

SUMMARY of PERFORMANCE and FINANCIAL INFORMATION

Fiscal Year 2015

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

About This Report

The United States Department of Housing and Urban Development's (HUD) Summary of Performance and Financial Information (SPFI) for Fiscal Year (FY) 2015 provides a summary of the most relevant performance and financial information to help the President, Congress, and the public assess our stewardship over the resources entrusted to us. [HUD's FY 2015 Agency Financial Report \(AFR\)](#) and the [FY 2015 Annual Performance Report, published with the FY 2017 Annual Performance Plan](#), contain more comprehensive information and analyses.

Mission, Vision, & Core Values

HUD's mission is to create strong, sustainable, inclusive communities and quality, affordable homes for all.

Our vision is to improve lives and strengthen communities to deliver on America's dreams. Therefore, we pledge—

- *For our residents:* We will improve lives by creating affordable homes in safe, healthy communities of opportunity, and by protecting the rights and affirming the values of a diverse society.
- *For our partners:* We will be a flexible, reliable problem solver and source of innovation.
- *For our employees:* We will be a great place to work, where employees are valued, mission driven, results oriented, innovative, and collaborative.
- *For the public:* We will be a good neighbor, building inclusive and sustainable communities that create value and investing public money responsibly to deliver results that matter.

Strategic Goals & Agency Priority Goals

The [HUD Strategic Plan FY 2014-2018](#) contains agency strategic goals and each goal has corresponding strategic objectives with over 50 outcome measures of success, as revised by targets established in the Department's most recent Annual Performance Plan. For the two-year period, FY 2014 to FY 2015, HUD focused on three agency priority goals (APGs). These agency strategic goals, corresponding strategic objectives, and agency priority goals are displayed below for reference. This portion of the SPFI focuses on the agency priority goals and is meant to reflect HUD's selected performance improvement opportunities through these areas. Note that the agency priority goals do not reflect the full scope of the agency's strategic goals and mission.

HUD's FY 2014 – 2018 Strategic Framework

Mission: Create strong, sustainable, inclusive communities and quality, affordable homes for all.

Strategic Goals			
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Strengthen the Nation's Housing Market to Bolster the Economy and Protect Consumers	Meet the Need for Quality Affordable Rental Homes	Use Housing as a Platform to Improve Quality of Life	Build Strong, Resilient, and Inclusive Communities
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Strategic Objectives			
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Housing Market Establish a sustainable housing finance system that provides support during market disruptions, with a properly defined role for the U.S. Government.	Rental Investment Ensure sustainable investments in affordable rental housing.	End Homelessness End homelessness for Veterans, people experiencing chronic homelessness, families, youth, and children.	Fair Housing Reduce housing discrimination, affirmatively further fair housing through HUD programs, and promote diverse, inclusive communities.
Credit Access Ensure equal access to sustainable housing financing and achieve a more balanced housing market, particularly in underserved communities.	Rental Alignment Preserve quality affordable rental housing, where it is needed most, by simplifying and aligning the delivery of rental housing programs.	Economic Prosperity Promote advancements in economic prosperity for residents of HUD-assisted housing.	Green and Healthy Homes Increase the health and safety of homes and embed comprehensive energy efficiency and healthy housing criteria across HUD programs.
FHA's Financial Health Restore the Federal Housing Administration's financial health, while supporting the housing market recovery and access to mortgage financing.		Health and Housing Stability Promote the health and housing stability of vulnerable populations.	Disaster Resilience Support the recovery of communities from disasters by promoting community resilience, developing state and local capacity, and ensuring a coordinated federal response that reduces risk and produces a more resilient built environment.
			Community Development Strengthen communities' economic health, resilience, and access to opportunity.

Highlighted areas denote Agency Priority Goals.

