



AUDIT PLAN
As of November 30, 2011
OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Overview

The U.S. Department of Housing and Urban Development's (HUD) primary mission is to invest in quality, affordable homes and build strong, safe, healthy communities for all. HUD has a \$37.4 billion budget for fiscal year (FY) 2012, \$3.7 billion, or 9 percent, less than HUD's FY 2011 funding level. The bill includes a 38 percent cut to the HOME Investment Partnerships Program (HOME), a 12 percent cut to the Community Development Block Grant (CDBG) program, and a 7 percent cut to Housing Choice Voucher program administrative fees, compared with FY 2011. The Department intends to respond aggressively to the housing crisis as well as contribute to broader national priorities on energy, sustainable growth, community revitalization, and poverty alleviation.

This audit plan provides coverage of HUD's program areas and management and organizational reforms. It gives full consideration to the Office of Inspector General's (OIG) strategic plan and the Department's management challenges identified by OIG and reported to Congress annually.

The HUD Office of Inspector General – Office of Audit

HUD OIG is one of the original 12 Offices of Inspector General established by the Inspector General Act of 1978. While part of the Department, OIG provides independent oversight of HUD's programs and operations.

The Office of Audit's activities are designed to promote economy, efficiency, and effectiveness in the administration of HUD programs; detect and deter fraud, waste, and abuse in HUD programs and operations; and ensure compliance with applicable laws and regulations.

Under the leadership of the Inspector General, the Assistant Inspector General for Audit is responsible for managing the Office of Audit. The office has four headquarters divisions: the Financial Audits Division, the Information Systems Audits Division, the Headquarters Audit Division, and the Technical Oversight and Planning Division. There are nine regional offices in the country including a Gulf Coast Region in New Orleans, which is responsible for auditing disaster recovery funds provided to areas affected by Hurricanes Katrina, Rita, and Wilma. Each regional office is supervised by a Regional Inspector General for Audit. In 2010, a Special Operations Division was established, thereby creating both a Civil Fraud Division and a Field Technical Support Division.

The Audit Planning Process

Audit planning is a continuing process to focus resources on areas of greatest benefit to the taxpayer and the Department. Our broad goal in developing an audit plan is to help HUD resolve its major management challenges while maximizing results and providing responsive audits.

The process is dynamic in order to address requests and other changes throughout the year. We identify audits through discussions with program officials, the public, and Congress; conducting audits; and reviewing proposed legislation, regulations, and other HUD issuances.



AUDIT PLAN

We also conduct audits that HUD and Congress request, as well as those identified from our hotline.

Audit Environment at HUD

The Department's primary mission is to create strong, sustainable, inclusive communities and quality, affordable homes for all. HUD does this through a variety of housing and community development programs and insured mortgages.

While HUD is a relatively small agency in terms of staff, it relies on a large number of entities to administer its diverse programs. Among HUD's administrators are hundreds of cities and directly funded grantees that manage HUD's CDBG funds, thousands of public housing agencies and multifamily housing projects that provide HUD assistance, and thousands of HUD-approved lenders that originate Federal Housing Administration (FHA)-insured loans.

HUD's housing finance and subsidy programs represent approximately \$1 trillion in long-term Federal financial commitments. HUD is actively involved in foreclosure mitigation, home ownership counseling, and a myriad of efforts to curb mortgage abuse.

HUD's public and Indian housing and community development programs impact the lives of millions of low-income households and the condition of most American communities. A shrinking HUD staff has led to an ever-growing reliance on outside program partners and contractors to perform many critical program functions.

