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New Report Shows HUD In Shambles

HUD management under Secretaries Shaun Donovan and (in particular) his successor Julian Castro has deteriorated to such an extent that the books kept by the \$43 billion-a-year department are considered all but useless, according to a new report from the Government Accountability Office, the congressional watchdog agency.

This latest GAO investigation supports its earlier studies as well as several probes by the department's own inspector general who has repeatedly excoriated HUD's management.

Most of the deterioration has occurred during Castro's tenure. Castro, brought in by the Obama administration in 2014 to replace Donovan who was elevated to the post of Office of Management & Budget director, has been largely a figurehead who had been given two main roles -- prepare for a possible vice presidential nod on a ticket with Hillary Clinton and reorganize the department's workforce to align it with the administration's primary goal of creating a national rental/public housing program and enforcing rewritten Fair Housing Act regulations.

One of Castro's first acts was to replace more than 1,000 principal veteran HUD workers with new employees under an immediate hire program in the summer of 2014.

Sources tell *HAL* that move created administrative chaos but helped to reinforce the rental housing program under the Rental Assistance Demonstration (RAD) designed to encompass all public housing, Section 8 tenant-based and project-based programs under a one-stop rental housing and limited homeownership program when the department is able to convince Congress to enact a permanent RAD program.

Meanwhile, HUD's principal responsibilities of providing suitable housing and support services to underprivileged individuals and families suffered for lack of oversight. By repositioning employees to meet HUD's two principal goals, program monitoring fell by the wayside, according to multiple inspector general and GAO studies.

The latest GAO report says HUD's financial morass went from bad to worst in three years. Auditors found only one material weakness in its accounting procedures in 2012. The latest probe uncovered nine in 2015.

HUD “has struggled to resolve persistent management challenges, in part because it has not consistently incorporated requirements and key practices identified by GAO to help ensure effective management into its operations,” the GAO report says. “In addition, HUD’s past remedial actions were not always effective because they were not sustained.

“Turnover among senior leadership, shifting priorities, and resource constraints have contributed to HUD’s difficulties in implementing needed changes,” the report continues. “As a result, GAO and others continue to find efficiencies in numerous aspects of HUD’s operations.”

GAO and IG investigators gave HUD a clean opinion for 13 consecutive years until 2013. The problems were in such bad shape in 2014 and 2015 that auditors couldn’t issue an opinion on them -- years that are principal to Castro’s tenure as secretary.

The report slams HUD’s oversight functions. GAO says HUD’s complex structure -- supervision of more than 3,200 public housing authorities and thousands of independent landlord contractors under dozens of programs -- makes the department a principal target for waste and fraud.

“The range of eligible activities that can be funded makes oversight difficult,” GAO says. “Combined with finite resources for monitoring activities, these challenges strain HUD’s ability to effectively oversee its programs.”

HUD’s inspector general issued a new report at the same time GAO unveiled its findings. That report, obtained by HAL, shows the department’s loan servicing contractor failed to recover about \$21.5 million for the FHA mortgage insurance fund in FY 2015 from terminated FHA-insured mortgages.

GAO provided HUD with eight new recommendations to improve the department’s operations -- on top of 63 prior recommendations to improve HUD’s management.

HUD replied to the GAO findings with a public relations spin, saying it is working on the recommendations to help in “building a stronger HUD.”

Info: See the GAO report at www.cdpublications.com/docs/8958 and the IG report at www.cdpublications.com/docs/8959
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