

How GAO and HUD OIG Approach Fraud Risk Management Oversight

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Learning Objectives:

1. Learn what guidance exists in managing fraud, including in decentralized and emergency programs.
2. Understand how HUD OIG and GAO have approached oversight of HUD, including its grantees and non-federal program administrators.
3. Learn about the benefits of this type of coordination and how it positively contributes to an entity's fraud risk management program.

HUD OIG

GAO



- Three Phased Approach to Oversight
- Highlights of Oversight of HUD and HUD program administrators

- Guidance on Managing Fraud Risk
- Highlights of Oversight of HUD

Coordination: How We Did it and Benefits & Outcomes

Fraud Risk Framework

GAO



1

Commit to combating fraud by creating an organizational culture and structure conducive to fraud risk management.

4

Evaluate outcomes using a risk-based approach, and adapt activities to improve fraud risk management.



2

Plan regular fraud risk assessments, and assess risks to determine a fraud risk profile.

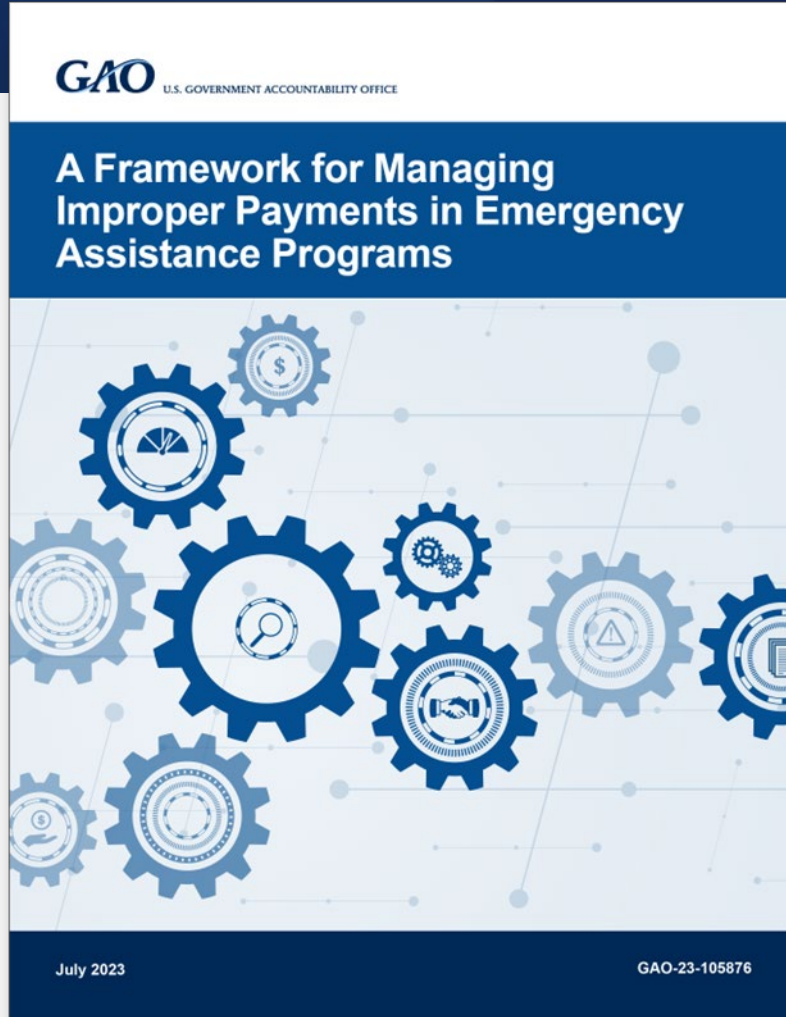
3

Design and implement a strategy with specific control activities to mitigate assessed fraud risks, and collaborate to help ensure effective implementation.



A Framework for Managing Improper Payments in Emergency Assistance Programs

GAO



Why GAO Did This Study

Natural disasters are projected to increase in frequency and intensity. These events, as well as pandemics, cyberattacks, and terrorism, have highlighted challenges federal agencies face in responding to emergencies. In emergencies, the risk of improper payments may be higher because the need to provide assistance quickly can hinder the implementation of effective controls ([GAO-23-105876](#)).



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

July 15, 2016

M-16-17

MEMORANDUM TO THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM:

Shaun Donovan
Director

SUBJECT: OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control

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efficiency and effectiveness of Government.