Audit Plan Objectives

The audit plan has the following objectives:

- ***Contribute to improving the integrity of single-family insurance programs***
- ***Contribute to the oversight objectives of the American Recovery and Reinvestment Act of 2009***
- ***Contribute to a reduction in erroneous payments in rental assistance programs***
- ***Contribute to improving HUD's execution of and accountability for fiscal responsibilities***
- ***Contribute to resolving significant issues raised or confronted by HUD and OIG's stakeholders***

Improving the Integrity of Single-Family Insurance Programs

FHA is the Federal Government's single largest program to extend home ownership to individuals and families who lack the savings, credit history, or income to qualify for a conventional mortgage. In FY 2011, FHA served more than 1.2 million households and insured \$218 billion in single-family mortgages, bringing the active single-family portfolio to more than



AUDIT PLAN

\$1 trillion. New insurance endorsement activity in FY 2011 remained at a high level, although it was measurably lower than the peak levels of 2009 and 2010. In terms of dollars of single-family loans insured, 2011 was the third highest year on record, after 2009 and 2010. In an effort to further strengthen its capital reserves, on April 18, 2011, FHA implemented an increase in the annual mortgage insurance premium for newly endorsed loans. The annual premium increased from 0.85 basis points (bps) to 1.10 bps for loans with loan-to-value ratios of up to 95 percent and from 0.90 bps to 1.15 bps for loans with loan-to-value ratios of 95 percent and above. FHA's current premium levels are the highest they have been in the agency's history.

To address challenges in the housing market, FHA has developed new programs and modified existing programs. For example,

- As of May 20, 2011, the required net worth for FHA lender approval or renewal was increased to \$1 million, with 20 percent of that amount being in liquid assets. Effective May 20, 2012, the required net worth for FHA lenders will increase further and be a function of lender annual dollar volumes of FHA endorsements.
- FHA expanded loss mitigation programs. Enhancements were made to FHA's loss mitigation requirements to increase the use of trial payment periods before the mortgagee's executing a loan modification or partial claim action to cure a default.
- FHA implemented the Home Equity Conversion Mortgage (HECM) Saver program. In September of 2010, FHA introduced the HECM Saver product as a second option for reverse mortgage borrowers. The HECM Saver offers significantly reduced upfront loan closing costs for mortgagors who wish to borrow less than the maximum amount available under a standard HECM loan.

Significant changes in the single-family mortgage industry and the meltdown of the subprime market require continual emphasis on single-family lenders by OIG. For example, the Helping Families Save Their Homes Act of 2009 provides limitations on those eligible to participate in FHA programs, places additional requirements on FHA-approved mortgagees, and expands FHA's authority to pursue civil money penalties for violations of program requirements. Further, HUD received \$4 billion for the Neighborhood Stabilization Program (NSP1) in 2008 and another \$2 billion in 2009 (NSP2, which is part of the Recovery Act). The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 provided an additional \$1 billion in funding, which is referred to as NSP3. The program aids localities in dealing with neighborhoods adversely affected by foreclosures. OIG plans to continue its efforts in external and internal audits of HUD's activities in the single-family mortgage industry and NSP2.

The recent economic slowdown has increased demand for loss mitigation actions, including but not limited to loan modifications and other types of mortgage assistance. The Helping Families Save Their Home Act of 2009 expanded the authority to use FHA loss mitigation actions to assist defaulted FHA borrowers in avoiding foreclosure, to include those mortgagors facing "imminent default" as defined by the HUD Secretary. Therefore, OIG plans to increase efforts in external and internal audits of servicers and HUD's activities in loan



AUDIT PLAN

modifications. Further, as millions of homeowners struggle with foreclosures, evidence has surfaced suggesting that banks have employed “robo-signers” to sign documents, thereby facilitating the foreclosure process without having actual knowledge of the individual cases. In response to allegations regarding robo-signing, in October 2010, HUD OIG initiated a review of the foreclosure practices of five of the largest FHA lenders to determine whether the selected FHA servicers complied with applicable foreclosure procedures for signing and notarizing judgment affidavits when processing foreclosures on FHA-insured loans. The results of our reviews have been provided to the U.S. Department of Justice for possible civil action.