HUD's FY 2015 Priority Goals and Performance Overview

FY 2014–2015 Agency Priority Goal: Preserve Affordable Rental Housing

Target: Between October 1, 2014, and September 30, 2015, HUD's goal was to preserve affordable rental housing by continuing to serve 5.5 million total households and an additional 89,116 households through its affordable rental housing programs.

Progress: HUD successfully continued to serve over 5.5 million total households, and provided affordable rental housing to 69,923 additional households, through programs for which reporting occurs at various points in the year. Multifamily Housing's major focus continues to be the preservation of the affordability of rental projects with housing affordability contracts through

RAD. HUD has achieved 54.36 percent of its target through FY 2015 for First Component conversions. Collectively, Community Planning and Development programs are out-performing their FY 2014 activities. This is largely due to better than expected performance in the HOME program. Public and Indian Housing numbers were revised upwards to reflect corrections to the data systems reporting Public Housing and RAD conversions.

Additionally, the following indicators support HUD’s progress.

- The first component of the Rental Assistance Demonstration allows projects funded under the public housing and Section 8 Moderate Rehabilitation (Mod Rehab) programs to convert their assistance to long-term, project-based Section 8 rental assistance contracts. Total number of converted contracts as of Q4 of FY 2015 was 19,570, an increase from 6,167 in FY 2014, with a target of 36,000. The target for FY 2016 is 75,000 converted contracts.
- The second component of the Rental Assistance Demonstration allows owners of projects funded under the Rent Supplement (Rent Supp), Rental Assistance Payment (RAP), and Mod Rehab programs to convert tenant protection vouchers (TPVs) to project-based vouchers (PBVs). The number of converted contracts has increased from 7,511 in FY 2014 to 14,826 in 2015, exceeding the FY 2015 target of 11,950. The target for FY 2016 is 17,900 converted contracts.
- The 2014 calendar year (CY) Housing Assistance Payment (HAP) spending was 97.06 percent of CY budget authority. The CY 2015 HAP spending reached 98.33 percent, the CY 2015 target percentage of 97.56 percent.
- Public Housing occupancy rates across the country remain strong at the target level of approximately 96 percent, despite funding decreases and inventory fluctuations.
- Project-Based Rental Assistance occupancy data for FY 2015 was 94.7 percent. The PBRA occupancy rate was 95.1 percent at the end of FY 2014.

For detailed quarterly assessments of progress, readers may consult the archived quarterly updates on Performance.gov.

Number of households served through HUD rental assistance

FY 12 Actual	FY 13 Actual	FY 14 Actual	FY 15 Actual	FY 15 Target	FY 16 Target
5,447,499	5,474,723	5,471,618	5,541,541	5,560,814	5,612,103

See the FY 2015 APR for a detailed breakdown of FY 15 Actual data.

FY 2014–2015 Agency Priority Goal: End Homelessness among Veterans

Target: By the end of 2015, in partnership with the U.S. Department of Veterans Affairs (VA), HUD aimed to reduce the number of Veterans temporarily living in shelters or transitional housing to 12,500, while reducing the number of Veterans living on the street to zero.

Progress: In FY 2015, HUD and VA placed 64,902 Veterans into permanent housing through the HUD-Veterans Affairs Supportive Housing (HUD-VASH) Program, rapid rehousing placements through Supportive Services for Veteran Families (SSVF) program, and exits from VA residential treatment programs into permanent housing.

Veterans placed in permanent housing

FY 12 Actual	FY 13 Actual	FY 14 Actual	FY 15 Actual	FY 15 Target	FY 16 Target
NA	48,061	53,475	64,902	49,000 ¹	49,000

FY 2014–2015 Agency Priority Goal: Energy Efficiency and Healthy Homes

Target: HUD aimed to complete 87,912 energy or healthy green retrofits in FY 2015 toward the two year FY 2014-15 APG target of 162,259 completed energy or healthy green retrofits. HUD reported 77,396 energy or healthy green retrofits in FY 2015, and a combined total of 155,853 units toward the FY 2014-15 APG target.

