U.S. Department of Housing and Urban Development

Compliance Plan for OMB Memorandum M-24-10

Prepared By Vinay V. Singh, CFO and Chief AI Officer

September 24, 2024

<u>Table of Contents</u>

I. BACKGROUND

On October 30, 2023, the White House released [Executive Order ("EO") #14110](), on the S*afe, Secure, and Trustworthy Development and Use of Artificial Intelligence.* This landmark EO lays out guiding principles for federal agency use of Artificial Intelligence ("AI") and establishes standards for AI safety and security. On March 28, 2024, the Office of Management and Budget ("OMB") released an accompanying final memorandum, [M-24-10](), *Advancing Governance, Innovation, and Risk Management for Agency Use of Artificial Intelligence* (the "OMB Memorandum"). The OMB Memorandum provides agency requirements and guidance for AI governance, innovation, and risk management. Pursuant to those documents and the AI in Government Act of 2020, the U.S. Department of Housing and Urban Development ("HUD") submits this plan, discussing the Department's work related to: Strengthening AI Governance, Advancing Responsible Innovation and Managing Risks from the Use of Artificial Intelligence. As instructed by OMB, HUD will provide a report of its strategic approach towards AI in March 2025.

HUD's mission is to create strong, sustainable, inclusive communities and quality affordable homes for all. In keeping with that mission, this Compliance Plan explains how HUD will adopt appropriate frameworks for safe and responsible use of AI while protecting privacy, advancing civil rights, standing up for consumers and workers, and promoting innovation and competition. In short, by responsibly leveraging the benefits of AI, the Department can amplify our positive impacts on the people and communities that we serve while ensuring that all appropriate safeguards are in place.

II. STRENGTHENING AI GOVERNANCE

A. <u>General</u>

Over the past year, HUD has carefully studied the potential impacts and opportunities arising from the use of AI. Consistent with the OMB Memorandum, the Department sent out an agency-wide employee statement that encourages HUD employees to learn more about AI and developed and distributed agency-wide guidance for the use of generative AI. The Department is currently reviewing the use of publicly available generative AI tools across the agency and will evaluate the potential need for additional guidelines.

In April 2024, HUD provided the specific guidance required by the EO regarding [tenant screening]() and the [advertising of housing opportunities](). Over the coming months, HUD will continue to define appropriate guardrails to protect the HUD mission and the people we serve.

B. AI Governance Bodies

Since the issuance of the OMB Memorandum, the Department has taken steps to comply with its requirements by establishing an appropriate AI governance structure.

   i.   HUD AI Governance Board

The Executive Committee of the HUD AI Governance Board is composed of the Deputy Secretary, Chief Artificial Intelligence Officer, and the heads of Policy Development and Research and the Office of the Chief Information Officer (the "HUD AI Board" or "Board"). The HUD AI Board sets the strategic direction and compliance of HUD's AI program including policy, oversight, governance, resource allocation, risk management, and stakeholder communication. In addition to the above offices, the Board has ongoing collaborative AI discussions with its Union partners, the Office of Inspector General ("OIG"), HUD's external auditor, and the U.S. Government Accountability Office ("GAO").

   ii.   HUD AI Committees

The HUD AI Board has 3 supporting committees: Program, Operational, and Technical. These committees help the Board coordinate agency use of AI, promote AI innovation, and manage risks from the use of AI. The committees convene relevant senior officials to govern the agency's use of AI, and the following offices are represented:

- Office of Administration
- Office of Chief Financial Officer ("OCFO")
- Office of Chief Human Capital Officer ("OCHCO")
- Office of Chief Information Officer ("OCIO")
- Office of Chief Procurement Officer ("OCPO")
- Community Planning and Development
- Fair Housing and Equal Opportunity
- Field Policy and Management
- Office of the General Counsel ("OGC")
- Government National Mortgage Association
- Office of Housing/Federal Housing Administration
- Lead Hazard Control and Healthy Homes
- Policy Development and Research (including the Office of the Chief Data Officer) ("PD&R")
- Public and Indian Housing
- Office of Small and Disadvantaged Business Utilization
- Executive Offices, including the Office of Public Affairs and Congressional and Intergovernmental Relations

Members of the Board, Committees and various offices have engaged with external experts, as appropriate and consistent with applicable law, primarily through existing channels in the Policy Development and Research office because they routinely engage with communities, academic institutions, think tanks, industry, civil society and research and development centers.