The Dodd Frank Wall Street Reform and Consumer Protection Act provided \$1 billion to HUD to implement the Emergency Homeowners Loan Program (EHLA). The program will offer a declining balance, deferred payment “bridge loan” (nonrecourse, subordinate loan with zero interest) for up to \$50,000 to assist eligible homeowners with payments of arrearages, including delinquent taxes and insurance, plus up to 24 months of monthly payments on their mortgage principal, interest, mortgage insurance premiums, taxes, and hazard insurance. HUD will assist borrowers in Puerto Rico and the 32 States otherwise not funded by the U.S. Department of the Treasury’s Innovation Fund for Hardest Hit Housing Markets program, based on their relative unemployment measures. HUD opened the application process in 27 States and Puerto Rico to give homeowners at risk of foreclosure more time to apply for the program. HUD initially estimated that the funding would assist approximately 30,000 applicants. However, the program closed to applicants on September 30, 2011, with more than half of the \$1 billion unspent, with leftover funds returned to the U.S. Treasury. Fewer than 12,000 applicants were approved before the program expired, short of the 30,000 target.

Lenders are targeted for audit through the use of data-mining techniques, along with prioritizing audit requests from outside sources. All appropriate enforcement actions will be pursued against lenders through referrals to the Mortgagee Review Board, the Enforcement Center, and our own Office of Investigation.

The Office of Audit is also placing an emphasis on civil mortgage fraud and will actively seek out instances involving false claims deserving civil complaints to recover Federal funds.

Recovery Act

The Recovery Act invested \$13.6 billion in HUD programs to modernize and “green” the public and assisted housing inventory, increase the low-income housing tax credit market, stabilize neighborhoods hit by foreclosures, and prevent homelessness. The Office of Audit’s oversight objectives regarding HUD funding under the Recovery Act are to determine whether

- Funds are awarded and distributed in a prompt, fair, and reasonable manner;
- The recipients and uses of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner;
- Funds are used for authorized purposes, and instances of fraud, waste, error, and abuse are mitigated;



AUDIT PLAN

- Projects funded under the Act avoid unnecessary delays and cost overruns; and
- Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

OIG has started 206 audits involving the Recovery Act, and 177 reports had been issued as of November 15, 2011. These include reviews of the Department's front-end risk assessments, which the Office of Management and Budget required for each program area receiving Recovery Act funds. We also conducted several capacity reviews of entities that applied for or will receive Recovery Act funds. Our objective in the capacity audits was to determine whether the entities had the necessary financial and personnel resources to properly handle the increase in funding. Our regional offices are now using risk assessments to identify appropriate grantees in their regions to audit Recovery Act expenditures.

Reducing Erroneous Payments in Rental Assistance Programs

HUD provides housing assistance funds under various grant and subsidy programs to multifamily project owners (both nonprofit and for profit) and public housing agencies. These intermediaries, in turn, provide housing assistance to benefit primarily low-income households.

The Office of Public and Indian Housing (PIH) provides funding for rent subsidies through its public housing operating subsidies and tenant-based Section 8 rental assistance programs. These programs are administered by about 3,200 public housing agencies, which are to provide housing to low-income families or make assistance payments to private owners who lease their rental units to assisted families. In fiscal year 2011, there were approximately 1.2 million public housing units occupied by tenants. These units are under the direct management of the public housing agencies.

The Office of Housing administers a variety of assisted housing programs. The subsidies provided through these programs are called "project-based" subsidies because they are tied to particular properties; therefore, tenants who move from such properties may lose their rental assistance.

HUD has made significant improvements in the area of erroneous payments. To reduce improper rental assistance payments, PIH and HUD's Office of Housing worked with their housing industry partners and tenant advocacy groups to improve program guidance, training, and automated systems support. HUD developed and implemented the Enterprise Income Verification System, a Web-based system, to share income data in other Federal databases with public housing agencies to improve their income verification process.

OIG will continue to focus on this program area. Our reports continue to target significant issues related to this program area.

Improving HUD's Execution of and Accountability for Fiscal Responsibilities

HUD is focused on HUD-specific information technology (IT) management



AUDIT PLAN

improvements. It continues its efforts to improve the IT capital planning process, convert to performance-based IT service contracts, strengthen IT project management to better assure results, extend the data quality improvement program, and improve systems security on all platforms and applications.

