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March 24, 2017

## Via Electronic Transmission

The Honorable Dr. Ben Carson  
Secretary  
U.S. Department of Housing and Urban Development  
451 7th Street S.W.  
Washington, DC 20410

Dear Secretary Carson:

The Department of Housing and Urban Development (HUD/the Department) has spent millions of dollars on two failed projects to update its financial management system. HUD has spent 14 years and over \$131 million only to pull the plug on both projects before completion.<sup>1</sup> This is an unacceptable waste of precious taxpayer dollars.

The HUD Office of the Inspector General (OIG) has issued two reports raising concern about the amount of funding wasted on HUD's efforts to establish an integrated financial management system.<sup>2</sup> The Department spent \$35 million on the first effort beginning in 2003, only to scrap it in March 2012.<sup>3</sup> The OIG found that, from the beginning, the project was fraught with problems outlined in the report including: lack of adequate project planning and management; failure to include key decision makers; lack of adequate communication between stakeholders and project staff; and poor decision making.

It appears HUD didn't learn from its mistakes. Almost immediately after pulling the plug on the first project, the Department initiated a new effort to establish a financial management system. The project was supposed to be implemented in four phases but, after four years and \$96 million, HUD never fully completed the first phase

<sup>1</sup> <https://www.hudoig.gov/sites/default/files/documents/2017-DP-0001.pdf>, p. 1.

<sup>2</sup> <https://www.hudoig.gov/sites/default/files/documents/2017-DP-0001.pdf>;  
[https://www.hudoig.gov/sites/default/files/Audit\\_Reports/2013-DP-0003.pdf](https://www.hudoig.gov/sites/default/files/Audit_Reports/2013-DP-0003.pdf)

<sup>3</sup> <https://www.hudoig.gov/sites/default/files/documents/2017-DP-0001.pdf>, p. 3.

before terminating the project. Moreover, the OIG determined that the project “did not significantly improve the handling of HUD’s financial management transactions” and found that the same problems that plagued the first project also beset the second effort.<sup>4</sup>

The Government Accountability Office (GAO) also reviewed HUD’s efforts.<sup>5</sup> The report, issued in July 2016 as HUD was halting further work on the New Core Project, provides a comprehensive analysis of the weak implementation efforts and the needed changes for success going forward. However, it appears HUD doesn’t intend to work with either the OIG or GAO on future projects to ensure success. Just months after ending the New Core Project, HUD continues to argue the success of its efforts and was already “pursuing new process improvement projects while some other capabilities are in the planning, evaluation, and/or implementation phase.”<sup>6</sup>

Simply put, these two efforts have been an outrageous waste of taxpayer dollars that could have been avoided had HUD properly managed the first project. Modernizing core accounting and administrative systems may be a priority for the Office of Management and Budget, but that does not give the Department license to throw good money after bad.<sup>7</sup> Instead, HUD needs to acknowledge its failures and reevaluate the definition of a successful system implementation before considering future work related to updating the integrated financial management system.

Prior to dedicating additional time, effort and funding to future financial management system projects, it is vital that the Department addresses the failures of the previous two efforts. Please provide the following information:

1. What, if any, steps have been taken to implement the HUD OIG recommendations contained in the audit reports 2013-DP-0003 and 2017-DP-0001? What is the HUD timetable for fully implementing all the recommendations?
2. What, if any, steps have been taken to implement the GAO recommendations contained in the report GAO-16-656? What is the HUD timetable for fully implementing all the recommendations?
3. Please document what, if any, funding is currently being spent on updating the HUD financial management system, including funding dedicated to correcting problems with the New Core implementation, as well as funding dedicated to new initiatives focused on adding functionality originally intended to be delivered by New Core.
4. Provide timeframes for when HUD plans to decommission additional financial management systems. Since New Core Release 3 was

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<sup>4</sup> Id.

<sup>5</sup> <http://www.gao.gov/assets/680/678727.pdf>

<sup>6</sup> Ibid. p. 52.

<sup>7</sup> <https://www.hudoig.gov/sites/default/files/documents/2017-DP-0001.pdf>, p. 3.

implemented in October 2015, how much has HUD spent to operate and maintain legacy systems intended to be decommissioned through New Core, but which remain in operation?

5. What additional steps are being taken by HUD to ensure that taxpayer dollars are not spent on another failed financial management system?

Thank you in advance for your prompt attention to this matter. I would appreciate your response by April 7, 2017. Should you have any questions, please do not hesitate to contact Janet Drew of my staff at (202) 224-5225.

Sincerely,



Charles E. Grassley  
Chairman  
Senate Committee on the Judiciary

Cc: The Honorable David A. Montoya  
Inspector General  
Office of the Inspector General

Gene L. Dodaro  
Comptroller General  
Government Accountability Office

The Honorable Dianne Feinstein  
Ranking Member  
Senate Judiciary Committee

The Honorable Susan Collins, Chairman  
Subcommittee on Transportation, Housing, and Urban Development, and  
Related Agencies  
Committee on Appropriations

The Honorable Jack Reed, Ranking Member  
Subcommittee on Transportation, Housing, and Urban Development, and  
Related Agencies  
Committee on Appropriations

The Honorable Tim Scott, Chairman  
Subcommittee on Housing, Transportation, and Community Development

Committee on Banking, Housing and Urban Affairs

The Honorable Robert Menendez, Ranking Member  
Subcommittee on Housing, Transportation, and Community Development  
Committee on Banking, Housing and Urban Affairs