Progress: As of the end of FY 2015, HUD has completed 155,853 green or healthy units, or 96.1 percent of the Department’s two-year FY 2014-15 target of 162,259. Of the completed green or healthy units, 115,664 units, or 74.2 percent, were energy-related, and the remaining 40,189 units were lead hazard control or healthy housing retrofits funded through HUD’s Office of Lead Hazard Control and Healthy Homes. HUD remains committed to mainstreaming energy efficient, green, and healthy building practices across the residential sector. In FY 2015, HUD: (1) outlined a comprehensive approach to strengthen energy and green building requirements; (2) used incentives for borrowers or grantees to agree to green standards; (3) developed large-scale solutions and tools; and (4) assembled new sources of public and private investment in energy efficiency and clean energy across the residential sector. HUD is involved in several components of the President’s Climate Action Plan, and is working toward achieving the goals outlined in the plan.

¹ HUD and VA together increased the FY 2015 target, in light of successful FY 2014 performance data in this metric. The FY 2015 target reflects our agencies’ commitment to serving Veterans experiencing homelessness, while targeting resources most effectively to an increasingly vulnerable population left to serve.

Number of HUD-assisted or -associated units completing energy efficient or healthy retrofits or new construction, by program office							
	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	Combined FY 14-15 Actual	FY 2015 Target	FY 2016 Target
PIH	40,567	37,242	30,285	27,793	58,078	23,009	21,485
CPD	15,915	14,546	7,923	8,748	16,671	7,619	7,651
Housing	15,311	13,500	18,679	22,236	40,915	34,068	31,018
Healthy Homes	13,115	10,663	21,570	18,619	40,189	23,216	16,500
HUD Total	84,908	75,951	78,457	77,396	155,853	87,912	76,654

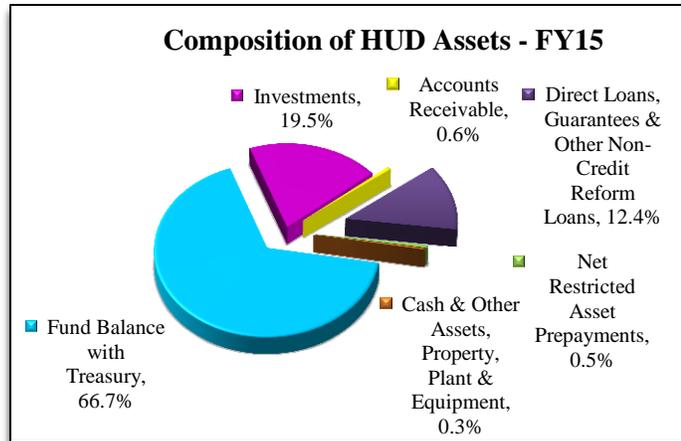
Our Financial Information

The Departments financial statement, notes, and additional information appear [of pages 44 through 130](#) of our full [FY 2015 Agency Financial Report](#). Among the programs HUD administers are the Federal Housing Administration’s (FHA) loan guarantee programs, the Government National Mortgage Association’s (Ginnie Mae) mortgage-backed securities program, Section 8 rental assistance, Community Development Block Grants, the Home Investment Partnerships program, PHA Operating Subsidies, Public and Indian Housing (PIH) loans and grants, Housing for the elderly and disabled, and other programs. Below is a summary of financial information for FY 2015.