Additionally, the Chief AI Officer and his team have engaged with peers across the Federal family along with local and state government counterparts. Moving forward, the Program Committee will take the lead in engaging with other external experts, state and local partners, grantees, researchers, homebuilders, service providers, and advocacy groups. Through this collective work, the Board will support all HUD offices in the development of its AI Strategic approach, which is due in March 2025.

C. <u>AI Use Case Inventories</u>

As required by the EO and OMB Memo, HUD must individually inventory each of its AI use cases at least annually, submit the inventory to OMB, and post a public version on the agency's <u>website</u>. In response to this requirement, HUD scanned its technology inventory and has drafted a process for soliciting and collecting AI ideas that may develop into use cases. This process, described below, is pre-decisional and will be evaluated by the HUD AI Board prior to implementation.

The AI Use Case process leverages existing OCIO Standard Operating Procedures ("SOPs") for identifying the Agency's technology needs, determining priorities, and making plans for testing and implementation. These SOPs and other accompanying documentation will be updated, as needed, to ensure the HUD AI inventory is comprehensive and existing use cases can be updated as necessary. The OCIO will partner with appropriate program and support offices for continuous monitoring.

Upon identification of potential AI, OCIO and the Chief AI Officer will coordinate with the appropriate office to evaluate using the criteria in Table 1.

Table 1: Is this AI?

1.	Does it meet the definition of AI according to Section VI of <u>OMB M-24-10</u>?
2.	Does it meet the use case and inventorying requirements as established in OMB's <u>Guidance for 2024 Agency Artificial Intelligence Reporting per EO 14110</u>?
3.	Does it meet the definition or any of the presumed purposes for safety- and/or rights-impacting AI, as established in OMB M-24-10?
4.	What are the workforce impacts of the AI idea?
5.	If an AI idea is presented, would the idea benefit from a research and development (R&D) phase as defined in OMB's Guidance for 2024 Agency AI Reporting (called a "Proof of Concept" within HUD OCIO) prior to implementation?

Any technology that matches the definition of AI and OMB's definition of a use case (with no exclusions) will be included in HUD's published inventory of AI as required. The Chief AI Officer will coordinate with OCIO and the appropriate office(s) to complete OMB's template and publish the use case on hud.gov.

D.   Reporting on AI Use Cases Not Subject to Inventory

If an AI idea or technology falls into one of the exclusions described in Guidance for 2024 Agency Artificial Intelligence Reporting per EO 14110, the Chief AI Officer will report to the HUD AI Board for additional evaluation and a final determination. HUD's determination relies on the criteria set forth in OMB's Guidance for 2024 Agency AI Reporting, and, as of this date, HUD has not identified any AI use cases that are not subject to being individually inventoried. In addition to the considerations discussed above, all of HUD's IT projects undergo an annual operational assessment in accordance with HUD's Project Planning and Management (PPM) Life Cycle (Project Planning and Management V2.0 Introduction (hud.gov)).

Utilizing these processes, the Chief AI Officer along with OCIO will revisit and validate the criteria set forth in Table 1, above as needed. If there have been any changes to the use of the AI (for example, an AI use case that previously met the exclusion criteria for individual inventory reporting should subsequently be added to the agency's public inventory), the Chief AI Officer along with OCIO will work with the appropriate office to update.

III. ADVANCING RESPONSIBLE AI INNOVATION

A. <u>AI Strategy</u>

HUD will submit a comprehensive strategy, as required, in March 2025. This strategy will consider integrating the following critical components:

Data. Improving our AI readiness with a focus on data governance to better qualify, quantify and clarify data for improved insights and outcomes.

People. Building for our workforce and the people and communities HUD serves is paramount for any success, including technological success. HUD will continue to provide AI training and increase AI literacy across the organization, collecting innovative ideas and sharing best practices.

