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451 7th Street SW
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RE: Docket No. FR-7093-N-06; OMB Control No.: 2525-NEW

60-Day Notice of Proposed Information Collection: Recipient Financial Reporting for Grant Programs

COSCD appreciates the opportunity to comment on HUD's establishment of an online system to collect financial reports for grant programs. The Council of State Community Development Agencies (COSCD) is a national association for state agencies that administer HUD's Community Planning and Development (CPD) grants. While we support the goal of responsible grant management, we have concerns about the planned implementation of a new grant reporting system. COSCD respectfully asks OMB not to approve HUD's proposed information collection.

COSCD developed our comments in coordination with our state agency members. Twenty-four state agencies responded to our request for information regarding this notice. Although these agencies will remain anonymous for the purpose of this comment letter, we note that they represent various United States regions and agency sizes.

BACKGROUND

On September 4, 2025, HUD published a notice about a recipient financial reporting demonstration¹. The notice outlined HUD's plans for a demonstration to test a new financial reporting system "to ensure that HUD funds are being used the way they were intended." The demonstration included approximately nine HUD funding recipients from the public housing, Community Development Block Grant Disaster Recovery (CDBG-DR), and Continuum of Care (CoC) programs. COSCD submitted a comment letter in response to this notice². It is COSCD's current understanding that HUD completed the planned demonstration but has not publicly released any of the demonstration's results.

On December 18, 2025, HUD published an agency financial report that included more information about the new reporting system³. The report refers to the system as the HUD Unified Grants System (HUGS) project. HUD outlines its plan for HUGS, which is that "all grantees will submit documentation for the complete flow of funds through a sub-recipient portal, which will be transmitted to a data integration platform for analysis. Once the information is captured, using AI methodologies, HUD will be able to analyze expenditures for early identification of fraud, waste, and abuse."

¹<https://www.federalregister.gov/documents/2025/09/04/2025-16948/notice-of-recipient-financial-reporting-demonstration>

² <https://www.regulations.gov/comment/HUD-2025-0472-0006>

³ <https://www.hud.gov/sites/dfiles/CFO/documents/afr2025.pdf>

Although HUD's proposed information collection does not specifically reference artificial intelligence (AI), it appears from the 2025 financial report and from other sources that HUD plans to use AI within the HUGS system. For example, HUD solicited artificial intelligence (AI) contractors to develop software for the type of reporting system referenced in the demonstration notice⁴. The draft performance work statement attached to this solicitation states the following:

"The vision of this requirement is to deploy and configure an AI-powered Grant Intelligence platform to modernize and enhance HUD grant management and oversight, providing comprehensive insights, fraud detection, and compliance automation; with the same or more capabilities achieved during the 2026 HUGs Analytics pilot."

In early 2026, HUD requested \$30 million for HUGS implementation in its FY27 budget request to Congress⁵. COSCDA notes that Congress has not yet finalized FY27 appropriations and recently passed a continuing resolution to extend government funding through December 11, 2026. Final FY27 funding will likely not be approved until at least December of this year. It is unclear, then, which accounts HUD is currently using to build and implement the HUGS system.

COSCDAs are concerned about the speed with which HUD is attempting to launch the HUGS platform. The July notice under consideration now says that HUD is "currently in the process of adding special conditions to grant awards to require recipients to submit evidence to support financial expenditures." To our knowledge, HUD has only tested HUGS with approximately nine grant recipients from only three HUD programs through its early 2026 demonstration. COSCDAs urge HUD to take at least the following actions before adding new conditions and requirements to grant awards:

- Publicly release the results of the HUGS demonstration to allow for stakeholder evaluation;
- Publicly release the details and specifications of the HUGS system, including any contracted AI companies and current issues with the software; and
- Expand the demonstration to include more HUD programs and agency sizes. HUD programs differ significantly; each should be carefully considered for their ability to use the HUGS system.