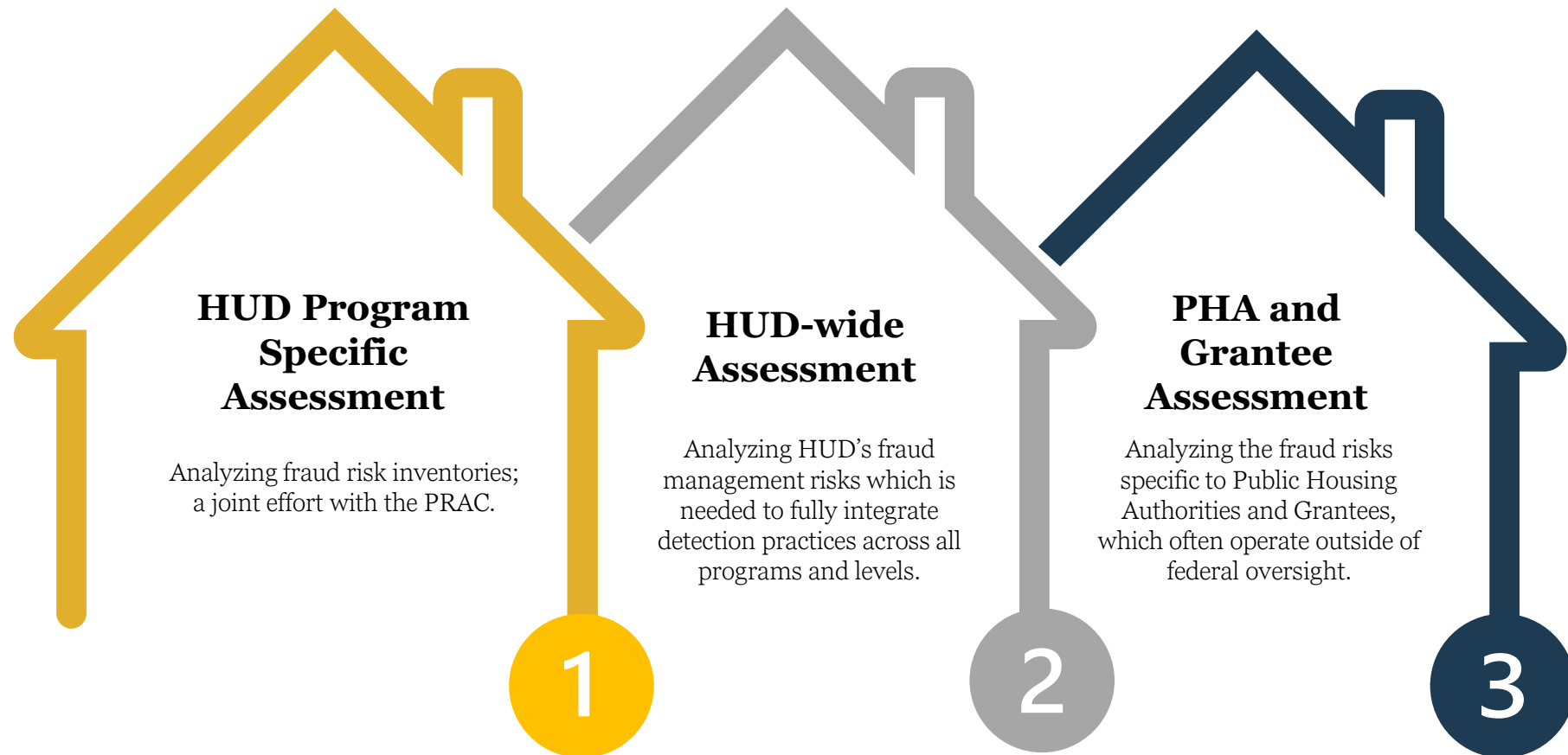
Image source: Office of Management and Budget.

OMB Circular A-123:

- directs agencies to follow the leading practices outlined in the *Fraud Risk Framework*.
- Notes the Federal Government has a number of complex inter-dependencies with State and local governments, and other recipients of Federal funding. These inter-dependencies impact risk management, and give rise to certain additional risks, which need to be considered.
- There is a shared interest for oversight of Federal grant dollars
- Agencies must consider fraud risks in their strategic plans.