As in the past, OIG will review a variety of HUD programs with the objective of improving their efficiency and effectiveness.

Significant Mandated Audits

Congress has tasked the Office of Audit with legislated audit work. For example, the Appropriations Committee tasked OIG with audit responsibility for the \$3.5 billion in disaster recovery assistance funding provided to New York City as a result of the September 11, 2001, terrorist attacks. The task involves reporting every 6 months. The Office of Audit also reviews HUD's activities related to Gulf Coast hurricane disaster relief efforts. This effort resulted in the establishment of a Gulf Coast Region to be the focal point for all audits in the coming years relating to HUD's relief efforts and to coordinate with other agencies that are involved in the overall effort.

In addition to the HUD-specific mandates issued by Congress, all OIGs must meet several governmentwide legislative mandates annually. The two most significant requirements are the financial audits required by the Chief Financial Officers Act and the review of information security policies required by the Federal Information Security Management Act (FISMA).



AUDIT PLAN

ONGOING AND PLANNED INTERNAL AUDITS

- * *Audit contributes to improving the integrity of single-family insurance programs*
- ** *Audit contributes to a reduction in erroneous payments in rental assistance programs*
- *** *Audit contributes to improving HUD's execution of and accountability for fiscal responsibilities*
- **** *Audit is a significant mandated audit*

(a) *Audit contributes to initiatives legislated by the Recovery Act*

Program areas/objectives	Lead region	Start date	Final report target date
Single-family housing/FHA			
<p>* The Government National Mortgage Association's (Ginnie Mae) monitoring of mortgage delinquencies: To determine whether Ginnie Mae's approved issuers are monitoring mortgage delinquencies and defaulted loans according to its requirements.</p>	Headquarters	April 2012	December 2012
<p>* Philadelphia Home Ownership Center quality assurance procedures for FHA lenders (PH 11 0009): To determine whether the Philadelphia Homeownership Center has an effective quality assurance process for monitoring lenders within its jurisdiction to ensure that they comply with program requirements.</p>	Philadelphia	March 2011	January 2012
<p>* HUD's Emergency Homeowners' Loan Program (EHLPP): To determine whether HUD (1) successfully implemented EHLPP and provided assistance to homeowners under the emergency mortgage relief program, (2) established guidelines or procedures to equitably allocate amounts to the State housing finance agencies for loans and advances to be distributed to State residents, and (3) properly obligated EHLPP funds.</p>	Headquarters	December 2011	August 2012



AUDIT PLAN

Program areas/objectives	Lead region	Start date	Final report target date
<p>* HUD’s oversight of Private Enforcement Initiative grants under its Fair Housing Initiatives Program: To determine whether HUD’s oversight of its Fair Housing Initiatives Program ensured that recipients of Private Enforcement Initiative funds under the program complied with grant terms and program requirements.</p>	Philadelphia	January 2012	September 2012
<p>* FHA’s Technology Open to All Lenders (TOTAL) Scorecard and income-to-liability ratios: To determine whether (1) TOTAL Scorecard approves loans that would not be approved under manual underwriting, (2) TOTAL Scorecard can be manipulated, (3) lenders establish dummy case numbers to manipulate results, and (4) HUD has evaluated whether automated underwriting systems decrease risk or whether fees paid to lenders reflect appropriate risk.</p>	Fort Worth	February 2012	October 2012
<p>* Refinance of non-FHA loans to FHA: To determine whether (1) FHA loans refinanced from non-FHA loans posed a higher risk to the FHA fund and (2) HUD guidance was sufficient to prevent non-FHA to FHA refinanced loans from converting lender risk to FHA risk.</p>	Fort Worth	July 2012	March 2013
<p>* FHA default reporting: To determine whether HUD had effective controls in place to ensure timely and accurate default reporting on FHA-insured loans.</p>	Kansas City	March 2012	September 2012
<p>* Adequacy of HUD’s single-family requirements for credit assessments: To determine whether HUD can improve its ability to reduce losses to the FHA insurance fund for single-family insured loans by (1) strengthening credit requirements relative to the assessment of collection accounts and chargeoffs and (2) clarifying the now-vague reference to compensating factors lenders may use to justify the approval of loans to borrowers who have credit problems.</p>	Atlanta	March 2012	November 2012