COSCDAs are also concerned that there is not enough information provided in this notice of proposed information collection. For example, there is no official list provided of the HUD programs that would be subject to the HUGS system and its reporting requirements. There is also no comprehensive description of the types of documents HUGS will collect or how grant recipients will upload documentation. One COSCDA state agency member says, "HUD must provide far more specificity in order to grant interested parties a genuine opportunity to submit informed and meaningful comments in response to what may be a significant change to HUD's financial reporting system." We urge HUD to provide more information about HUGS to HUD grantees before moving forward with implementation.

Consider the Timeline for HUGS Implementation

In the notice, HUD lists potential HUGS respondents (or, users) as "all HUD grant recipients managing grants with special conditions for enhanced financial reporting requirements, which will typically apply to grants awarded in 2025 and forward." COSCDA is both concerned and confused about this timeline.

⁴ <https://console.sweetspotgov.com/federal-contracts/e92dc33f-812b-5444-a544-6a3e4bc3879b>

⁵ https://www.hud.gov/sites/dfiles/CFO/documents/2027_CJ_SE_ASO.pdf

Due to the delayed congressional appropriations timeline in recent years, HUD grants are typically not awarded until late into the fiscal year. Therefore, “grants awarded in 2025” are mostly fiscal year 2025 (FY25) grants. FY25 CPD grant allocations were published in spring 2025 and grant agreements were executed throughout late summer and early fall 2025. HUD is now in the process of executing grant agreements for FY26 grant awards. COSCDA asks HUD to clarify whether the intent is to retroactively apply HUGS reporting requirements to FY25 grants. If so, HUD should also clarify which programs would be subject to this retroactive application. COSCDA strongly advises against any retroactive reporting requirements.

In general, we urge HUD to clarify its timeline for HUGS implementation. HUD’s FY27 budget request to Congress says, “HUD is expanding sub-recipient reporting to all grant recipients in a phased approach beginning in 2026 with the buildout of tools and business processes. HUD plans to begin onboarding grant recipients to this enhanced reporting process starting in 2026 and continuing in 2027.”⁶ COSCDA’s members have not received any onboarding information about HUGS beyond the public notices published in the Federal Register. If HUD still plans to add HUGS reporting requirements to grant awards in 2026, then we ask for more guidance on when training and other tools will become available to grant recipients.

Consider Existing HUD Grant Management Platforms

HUD grant and funding recipients already use a variety of software systems to manage their programs and complete their reporting requirements. These existing systems include:

- IDIS – Integrated Disbursement and Information System
- DRGR – Disaster Recovery Grant Reporting System
- e-snaps – Electronic Continuum of Care (CoC) Program Application and Grants Management System
- eLOCCS – Electronic Line of Credit Control System
- SAM.gov – System for Award Management

HUD is correct in its observation that there is no central reporting platform that collects all the required financial documentation from HUD funding recipients. However, as we explain in more detail below, we caution against launching another grant management platform. Each platform already draws on HUD resources for necessary maintenance, updates, and technical assistance. Adding HUGS to the list of HUD software could further complicate grant management and waste HUD resources on duplicative data collection. One COSCDA member explains this concern in the following way:

“A system that requires manual uploading of information into a HUD online portal will be duplicative of processes already in place... if there is an opportunity for automation and ‘mapping’ to our electronic grants management system for auditing or monitoring processes, this would not be problematic, as we already collect the relevant data. It is true that IDIS has limitations and that a modernized system could have benefits. However, sufficient testing to make sure it is not burdensome or disruptive to grantees receiving timely payments is critical to success.”

COSCDA members also urge HUD to maintain human oversight of any AI-powered HUGS system. HUD staff should still be responsible for reviewing HUGS analyses, especially as it pertains to potential waste, fraud, and abuse. COSCDA expects that HUD may be experiencing staff strain after downsizing its workforce and focusing on the implementation of the *21st Century ROAD to Housing Act*. We ask HUD to identify which office would

⁶ https://www.hud.gov/sites/dfiles/CFO/documents/2027_CJ_SE_ASO.pdf

be responsible for maintaining and reviewing HUGS reporting, or if this oversight would be outsourced to a consulting firm.