Three-Phased Approach

HUD OIG



HUD Specific Fraud Inventories

HUD OIG



Identified
66
fraud schemes



Identified
31
fraud schemes

HUD Specific Fraud Inventories

HUD OIG



APPENDIX A – FRAUD RISK MAP FOR THE TBRA, PBRA, HOME, AND OPERATING FUND CARES AND ARP ACT FUNDS

TBRA	Operating Fund	PBRA	Home-ARP	Fraud scheme	Actor	Fraud risk entry point	Fraud scheme description
X	X	X	X	Altered payee	PHA, PBCA, grantee, or subrecipient employee	Disbursements or collections	<p>An employee diverts funds or rent collections to his or her personal bank account. Some small PHAs and grantees do not have the resources to implement controls, such as segregation of duties. The substantial increase in funds from the CARES and ARP Acts increases the opportunity for employees to attempt redirecting payments to their own or an accomplice's account.</p> <p><u>*Woman Arrested for Defrauding Homeless Individuals and a Nonprofit Serving the Homeless Office of Inspector General, Department of Housing and Urban Development (hudoig.gov)</u></p>
X		X		Duplication of benefits	Property management or tenant	Application or certification	A tenant receives a utility subsidy from HUD while also receiving utility subsidies from a local nonprofit or other agency and pockets the extra payment.
X		X	X	Duplication of benefits	Property management or tenant	Application or certification	Property management or a tenant applies for and receives rental assistance from multiple sources for the same unit and pockets the extra

HUD Assessment

HUD OIG



Improvements are Needed in HUD's Fraud Risk Management Program

HUD's Fraud Risk Management Program | 2023-FO-0001
October 26, 2022

Office of Audit | Office of Inspector General
U.S. Department of Housing and Urban Development

We assessed HUD in the four phases associated with the Fraud Risk Management Framework:

- I. Create a culture;
- II. Identify and Assess;
- III. Prevent and Detect; and
- IV. Insight into Action.

Results: Fraud awareness culture was very reactionary and many program staff did not think fraud was an issue; fundamental lack of understanding of fraud risk management across HUD; not enough dedicated staff.

[\(HUD OIG | 2023-FO-0001\)](#)

Assessment at Grantees and PHAs

HUD OIG



We initiated assessments of fraud risk management at Grantees and PHAs:

- [Puerto Rico Department of Housing](#)
- 3 Emergency Shelter Grantees ([Honolulu](#), [State of California](#), and New York City)
- New York City Housing Authority (largest housing authority)

Results: The entities had some antifraud controls in place, but they were mainly reactionary in nature and not preventative. Mature and robust fraud risk management programs did not exist.

Highlights of GAO Oversight of HUD

GAO



United States Government Accountability Office
Report to Congressional Requesters

May 2021

DISASTER RECOVERY

HUD Should Take
Additional Action to
Assess Community
Development Block
Grant Fraud Risks

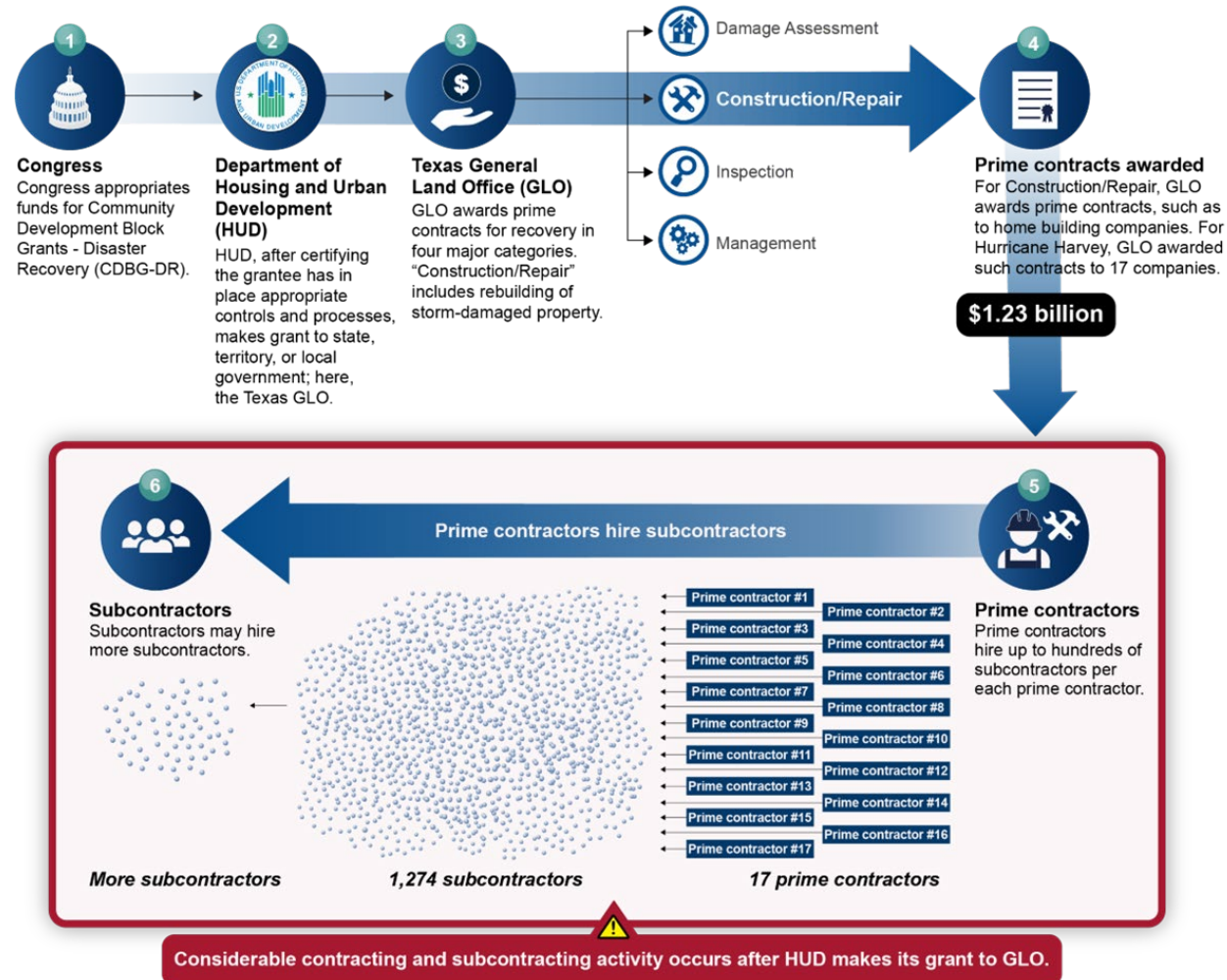
GAO@100
A Century of Non-Partisan Fact-Based Work