AUDIT PLAN

Program areas/objectives	Lead region	Start date	Final report target date
<p>* Single-family loss mitigation: To determine whether (1) HUD’s use of the partial claim option as a loss mitigation tool adequately protects the insurance fund, (2) HUD’s use of the deed in lieu loss disposition option adequately protects the insurance fund, and (3) HUD’s oversight of the FHA loss mitigation programs is effective.</p>	Los Angeles	March 2012	November 2012
<p>* Single-family FHA appraiser review process – field review contractors (LA 11 0038): To determine whether HUD enforced the contractor’s compliance with contract requirements for (1) extent of work to be performed and (2) proper billing/claims and whether HUD’s quality controls meet internal and governmental requirements.</p>	Los Angeles	July 2011	December 2011
<p>* Eligibility of HECM loan borrowers (PH 11 0012): To determine whether HUD’s controls are effective to ensure that HECM loan borrowers comply with residency requirements.</p>	Philadelphia	March 2011	January 2012
<p>* HUD’s ability to overcome data and performance measurement impairments in the Housing Counseling Assistance Program (NY 12 0006): To determine whether HUD’s Housing Counseling Assistance Program is effective.</p>	New York	November 2011	March 2012
<p>* HUD’s oversight of lenders’ compliance with FHA underwriting requirements (CH 11 0032): To assess HUD’s oversight of lenders’ compliance with FHA’s underwriting requirements.</p>	Chicago	September 2011	May 2012
<p>* HUD’s oversight of the mortgage compliance manager, field service manager, and asset manager contracts: To determine whether HUD is monitoring the mortgage compliance manager, field service manager, and asset manager contracts covering the State of Nevada.</p>	Los Angeles	December 2011	July 2012



AUDIT PLAN

Program areas/objectives	Lead region	Start date	Final report target date
* HUD oversight of the HECM program- II: To determine whether HUD's oversight of the HECM program ensured that participants did not improperly rent out units associated with HECM loans.	Philadelphia	November 2011	May 2012
* FHA Preforeclosure Sale Program (KC 12 0002): To determine whether HUD's Preforeclosure Sale Program requirements adequately protect the insurance fund.	Kansas City	October 2011	May 2012
* Mortgage Electronic Registration Systems, Inc.'s (MERS) impact on HUD's acceptance of mortgage titles: To determine whether HUD accepted conveyance and possession of foreclosed-upon properties without good marketable titles, to include determining whether widespread servicer use of MERS contributed to the potential problem.	Fort Worth	August 2012	April 2013
Community planning and development			
*** Community housing development organizations' (CHDO) qualifications: To determine whether HUD adequately monitors its participating jurisdictions to ensure that they certify nonprofit organizations to become CHDOs in compliance with HOME program requirements.	New York	March 2012	September 2012
*** Assessment of HOME program technical assistance (CH-11-0031): To determine the effectiveness of HUD's use of technical assistance to improve participating jurisdictions' administration of their HOME program funds.	Chicago	September 2011	May 2012
*** Long-term effectiveness and sustainability of economic development projects: To determine whether HUD has (1) procedures to track the life cycle of completed economic development projects, (2) a performance measurement system to identify projects that fail or succeed in the long term, and (3) procedures to identify indicators that caused projects to fail or succeed in the long term and uses these indicators when evaluating proposed projects.	Atlanta	January 2012	September 2012