Process. Learning from our teams, partners and colleagues across the Federal Government, HUD will establish or adopt best and next practices whenever feasible. Establishing appropriate SOPs for risk mitigation and innovation will be an important component of this process development.

Platforms. Evaluating multi-platform usage of appropriately resourced, robust, and scalable technological infrastructures that support AI applications and data analytics.

Governance. Implementing appropriate policies, frameworks and monitoring that guide ethical AI development and usage while aligning with mission and organization goals.

Risk Management. Identifying, assessing, and mitigating potential threats and vulnerabilities associated with AI systems to ensure operational resilience.

Compliance. Ensuring AI practices adhere to federal policies and industry standards to maintain legal and ethical integrity.

Innovation. Encouraging community-led approaches and academically sound research to help solve American housing challenges.

Engagement. Fostering active collaboration and participation among a diverse stakeholder set to understand if, and how AI should be used or not used.

Experience. Enhancing the experiences of the people we serve. This includes our workforce and the many partners that are users of our services within the HUD community.

B. Removing Barriers to the Responsible Use of AI

Removing barriers for responsible use is a fundamental requirement for any successful AI innovation. HUD's approach is first to improve our AI literacy and clearly understand the impact of AI. Leveraging existing workflows, OCIO has ongoing engagement with program and support offices on any new or emerging technologies that could further strengthen our mission delivery. AI development is no different. In compliance with OMB guidelines, HUD has begun to set up secure test environments or "sandboxes" which will give HUD the capacity to develop proofs-of-concept. HUD defines a proof-of-concept as "the realization of a certain method or idea to demonstrate its feasibility, or a demonstration in principle, whose purpose is to verify that some concept or theory has the potential of being used." These proofs-of-concept will help HUD identify barriers to the responsible use of AI, as well as potential steps the agency can take to mitigate or remove those barriers, particularly in the areas of AI infrastructure, data, cybersecurity, and generative AI, as required Section 4(b) of the OMB Memorandum. HUD considers its proofs-of-concept to fall under OMB's definition of Research and Development ("R&D")[1], which are not required to be listed on agency inventories. Additionally, HUD's OCIO plans to conduct a gap analysis comparing the National Institute of Standards and Technology's ("NIST") AI Risk Management Framework ("RMF") and other best practices to HUD's current systems development lifecycle ("SDLC") to identify barriers to the responsible design, development and deployment and maintenance of AI solutions.

HUD has developed internal guidance for the use of generative AI. When HUD personnel attempt to access a generative AI application (i.e., ChatGPT), a pop-up notification appears. This notification states that personnel should exercise caution and discretion when using such systems, including not sharing sensitive, proprietary, or personally identifiable information (PII) data with the system, and to examine the system results carefully. In addition to the pop-up notification, the CAIO distributed an agency-wide employee communication that encourages HUD employees to learn more about AI (available through HUD's learning systems) and increase their awareness of HUD's AI activities. HUD is currently reviewing the use of publicly available generative AI tools across the agency and may re-evaluate the need for additional guidelines. Additionally, HUD has included requests in its FY26 Budget proposals for specific funding and flexibility of technology use, including AI, that would remove another barrier to the responsible use of AI.

The Office of Small and Disadvantaged Business has also recently developed a market research program whereby qualified organizations can provide updates to HUD on responsible AI use for helping address the Departments challenges and further the HUD mission.

C. AI Talent

In compliance with OMB and OPM recommendations, our Office of the Chief Human Capital Officer (OCHCO) will increase AI talent in coordination with the CAIO and is developing an AI Recruiting Toolkit to equip hiring managers with critical information and helpful strategies to

---

[1] See Guidance for 2024 Agency Artificial Intelligence Reporting Per EO 14110, Section 1(d)(i)

support recruitment for AI positions. The Toolkit includes tips for a strategic approach to recruiting, OPM-identified competencies for AI positions, classification and position descriptions, hiring options (including internal, external, direct hire authorities, excepted service Schedule A appointments, Schedule A cyber security hiring authority, and shared certificates), hiring incentives, and other references and resources. HUD has designated an AI Talent Lead from within OCHCO.