GAO-21-177

- Congress appropriated about \$39.5 billion in CDBG-DR grant funds from 2017 to 2019, primarily for Texas, Florida, Puerto Rico, and the U.S. Virgin Islands.
- Highlighted decentralized risk environment.
- Identified Applicant and Contractor Fraud Risks.
- Recommendations to strengthen fraud risk management program

Highlights of GAO Oversight of HUD

GAO



Highlights of GAO Oversight of HUD



CDBG-DR Applicant and Contractor Fraud Risks



Contractors and vendors

These fraud risks include bid-rigging, billing fraud, and misrepresenting qualifications.



Disaster recovery grantees and their subrecipients

These fraud risks include embezzlement and misrepresentation of impacted and distressed areas.



Disaster assistance applicants

These fraud risks include false damage claim, false eligibility claims, and falsified application documents.



General or cross-cutting

These fraud risks include collusion in contracts and bid manipulation; bribery and kickbacks; and corruption.

Highlights of GAO Oversight of HUD

GAO



United States Government Accountability Office
Report to Congressional Committees

August 2023

DISASTER RECOVERY

HUD Should Develop
Data Collection
Guidance to Support
Analysis of Block
Grant Fraud Risks

GAO-23-104382

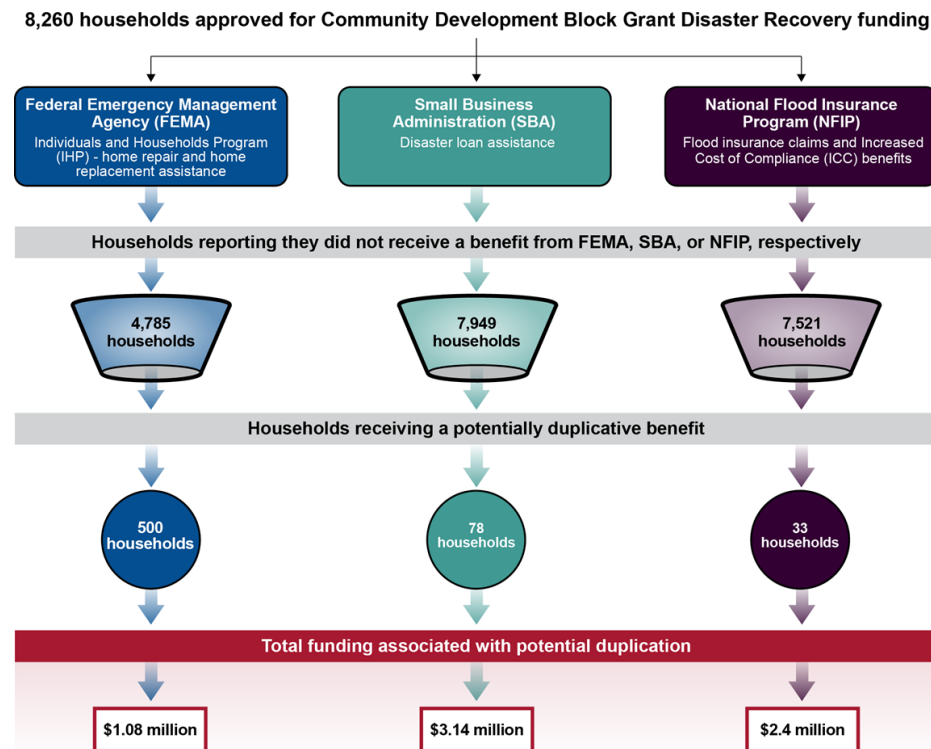
- Data analysis → Applicant Fraud Risks
- Network analysis → Contracting Environment Risks
- Recommendations to develop guidance on:
 - what data to collect
 - how to better collect it
 - what to do with the data