AUDIT PLAN

Program areas/objectives	Lead region	Start date	Final report target date
<p>*** HUD CDBG disaster recovery assistance monitoring review: To determine whether HUD adequately monitored its State grantees, including the States of Louisiana, Alabama, Florida, Mississippi, and Texas, that received a total of \$19.7 billion in CDBG disaster recovery assistance as a result of Hurricanes Katrina, Rita, and Wilma.</p>	Gulf Coast	February 2012	October 2012
<p>*** CDBG disaster – States’ results from hurricane funding: To determine the States’ efforts to properly use CDBG disaster program funds to assist their communities in a timely and cost-effective manner. In addition, we will determine whether HUD should make any changes to the CDBG disaster program or grants to ensure that future funding is spent in an efficient and effective manner.</p>	Fort Worth	February 2012	October 2012
<p>*** HUD’s oversight of CDBG program income: To determine whether HUD has procedures to ensure that CDBG grantees are providing full accountability for CDBG program income funds.</p>	New York	April 2012	December 2012
Public and Indian housing			
<p>*** Selection and award of grantees for HOPE VI revitalization program (HA 11 0007): To determine whether PIH scored and awarded HOPE VI grants in accordance with FY 2010 Notice of Funding Availability criteria.</p>	Headquarters	June 2011	December 2011
<p>*** HUD management and oversight of housing authority interfund transactions: To determine whether HUD has adequate personnel and procedures in place to identify high interprogram fund balances at housing authorities where they exist and adequately addresses the issues that cause them.</p>	Boston	May 2012	January 2013



AUDIT PLAN

Program areas/objectives	Lead region	Start date	Final report target date
<p>** The reliability of HUD’s Inventory Management System/PIH Information Center (IMS/PIC) housing inventory data: To determine whether HUD verifies and assesses the reliability of PIH housing inventory data maintained within the IMS/PIC systems.</p>	New York	April 2012	September 2012
<p>*** PIH – Capital Fund Program (CFP) insurance reimbursements: To determine whether HUD’s PIH CFP monitoring procedures are adequate to ensure that public housing authorities (PHA) disclose and use property insurance claim proceeds in accordance with HUD requirements.</p>	Los Angeles	December 2011	August 2012
<p>*** HUD’s monitoring of small PHAs using more than 10 percent of its capital funds for operations: To determine whether HUD ensures that small PHAs that use more than 10 percent of their capital funds for operating expenses use them for eligible activities.</p>	Kansas City	February 2012	August 2012
<p>*** HUD’s receivership of the Housing Authority of East St. Louis (KC 12 0008): To determine whether HUD effectively oversaw and managed the recovery and turnaround of the Authority.</p>	Kansas City	October 2011	April 2012
<p>*** HUD’s monitoring and administration of the Housing Choice Voucher Family Self-Sufficiency program: To determine whether HUD is sufficiently monitoring PHAs to encourage the use of the FSS program and evaluate its outcome, specifically, to ensure that administering agencies properly monitor participants’ progress while in the program and upon graduation from the program and document the program benefit.</p>	New York	February 2012	September 2012



AUDIT PLAN

Program areas/objectives	Lead region	Start date	Final report target date
<p>*** Southwest Office of Native American Programs' (SWONAP) enforcement of financial reporting requirements: To determine whether HUD's SWONAP provided adequate oversight of Native American Housing Assistance and Self Determination Act grantees to ensure compliance with requirements for submission of annual audit reports.</p>	Los Angeles	December 2011	August 2012
<p>*** Recovery Act Capital Fund grants: To determine whether HUD ensured that Public Housing Capital Fund grantees met requirements of the Recovery Act.</p>	Fort Worth	January 2012	October 2012
<p>*** Effectiveness of HUD's Section Eight Management Assessment Program (SEMAP): To determine whether HUD's SEMAP assessments adequately identify poor performers, ultimately leading to improved effectiveness of HUD's Housing Choice Voucher program.</p>	Atlanta	January 2012	October 2012
<p>*** Rent reasonableness data availability: To determine whether changes in IT, combined with the economic downturn, limited the types of data necessary for PHAs to make proper rental determinations.</p>	Boston	June 2012	February 2013
<p>*** HUD's oversight of PHAs' expenditures for outside legal services: To determine whether HUD needs to develop and implement controls to monitor PHAs' expenditures for outside legal services to ensure that the services are reasonable, necessary, and procured according to applicable requirements (non-Recovery Act funds).</p>	Philadelphia	June 2012	February 2013
<p>*** HUD's administration of its enhanced vouchers: To assess the adequacy of HUD's oversight of its enhanced vouchers.</p>	Philadelphia	June 2012	February 2013



