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## HUD's Financial Woes Continue

Posted April 18, 2003  
By [Kelly Patricia O Meara](#)

In 1999 the Department of Housing and Urban Development (HUD) was unable to account for \$59 billion and, at the time, placed much of the blame on the federal agency's **financial**-management computer systems. Four years later, despite hundreds of millions of dollars being paid to federal contractors to fix the problem, HUD still cannot rely on these systems to account for its funds.

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At the request of Congress the General Accounting Office (GAO) last week released a report about the status of HUD's efforts to get its **financial**-management systems in compliance with federal requirements. While the GAO reports are intended to assist Congress in its oversight of federal-agency spending, there is little if anything in this report that resembles useful information. For example, the following are some of the highlights of the report:

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- "The HUD OIG [Office of the Inspector General] also noted that the completion of the development of adequate **financial**-management systems is the most critical need faced by HUD in improving its **financial**-management control environment."
- "In January 2003, for the 12th year in a row, the HUD OIG cited the lack of an integrated **financial**-management system as a material weakness in its audit of the department's **financial** statements."
- "**HUD's** past efforts have not resulted in the implementation of a modern integrated **financial**-management system to carry out its core accounting functions and meet other needs."
- "**HUD's** current Central Accounting and Program System (HUDCAPS), as implemented in fiscal year 1999, is the product of its **Financial** System Integration (FSI) effort, which began in 1991. ... it did not result in an integrated **financial**-management system, which was the stated goal of the project."
- "In 1998 we reported that even though HUD spent hundreds of millions of dollars, the FSI effort was not fully successful."

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The GAO has been reporting on failures of HUD's financial-management system for nearly two decades, beginning in 1984. To date, HUD still cannot reliably account for its funds, despite the expenditure of those hundreds of millions of dollars thrown at federal contractors hired for the sole purpose of setting up integrated financial-management systems that work. Nowhere in the report does GAO mention the name of the contractor or how much it has been paid to set up these financial systems.



GAO does report that "as acknowledged by HUD officials, HUDCAPS uses outdated technology and is a version of a COTS (off the shelf) software package that is no longer available. HUD is totally dependent upon the vendor for software modifications, maintenance, and enhancements because the vendor owns the source code for the system. As a result, HUD will have to continue to pay the vendor for support of any new modifications or upgrades to HUDCAPS." In other words, despite the fact that the HUDCAPS financial system is "outdated technology," and no longer even available, the taxpayers will continue to pay for it because the contractor owns the source codes.

While it is important to know what is and is not working in the federal government, Congress may find it more useful for the GAO to report who is responsible for the failure. Only then can lawmakers make informed decisions.

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