Consider Potential Impacts on Disbursements

COSCDAs also urges HUD to clarify whether it will review HUGS reports before disbursing grant funds or reimbursements. One COSCDA state agency member asks, “What impact, if any, will this have on our requests for reimbursement from HUD? Will draws be delayed? This could impact the financial stability of grantees who make draws on a reimbursable basis.” Several agencies point out that small communities especially would feel the impact of delayed disbursements, as they often do not have other resources to cover the costs of HUD-funded projects while waiting for payment.

SOLICITATION OF PUBLIC COMMENT

Below, COSCDA addresses the specific questions for public comments included in HUD’s notice.

(1) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility.

In the notice, HUD’s justification for this information collection is that it would “strengthen stewardship of Federal funds” and “better identify and address potential fraud, waste, and abuse in a timely manner.” The notice also acknowledges that 2 CFR 200.302⁷ already requires federal grant recipients to maintain the type of financial records that would be requested by HUD’s new reporting portal.

COSCDAs members report that they maintain the types of financial records referenced in this notice. However, they do not broadly upload these records into existing HUD grant management platforms—with the exception that CDBG-DR recipients consistently upload financial records to DRGR. State agencies can produce these records when HUD makes requests for monitoring or risk management purposes. One state agency explained, “the records are retained in the state and / or subrecipient project files and are available for monitoring, audits, and / or other HUD reviews as required.”

The practical impact of HUGS is that it will require grantees to upload financial reports into an online system more consistently. HUD may find that this information has utility to help uncover and prevent instances of waste, fraud, and abuse within its grant programs. However, the utility of HUGS should be carefully weighed against the cost of its implementation and the administrative burden it would add to HUD grant recipients. As noted, state agencies already retain financial records and comply with extensive reporting and monitoring requirements. One COSCDA member explains,

“The State already undergoes internal financial audits, as well as a State audit of the program every three years. These existing reviews provide additional oversight of financial management, expenditures, internal controls, and compliance. Any new HUD reporting requirements should be evaluated to determine whether they duplicate information or documentation that is already reviewed through existing State financial and audit processes.”

Another COSCDA member recommends for HUD to provide “more specific instructions or support documentation requests for the annual accrual report / monitoring reviews rather than wholesale data

⁷ <https://www.ecfr.gov/current/title-2/section-200.302>

collection.” Finally, another member outlines the potential for duplicative financial monitoring through HUGS requirements:

“Our agency and subrecipients generally retain the types of financial records identified by HUD, including invoices, proof of payment, contracts, and subaward documentation, as part of existing financial management, grant administration, and monitoring requirements... HUD should clearly identify how the new reporting requirements will interact with existing submission and monitoring requirements and ensure that recipients are not required to submit the same documentation through multiple systems.”

Without a comprehensive review of existing reporting and monitoring efforts, the HUGS system could result in duplicative efforts that lead to the very type of government “waste” HUGS is attempting to prevent.

(2) The accuracy of the agency’s estimate of the burden of the proposed collection of information.

COSCDAs’ understanding of HUD’s estimate of this proposed collection of information is that:

- 30,000 respondents (grant recipients) would use HUGS annually. HUD reports that this number is based on the estimated number of unique entities that receive grants from HUD.
- Respondents would be required to report within HUGS quarterly (four times per year).
- HUD estimates that each report (or “response”) would take about 1.5 hours of staff time. HUD reports that this estimate is based on the 2026 demonstration program completed with nine grant recipients.
- Using Bureau of Labor Statistics reported wages for Financial Analysts and Advisors, HUD estimates that the cost of these responses within HUGS would be about \$49.08 per hour.
- HUD calculates that the annual cost of HUGS reporting would be about \$8,834,400.

COSCDAs’ state agency members almost unanimously express that 1.5 hours per quarter is a severe underestimate of the amount of time needed for their agencies to submit the financial reports referenced in the notice. HUD’s notice is unclear about which reporting activities are included in the 1.5-hour estimate and whether staff time estimates vary across different grant programs. Consider the following reactions from COSCDAs’ state agency members:

“The 1.5-hour estimate is unrealistic. HUD only measures the final click to submit the report. In our day-to-day work with CDBG [Community Development Block Grants], especially with high-activity or COVID-era projects, meticulously cross-referencing, verifying, and matching hundreds of invoices against bank statements, wire transfers, cancelled checks, and contracts takes a full week of intense work for a single month of data.”