Highlights of GAO Oversight of HUD

GAO



Data Analysis to Identify Applicant Fraud Risks



Source: GAO analysis of selected federal disaster assistance data. | GAO-23-104382

Highlights of GAO Oversight of HUD

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United States Government Accountability Office
Report to Congressional Committees

September 2021

COVID-19

Additional Risk Assessment Actions Could Improve HUD Oversight of CARES Act Funds

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A Century of Non-Partisan Fact-Based Work

GAO-21-104542

Image source: GAO.

- HUD received about \$12.4 billion in CARES Act funding.
- HUD expedited its risk assessment process.
- HUD concluded the CARES Act funds did not substantially affect programs' risks or existing controls
- GAO found that while HUD's assessment identified risk factors and short-term steps to address them, it did not include some leading fraud risk management practices GAO previously identified.

Coordination: How We Did it

HUD OIG

GAO



Regular Coordination Meetings – discuss ongoing, forthcoming, recently completed audits. Hear directly from the audit team and able to ask questions.



Grant and fraud specific discussions.



Develop relationships – know who to call.



Highlight work of each office.



Consistent messaging from both organizations in reports, HUD OIG major management challenges, and respective priority recommendations.

Coordination: Benefits & Outcomes

HUD OIG

GAO



HUD's Chief Risk Officer is committed to improving HUD's fraud risk management - the first step was getting dedicated resources and changing the culture;



Evidence of culture change at HUD;



Advancement of HUD's fraud risk program; and



Bringing awareness of fraud risk management benefits and best business practices to HUD grantees and program administrators.

Resources

HUD OIG

GAO



[A Framework for Managing Fraud Risks in Federal Programs | U.S. GAO \(GAO15-593SP\)](#)

[A Framework for Managing Improper Payments in Emergency Assistance Programs | U.S. GAO \(GAO-23-105876\)](#)

[The Chief Financial Officers Council | The Antifraud Playbook](#)

[California Housing and Community Development Should Improve Its Fraud Risk Management Practices for Its ESG CARES Act Program | HUD OIG \(2024-LA-1001\)](#)

[The City and County of Honolulu Should Improve Its Fraud Risk Management Practices for Its ESG CARES Act Program | HUD OIG \(2024-LA-1002\)](#)

[The Puerto Rico Department of Housing Should Enhance Its Fraud Risk Management Practices | HUD OIG \(2024-FW-1001\)](#)

[Priority Open Recommendations: Department of Housing and Urban Development | U.S. GAO \(GAO-24-106439\)](#)

Resources

HUD OIG

GAO



[Improvements are Needed in HUD's Fraud Risk Management Program | HUD OIG \(2023-FO-0001\)](#)

[Disaster Recovery: HUD Should Develop Data Collection Guidance to Support Analysis of Block Grant Fraud Risks | U.S. GAO \(GAO-23-104382\)](#)

[Fraud Risk Inventory for the CDBG and ESG CARES Act Funds | HUD OIG \(2022-FO-0801\)](#)

[Fraud Risk Inventory for the Tenant and Project-Based Rental Assistance, HOME, and Operating Fund Programs' CARES and ARP Act Funds | HUD OIG \(2022-FO-0007\)](#)

[Disaster Recovery: HUD Should Take Additional Action to Assess Community Development Block Grant Fraud Risks | U.S. GAO \(GAO-21-177\)](#)

[COVID-19: Additional Risk Assessment Actions Could Improve HUD Oversight of CARES Act Funds | U.S. GAO \(GAO-21-104542\)](#)

Contacts

Have a question? Let's connect.

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