AUDIT PLAN

Program areas/objectives	Lead region	Start date	Final report target date
<p>*** HUD's cost-saving measures related to maximizing the number of families that can be assisted in the Housing Choice Voucher program: To determine whether HUD adequately monitors its PHAs and agencies to ensure that they are implementing cost-saving measures to maximize the number of families receiving assistance under the PHA Housing Choice Voucher program.</p>	New York	June 2012	February 2013
<p>*** Public Housing Capital Fund replacement reserve: To determine whether HUD allowed public housing agencies to draw capital funds and place them into a replacement reserve and if so, the reason(s) for HUD's decision and what guidance and monitoring HUD provided.</p>	Fort Worth	August 2012	April 2013
Multifamily housing/FHA			
<p>*** The Real Estate Assessment Center's (REAC) review of independent auditors' workpapers to ensure that the auditors address fraudulent matters for Office of Management and Budget Circular A-133 audits (KC 11 0027): To determine whether REAC ensures that independent auditors follow relevant standards for identifying fraud when conducting PHA audits.</p>	Kansas City	August 2011	February 2012
<p>*** Review of HUD's Office of Multifamily Lender Qualification and Monitoring Division (PH 11 0014): To determine whether HUD's Office of Multifamily Housing Development, Lender Qualification and Monitoring Division, has adequate controls in place to ensure that multifamily FHA-insured loans are acceptable risks to HUD.</p>	Philadelphia	March 2011	February 2012
<p>*** Review of the adequacy of HUD's assessment of the eligibility of mortgagors approved to own and develop multifamily-insured projects: To determine whether HUD established and implemented adequate controls to ensure the eligibility and financial ability of mortgagors approved to develop multifamily projects.</p>	Atlanta	January 2012	September 2012



AUDIT PLAN

Program areas/objectives	Lead region	Start date	Final report target date
<p>*** Living Conversion Program for eligible multifamily housing projects: To determine whether HUD monitors/reviews private nonprofits to ensure that program funds and units are converted properly for eligible multifamily-assisted housing projects.</p>	Chicago	January 2012	September 2012
<p>*** HUD oversight of multifamily housing project finances: To determine whether HUD (1) is taking adequate measures to ensure that insured multifamily projects remain financially viable, (2) can better manage multifamily portfolios to ensure that more funding is available for additional quality, affordable rental homes, and (3) is taking advantage of low interest rates and having projects refinance higher rate debts.</p>	New York	August 2012	April 2013
Recovery Act			
<p>*** (a) Effectiveness of the Homelessness Prevention and Rapid Re-Housing Program (HPRP): To determine whether HUD is adequately monitoring HPRP recipients to assess the effectiveness of the program.</p>	New York	December 2011	August 2012
<p>*** (a) HUD's oversight of NSP2-funded housing counseling and rehabilitation programs in Arizona: To determine whether HUD's Phoenix office provided adequate oversight of NSP2 housing counseling and rehabilitation programs to ensure that grantees complied with procurement and labor cost eligibility requirements.</p>	Los Angeles	March 2012	November 2012
Information systems (IS) audits			
<p>**** FY 2011 Evaluation of HUD security required by FISMA (DP-11-0009): Annual independent evaluation of HUD's information security program and practices to determine whether they meet the security responsibilities of FISMA.</p>	IS Audit	August 2011	January 2012