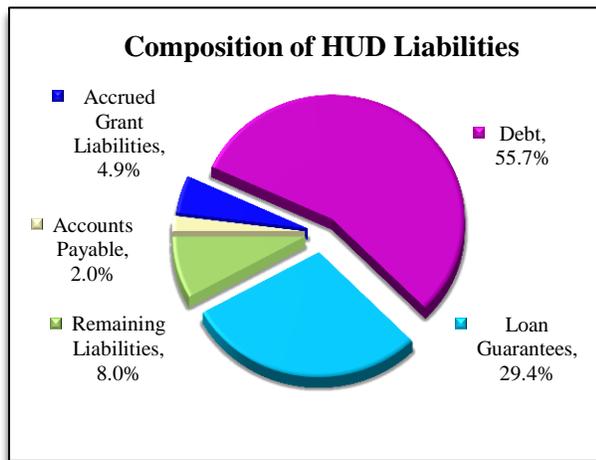
Summarized Financial Data
(Dollars in Billions)

	2015	2014
Total Assets	\$141.9	\$144.7
Total Liabilities	\$48.8	\$64.8
Net Position	\$93.2	\$79.9
FHA Insurance-In-Force	\$1,283	\$1,292
Ginnie Mae Mortgage-Backed Securities Guarantees	\$1,609	\$1,526
Other HUD Program Commitments	\$38.1	\$40.7

HUD’s FY 2015 Financial Statements reflect restatements of the Department’s Fiscal Year 2014 Financial Statements in the following areas attributed to Ginnie Mae: Cash and Other Monetary Assets; General Property, Plant and Equipment; Multiclass Fee Accounting; and MBS Loss Liability. Additionally, restatement has been made regarding Advances to PIH’s Public Housing Authorities (PHAs) participating in the Moving to Work Programs. Please see Note 31 (page 108) of the Notes to the Financial Statements in the HUD FY 2015 AFR, Section II, for further details.



Total Assets of \$141.9 billion are comprised of Fund Balance with Treasury of \$94.7 billion (66.7 percent), Investments of \$27.7 billion, Accounts Receivable of \$0.8 billion, Direct Loans & Loan Guarantees of \$14.4 billion, Other Non-Credit Reform Loans of \$3.2 billion, Net Restricted Asset Prepayments of \$0.7 billion, and Cash & Other Monetary Assets, Other Assets and Property, Plant & Equipment of \$0.4 billion at September 30, 2015.



Total Liabilities of \$48.8 billion consist primarily of Loan Guarantees of \$14.3 billion (29.4 percent), Debt in the amount of \$27.2 billion (55.7 percent), Accounts Payable of \$1.0 billion (2.0 percent), Accrued Grant Liabilities of \$2.4 billion (4.9 percent), and Remaining Liabilities amounting to \$3.9 billion (8.0 percent) at September 30, 2015.

Independent Auditor’s Report

The Office of Inspector General (OIG) of HUD performed an independent audit of HUD’s FY 2015 financial statements (see full report in the FY 2015 AFR, titled *Independent Auditor’s Report*). Because of the significance of the matters described in the Basis for Disclaimer of Opinion (see HUD FY 2015 AFR, page 132), OIG was not able to obtain sufficient, appropriate audit evidence to provide an audit opinion on HUD’s principal financial statements and accompanying notes as of September 30, 2015 and 2014 (restated), and its net costs, changes in net position, and budgetary resources for the fiscal year then ended. Accordingly, OIG did not express an opinion on the financial statements. The OIG identified four areas of HUD practices

in the fiscal years 2015 and 2014 (restated) financial statements as not in accordance with generally accepted accounting principles (GAAP), for which OIG was unable to obtain adequate audit evidence to provide a basis of opinion:

