis. The formula is based, in part, on factors including age of units, substandard occupied units, number of families below the poverty level, and population in accordance with Census data.

The HOME program addresses an important need for affordable housing in our country, a need that is increasing in the wake of the economic downturn and high unemployment. However, my office has expressed concerns about the controls, monitoring and information systems related to the HOME program.

Twice in 2011 and once in 2012, my office testified on oversight and fraud issues relating to this program. Our external audit work, which focuses on problem grantees, commonly found the lack of adequate controls. This included issues in subgrantee activities, in resale and recapture provisions to enforce HUD's affordability requirements, in incorrectly reporting program accomplishments, and in incurring ineligible expenses. There is also a repetitive thread of not always meeting the objectives of the program to provide affordable housing or not always meeting local building code requirements. HUD focuses its monitoring activities at the grantee level through its field offices. Grantees, in turn, are responsible for monitoring their subgrantees. Our audits have found that, in some instances, little or no monitoring is occurring, particularly at the subgrantee level.

Another concern we have, as noted earlier, is with IDIS, the system used by HUD to accumulate and provide data to monitor compliance with HOME requirements for committing and expending funds. HUD also uses the system to generate reports used within and outside HUD, including by the public, participating jurisdictions and the Congress. We believe that with a more robust, up-to-date information system, HUD would be able to better monitor the HOME program in a more transparent way.

Our work in this program continues and we have been working with the Appropriations Committee staff to help the Department strengthen controls. To its credit, and in part, in response to our prior audit work, HUD has proposed new rules which, if implemented, should strengthen HUD's future enforcement authority. In a recent audit, my office assessed whether the proposed rule changes will mitigate the systemic deficiencies identified in prior OIG audit reports. We concluded that if the new regulations are properly implemented, they will address our prior findings except that improvements are still needed with (1) HUD headquarters' oversight of its field office monitoring activities and (2) validating the reliability of data in HUD's IDIS. While the Department has taken steps to improve HOME program management, my office continues with its oversight work in this area.

<u>Administering Programs Directed Toward Victims of Disasters</u>

The Department faces a significant management challenge in monitoring disaster program funds provided to various States, cities, and local governments under its purview. This challenge is particularly pressing for HUD because of limited resources to perform the oversight, the broad nature of HUD projects, the length of time needed to complete some of these projects, the ability to waive certain HUD program requirements, and the lack of understanding of disaster assistance grants by the recipients. HUD must ensure that the grantees complete their projects in a timely manner and ensure the use of funds for intended purposes. Since HUD disaster assistance may fund a variety of recovery activities, HUD can help communities and neighborhoods that otherwise might not recover due to limited resources. However, oversight of these projects is made more difficult based on the broad nature of HUD projects and due to the fact that some construction projects may take between 5 and 10 years to complete. HUD must be diligent in its oversight duties to ensure that grantees have identified project timelines and are keeping up with them. HUD also must ensure that grantee goals are being met and that expectations are achieved.

Keeping up with communities in the recovery process can be quite demanding for the Department as the amounts of money dedicated have escalated. Its disaster funding over the past several years has exceeded $29 billion and active disaster grants nationwide have totaled approximately $26 billion in obligations and $20 billion in disbursements. Although many years have passed since some of the specific disasters have occurred, significant disaster funds remain unexpended. HUD must continue to maintain its focus on oversight efforts to ensure that funds are expended as intended.

Additional funding to the Department of $16 billion in the aftermath of super storm Sandy further compounds this challenge. This funding is designated for community development block grants which must be monitored for internal controls, audited for waste and investigated for fraud. With experience gained from a series of disasters where significant funds were appropriated through HUD, the OIG has been a major contributor in the detection and deterrence of disaster-related fraud, waste and abuse. To this end, we will soon be issuing a comprehensive audit that is assessing the disaster recovery programs for hurricanes that hit the Gulf Coast states from August 2005 through September 2008. I expect this will serve as a primer on "lessons learned" going forward and will improve HUD's administration of Sandy funding as well as future disaster funding.

As it relates to our own work involving oversight of Sandy funding, HUD OIG will employ our own best practices garnered from years of experience in reviewing disaster recovery efforts. Starting at the earliest stages, we are working diligently with the Department and the states affected to examine their program design and to review their implementation plans for ways to efficiently promote desired disaster assistance. This involves our assistance in advice on program design and documentation requirements, in educating program administrators to recognize disaster assistance vulnerabilities, and in numerous other activities that should mitigate opportunities for fraud, waste and abuse during the disaster assistance roll-out.

After initial stage activities and as HUD funding begins to flow, we will use our evaluation and inspections capability and data mining capacity to review implementation activities. One of the primary tasks for this function will be to analyze and mine vast amounts of data to look for indicators of fraud and mismanagement. In addition to evaluations, our efforts in investigating disaster fraud are twofold: beginning with our fraud awareness and prevention efforts coupled with the actual conduct of civil and criminal investigations of allegations of disaster related frauds as funding begins in earnest.

Conclusion

The Department's role has greatly increased over the last decade as it has had to deal with unanticipated disasters and economic crises, in addition to its other missions, that have increased its visibility and reaffirmed its vital role in providing services that impact the lives of our citizens. My office is strongly committed to working with the Department and the Congress to ensure that these important programs operate efficiently and effectively and as intended for the benefit of the American taxpayers now and into the future.