“Based on our experience, 1.5 hours per quarter does not seem like an accurate estimate... The level of effort is highly dependent on the nature of the system HUD chooses to utilize and the specific form, format, or naming conventions (if any) that will be required for the uploads. If HUD will be moving forward with this approach, the demonstration should be expanded across a wider range of programs to take into account the variations in reporting time.”

“Not knowing what the expectation is or requirement of the quarterly report, it is hard to say that 1.5 [hours] per quarter seems accurate. I would recommend to expand their demonstration to all programs that would be required to report in the new system. It would seem that the volume of projects and project status would greatly impact the reporting time.”

COSCDCA urges HUD to release public information about the demonstration to help stakeholders better understand whether 1.5 hours per quarter is an accurate estimate of required staff time. We also recommend expanding the demonstration to all HUD programs that would be subject to HUGS reporting.

Consider the Potential Cost of HUGS Reporting

If the reporting process takes longer than 1.5 hours per quarter, the cost of this information collection would greatly increase. At 5 hours per quarter, for example, the annual cost estimate rises by more than \$20 million to a total of \$29,448,000.

Number of Respondents	Frequency of Response	Response per Annum	Burden hour per Response	Annual Burden Hours	Hourly cost per response	Annual Cost
30,000	4	120,000	5	600,000	\$49.08	\$29,448,000

COSCDCA urges OMB to carefully consider whether HUD has enough data to justify its estimate of a 1.5-hour staff burden per quarter for HUGS. The amount of waste, fraud, and abuse uncovered by HUGS reporting may not be worthwhile if the reporting system itself requires too many federal resources. COSCDCA emphasizes that there would be numerous costs involved in both creating and maintaining HUGS that are not accounted for in this current notice. One example of such additional costs is provided below.

Consider the Cost of Staff Training and Technical Assistance

There would be many upfront costs required to implement HUGS across HUD programs. Based on their experience training staff on current federal and state-level grant management systems, COSCDCA members provided several estimates of staff training and technical assistance needs.

“We estimate approximately 10 – 20 hours of initial staff time for accessing the portal, completing training, and updating internal procedures and document retention policies. This could be higher if subrecipients are required to access and use the portal directly. HUD should also consider staff time needed to develop or update internal procedures, train subrecipients, troubleshoot system issues, and address questions during the initial implementation period. Ongoing technical assistance and clear written guidance would also be helpful.”

“Initial setup, access, and training for a new HUD portal could require 20 – 40 hours depending on staff number, IT configuration, document retention changes, and workflow redesign. HUD should consider additional time for system testing, troubleshooting, and coordination with procurement and finance staff. HUD must factor in ongoing operational impacts, especially for small and local governments with limited staffing capacity.”

“Cost of implementation goes well beyond grantee staff time and extends to system integration costs which will easily exceed \$100,000, additional bandwidth costs necessary to integrate the level of documentation identified, additional storage costs on servers to maintain the additional records, and HUD technical support required to keep it running for thousands of grantees without downtime.”

HUD and OMB should collectively consider the cost of developing HUGS, maintaining the system, training grant recipients to use the system, providing technical support, and staff time to both collect additional financial reporting documents and input them into HUGS. Millions of taxpayer dollars would be dedicated to implementing this new system.

(3) Ways to enhance the quality, utility, and clarity of the information to be collected.

(4) Ways to minimize the burden of collection of information on those who are to respond; including through the use of appropriate automated collection techniques or other forms of information technology, e.g., permitting electronic submission of responses.

COSCDCA jointly responds to questions 3 and 4 here. For all the reasons mentioned above, **COSCDCA does not support the implementation of HUD's HUGS system**. We ask OMB not to approve this proposed information collection. However, if the proposal is approved and HUD moves forward with implementation, COSCDCA's recommendations below would minimize the burden of increased financial reporting.