1. Improper and unauditible budgetary accounting in certain Office of Community Planning and Development's (CPD) Programs that was not performed in accordance with GAAP. In addition, the Ginnie Mae Financial Accounting System inaccurately accounted for some budgetary resources.
2. Disclaimer of opinion on Ginnie Mae financial statements in fiscal year 2015. OIG was unable to obtain sufficient, appropriate evidence to express an opinion on the fairness of the \$5.4 billion (net of allowance) in non-pooled loan assets from Ginnie Mae's defaulted issuers' portfolio. Ginnie Mae also continued to improperly account for FHA reimbursable costs as an expense instead of capitalizing the costs as an asset. Additionally, Ginnie Mae performed restatements to correct prior-year misstatements; however, OIG was unable to gather sufficient, appropriate evidence to validate the accuracy and propriety of these accounting adjustments.
3. Improper accounting for HUD's assets. HUD did not properly account for several types of assets reported on its balance sheet related to (1) payments advanced to public housing agencies (PHA) for the Housing Choice Voucher program, (2) payments advanced to Indian Housing Block Grant (IHBG) grantees for investment purposes, and (3) loans receivable related to the Emergency Homeowners' Loan Program (EHLA).
4. Unvalidated grant accrual estimates. In reporting on HUD's liabilities, HUD's principal financial statements were not prepared in accordance with the requirements of the Federal Government and Federal Accounting Standards Advisory Board (FASAB) Technical Release (TR) 12, which provides guidance on developing reasonable estimates of accrued grant liabilities. While OIG obtained sufficient, appropriate audit evidence that fiscal year 2014's estimate was reasonable, OIG was unable to do so for the fiscal year 2015 estimate.

The OIG identified nine material weaknesses including: formula grant accounting not in compliance with GAAP; accounting for certain asset and liabilities not in compliance with GAAP; unvalidated grant accrual estimates; certain budgetary resources with unauditible data; financial management systems weaknesses; unauditible material asset balances; weaknesses in Ginnie Mae internal controls over financial reporting; weakness in Ginnie Mae Mortgage-Back Security Liability for Loss Account Balance; and ineffective financial management governance.

The Department has made and is continuing to make sweeping changes in the way it operates, which will improve the timeliness, quality, and reliability of our financial reporting. While we made notable progress, HUD will continue to implement and maintain ongoing and planned

corrective actions that when fully completed will significantly improve financial management, strengthen internal controls, and resolve the material weaknesses.

One area of improvement in the Department's operations is the continued, successful implementation of the New Core project. To date, OCFO has made substantial and timely progress by effective implementation of the Travel & Relocation, Time & Attendance, and Financial Management & Procurement releases. Through continuing to meet project milestones in an aggressive timeline, New Core continues to improve processes and address challenges faced by the Department.

During FY 2015 HUD successfully remediated four material weaknesses², had six repeat material weaknesses, and three new material weaknesses. The corrective actions are tracked through the HUD Audit Resolution Corrective Action Track System and additional details are available in Section 3. The Department is committed to resolving these long-standing weaknesses.

For a full discussion of HUD's FY 2015 accomplishments and planned actions in remediation efforts on all of these issues, please refer to the extensive material provided in the [Management Assurances \(page 40\)](#) and the [Summary of Financial Statement Audit \(page 199\)](#) subsections in Section 3 of the HUD FY 2015 AFR.

Summary of Management Assurances

The Department of Housing and Urban Development's management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA), Sections 2 and 4. HUD conducted its annual assessment of the effectiveness of internal control to support effective and efficient programmatic operations and compliance with applicable laws and regulations.

HUD can provide a reasonable statement of assurance of its internal controls over the effectiveness and efficiency of operations (Section 2) as of September 30, 2015. No material weaknesses were found in the design or HUD's operation of the internal controls during the evaluation.

The Department conducted an assessment of the effectiveness of internal control over financial reporting in accordance with Appendix A, of OMB Circular A-123. Due to the eight material weaknesses relating to financial reporting, the Department is unable to provide assurance that internal controls over financial reporting (Section 2) were operating effectively as of September 30, 2015.

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires agencies to implement and maintain financial management systems that are substantially in compliance with

² Of these four material weaknesses, two were reassessed.

Federal financial management systems requirements, Federal accounting standards, and the United States Government Standard General Ledger at the transaction level. The Department is unable to provide assurance that its financial management systems (Section 4), comply with FFMIA as of September 30, 2015 due to the one material weakness and five systems nonconformance. See the HUD FY 2015 AFR (pages [40 to 41](#) and [199 to 205](#)) for further information.