Maintaining HUD's commitment to its workforce for increasing AI literacy, HUD's Chief Learning Officer along with OCHCO continues to provide resources and training to help cultivate an understanding of the impacts of AI use across the Department. A Department wide training was recently provided and additional online AI trainings have been added to HUD's internal training library and are available to all HUD employees. HUD has also sponsored executive AI training for members of the HUD AI Board and other senior leaders to provide hands-on experience using Gen AI tools to help inform their new responsibilities. Additionally, HUD collaborated with external partners to host a voluntary Generative AI Virtual Training available to all HUD staff.

D. AI Sharing and Collaboration

In response to OMB memorandum M-16-21 *Federal Source Code Policy: Achieving Efficiency, Transparency, and Innovation through Reusable and Open Source Software*, HUD developed a Source Code Policy. The policy describes the process, roles, and responsibilities of HUD personnel in executing the policy. HUD intends to use its existing policy to evaluate AI code and models for potential sharing and releasing as required by Section 4(d) of M-24-10.

In response to the OPEN Government Data Act, part of the Evidence Act, HUD's OCDO established an Open Data Division. The Open Data Division is responsible for maintaining HUD's Open Data catalog, which serves as the primary platform for making the department's enterprise data assets available to the public. HUD intends to maintain the existing responsibilities of this division to evaluate AI data assets for potential sharing and releasing as required by Section 4(d) of M-24-10.

E. Harmonization of Artificial Intelligence Requirements

To collaborate on AI best practices, the HUD CAIO actively participates in the White House Chief AI Officer Council. The Council meets monthly where agencies from across the Federal government share best practices. HUD looks forward to continuing to participate in the Council as well as sharing best practices with other Federal agencies. HUD also participates in the OMB Working Groups, (Generative AI, Acquisition and Risk Mitigation) and will, as appropriate, support the development of materials to help all agencies implement the requirements of the OMB Memorandum.

IV. MANAGING RISKS FROM THE USE OF ARTIFICIAL INTELLIGENCE

A. Determining Which Artificial Intelligence Is Presumed to Be Safety-Impacting or Rights-Impacting

As described in Section II of this Compliance Plan, HUD intends to determine which AI use cases are rights-impacting or safety-impacting during the interim process for soliciting and collecting AI ideas that may develop into use cases. As noted in Table 1, OCIO and the Chief AI Officer will coordinate with the appropriate office to make this determination according to the definitions and presumed purposes described in the OMB Memorandum. HUD has not created and does not intend to create any additional criteria for identifying rights-impacting and safety-impacting AI.

HUD has not developed its own distinct criteria to guide a decision to waive one or more of the minimum risk management practices for a particular use case. If a use case is determined to be rights-impacting or safety-impacting AI, it is expected that all minimum risk management practices will be implemented, as required by the OMB Memorandum. Because HUD does not plan to waive any of the minimum risk management practices for a particular use case, HUD has not developed a process for issuing, denying, revoking, tracking, and certifying waivers.

B. Implementation of Risk Management Practices and Termination of Non-Compliant AI

HUD's PPM Life Cycle includes several requirements for all technology projects, including those using AI, to be reviewed before advancing to the next stage. These review gates will include the review of any safety-impacting or rights-impacting AI. If the AI is found non-compliant, it would not be approved to move forward with development or production.

If there is any non-compliant AI in a production environment, OCIO will follow their existing standard operating procedures for terminating, and effectuating the termination, of non-approved technology.

C. Minimum Risk Management Practices

HUD has initiated a Front-end Risk Assessment (FERA) on the establishment of the Chief AI Office and leverages the NIST AI Risk Management Framework in its continuous development of risk mitigation measures. HUD plans to update its PPM Life Cycle to document and validate implementation of the minimum risk management practices. In particular, HUD plans to update specific tasks and artifacts to perform and document the minimum risk management practices described in Section 5(c) of the OMB Memorandum. As noted above, HUD's PPM Life Cycle includes several review gates in which all technology projects, including those using AI, need to be reviewed before advancing to the next stage. These review gates will be updated to validate the implementation of the minimum risk management practices for each rights- and/or safety-impacting AI use case.