To both conserve federal resources and minimize administration burden on HUD grant recipients, **COSCDCA recommends expanding the capabilities of current grant management systems (IDIS, DRGR, e-snaps, etc.) to collect financial reports**. COSCDCA members almost unanimously agreed that an expansion of existing grant systems would be more manageable than learning a new system. One member makes this point for small agencies in particular:

“For smaller agencies that administer multiple federal grants, incorporating a new platform requiring additional login credentials, passwords, and secondary authentication methods is more burdensome to already overworked and overwhelmed employees, whereas enhancing the capabilities of an existing platform reduces the burden and makes the training less complicated and time consuming.”

We recognize that AI can analyze financial data quicker than HUD staff or existing software. **Rather than requiring grant recipients to learn and use a new system, we encourage HUD to explore the possibility of an internal HUD AI platform that could access and analyze financial data provided by grant recipients across existing grant platforms**. COSCDCA also urges HUD to address some of the concerns included in this comment letter. We ask HUD to provide more information about HUGS and how grant recipients should expect to integrate the new reporting requirements into their existing workflows. For example, one COSCDCA member requests the following information:

“HUD should clarify whether the proposed system will have the capacity to receive, store, and maintain all supporting documentation associated with payment requests. Payment requests can include hundreds of pages of supporting documentation... HUD should also clarify the size limitations, acceptable file formats, retention capabilities, search functionality, and how agencies would access records for monitoring or audits.”

HUD should be prepared to provide ample guidance, training, and technical assistance before adding HUGS requirements to grant awards. COSCDCA is concerned that HUD may not be prepared with the type of training needed support successful implementation of HUGS. In its FY27 budget request, HUD explains its plan to use some of the \$30 million requested for HUGS to provide “training of internal and external stakeholders, development of operating procedures and handbooks, and user support.” As noted, Congress has not yet finalized FY27 appropriations. COSCDCA asks HUD to identify whether it is using other resources to develop HUGS training and user support while it waits for the requested \$30 million in FY27 funding.

One COSCDCA member summarizes the type of training they would need from HUD staff:

“Training should include hands-on instruction for program and financial staff, guidance on document retention and recordkeeping requirements, clear reporting instructions, and sufficient time for staff to

become familiar with the system before implementation. HUD should also consider the impact on subrecipient training and technical assistance, as additional requirements at the State level will ultimately require additional oversight and support for subrecipients.”

CONSOLIDATED RECOMMENDATIONS

The recommendations made throughout this letter are summarized below for ease of reference.

- **Do not approve HUD’s proposed information collection for the HUGS (HUD Unified Grants Systems – Recipient Analytics Platform) system.**
- Publish more information about HUD’s HUGS demonstration, including:
 - All results of the demonstration and
 - Details and specifications of the HUGS system, including any contracted AI companies and current issues with the software.
- Expand the demonstration to include more HUD programs and agency sizes.
- If HUGS is approved for implementation,
 - Do not apply any retroactive reporting requirements;
 - Clarify whether HUD will review HUGS reports before disbursing grant funds or reimbursements;
 - Carefully consider the costs of creating and maintaining HUGS, including staff training requirements; and
 - Provide ample guidance, training, and technical assistance *before* adding HUGS requirements to grant awards.
- Instead of HUGS implementation, HUD could consider
 - Expanding the capabilities of current grant management systems (IDIS, DRGR, e-snaps, etc.) to collect financial reports and
 - Exploring the possibility of an internal HUD AI platform that could access and analyze financial data provided by grant recipients across existing HUD systems.

COSCD A does not currently support HUD’s request to require the use of HUGS for any of its programs. We are concerned that the system has not been tested enough to ensure its effectiveness or whether its costs will be low enough to justify its use. The negative impact of HUGS could far outweigh the benefits of uncovering slightly more instances of fraud, waste, and abuse. COSCD A will support any transparent, thoughtful efforts HUD makes to encourage responsible grant management while minimizing administrative burden. We are available for further discussion regarding this notice.

Sincerely,



Tess Hembree, Executive Director
Council of State Community Development Agencies (COSCD A)