Management and Performance Challenges Summary

HUD's most significant management and performance challenges cited by the OIG to be faced in FY 2016 are listed below with a brief, general statement of progress noted for each challenge. [For a comprehensive discussion of the challenges facing the Department, please see the OIG memorandum and management's comments in [Section 3 of the AFR \(pages 154 to 198\)](#).]

- **Human Capital Management** - HUD continues to implement and maintain ongoing and planned human capital management improvements, including progress in assessing its staffing requirements and human resource needs; completion of its GEAR Audit Recommendations; and increased employee engagement shown by improvement of results on the Employee Viewpoint Survey.
- **Financial Management Governance of HUD** - In 2015, HUD established Quarterly Management Reviews (QMRs) for each program and operational area, meant to use data to drive management decision-making and to better identify and manage risks. HUD's OCFO established formal partnerships between financial management staff in OCFO and the program office financial management staff to strengthen and align financial management processes and systems and to create better accountability. Additionally, OCFO undertook measures in 2015 to strengthen its human capital.
- **Financial Management Systems** - Over the past fiscal year, the New Core project successfully delivered Release 1 for travel and relocation, Release 2 for time and attendance, the New Core Interface Solution (NCIS), and Release 3 for financial management and procurement systems. Release 3 is significant because it aligns HUD's core financial management transactions, reporting, and underlying structure to best practices. Transactions are now conducted on a stable, modern platform hosted by Treasury.
- **Information Systems Security Controls** - HUD'S Chief Information Security Officer (CISO) is continuously assessing the overall IT Security Program to ensure that HUD's Enterprise is secure and not just compliant with the Federal Information Security Management Act (FISMA), the Office of Management and Budget (OMB), and the National Institute of Standards and Technology (NIST) requirements.

- Single-Family Programs - As measured by the independent actuary, FHA has made great strides in reaching the statutorily required capital reserve ratio. In 2015, the independent actuary reported that the Fund had exceeded the required ratio and previous year projections by reaching 2.07 percent and an Economic Net Worth of \$23.8 billion. The Office of Housing is committed to a range of initiatives that protect the MMI Fund, which include providing strong support for enforcement actions against lenders and committing significant staffing resources for legal discovery. Housing administers a robust Quality Control (QC) process, including: reviews of performing and non-performing loans; Lender Monitoring Reviews; reviews of Lender Self-Reports; and response to borrower complaints.
- Office of Community Planning and Development Programs - HUD disagrees with the OIG's statement that "HUD's plan does not comply with the GAO legal opinion and allows grantees to spend HOME program funding that would normally be recaptured if the 24-month commitment timeframe was not met." The GAO opinion simply states that "HUD must take steps to identify and recapture funds that remain uncommitted after the statutory commitment deadline and reallocate such funds in accordance with the Act."
- Public and Assisted Housing Program Administration - Given its limited funding for new systems development and staffing constraints, PIH employs (and continues to refine) a risk-based approach to monitoring third party intermediaries. This process allows PIH to target providers who pose the greatest risk to program operations and the delivery of the Housing Choice Voucher (HCV) Program.
- Compliance with the Improper Payments Elimination and Recovery Act of 2010 - While HUD continues to face challenges related to IPERA compliance, the acting CFO is dedicated to implementing the necessary corrective actions and remains committed to partnering with the other Assistant Secretaries to achieve compliance with IPERA.
- Administered Programs Directed Toward Victims of Natural Disasters - CPD will be preparing management decisions in response to each of those audits. CPD believes grantees have documentation to support the disbursements in question. In cases where the grantees cannot provide the supporting documentation, CPD will implement appropriate corrective actions. Through consultation with the OGC, CPD may disagree with the OIG on which costs are legally unsupported, unreasonable, unnecessary, or ineligible.

THIS REPORT IS AVAILABLE ON THE WEB AT:
<http://portal.hud.gov/hudportal/documents/huddoc?id=sr2015.pdf>



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