AUDIT PLAN

Program areas/objectives	Lead region	Start date	Final report target date
<p>**** FY 2011 review of information systems controls in support of the financial statements audit – Federal Information System Controls Audit Manual (FISCAM) (DP-11-0008): To assess management controls over HUD’s computing environment as part of the internal control assessments required for the FY 2011 Consolidated Financial Statement Audit under the Chief Financial Officer’s Act of 1990. Specifically, we will evaluate the general and application controls of selected computer systems that support HUD’s business operations.</p>	IS Audit	July 2011	January 2012
<p>**** Network vulnerability assessment of Ginnie Mae (DP 11 0004): To determine whether Ginnie Mae’s management of its information systems complies with HUD IT policies, Federal information system security requirements, and Federal financial management requirements.</p>	IS Audit	January 2011	December 2011
<p>**** Review of security controls on the IBM mainframe (DP 12 0001): To determine whether the security implemented on HUD’s IBM mainframe provides adequate controls to prevent abuse or unauthorized access to the Department’s information resources. This review will be conducted in support of HUD’s FISCAM audit.</p>	IS Audit	November 2011	July 2012
Administrative/other			
<p>** Improper Payments Act review (FO 11 0044): To conduct a review of the Department’s annual and quarterly improper payment reports pursuant to Executive Order 13520.</p>	Financial Audit	June 2011	December 2011
<p>*** Review of Office of Labor Relations’ Deposit Program (HA 11 0006): To determine whether HUD has adequate controls over Labor Relations’ Deposit Program.</p>	Headquarters	June 2011	December 2011



AUDIT PLAN

Program areas/objectives	Lead region	Start date	Final report target date
*** HUD's Section 242 Hospital Mortgage Insurance Program controls (KC 12 0006): To determine whether HUD (1) established adequate controls to approve and administer projects under the Section 242 mortgage insurance for hospitals program; and (2) provided adequate guidance to participants for the use of program funds.	Kansas City	October 2011	April 2012
*** HUD's controls over sanitizing hard drives of multifunctional copiers (KC 12 0003): To determine whether HUD has documented and implemented procedures to effectively remove sensitive data from the hard drives of multifunctional copiers before disposing of them.	Kansas City	October 2011	May 2012



AUDIT PLAN

EXTERNAL AUDITS

Planning for external audits is subject to a number of factors, such as complaints, requests from HUD and congressional staff, and media attention, all of which cannot be predicted or anticipated. The planning of external audits, therefore, is intended to be flexible to enable OIG to perform the highest priority work on hand. Depending on the volume and nature of audit requests, OIG intends to selectively target high-risk programs and jurisdictions. Priorities have been determined based on the HUD OIG strategic plan and areas of interest to OIG's stakeholders, particularly Congress. Of particular interest this year are Recovery Act-related efforts. With this in mind, the following types of external audits have been identified as priority areas during this planning cycle. As the opportunity permits, OIG audit managers will focus their audit resources in the following areas.

Single-family lender audits: Single-family lender audits continue to be a priority for FY 2012 due to the abuses being experienced in single-family programs. A specialized audit program has been developed for the purpose of targeting lenders for audit, considering a number of high-risk indicators. In addition to its being a goal in HUD OIG's strategic plan, there continues to be congressional interest in OIG's audits of single-family programs. In addition, OIG plans to perform audits of mortgage companies' originating and underwriting, servicers performing loss mitigation actions, and FHA home equity conversion mortgages, along with additional audits of Ginnie Mae participants.

Community planning and development: In an effort to continue emphasis on improving efficiency and effectiveness, OIG is continuing to emphasize this program area. In addition, disaster recovery funding is being provided primarily through Community Development Block Grants. Congress continues to take interest in the use of disaster funds to ensure that they are reaching those who need them. Based on OIG assessments, congressional inquiries, and Recovery Board referrals, OIG plans to continue to focus on audits of grantees receiving NSP2 and NSP3 funding. In addition, Congress has recently taken interest in improving the efficiency of the HOME program. HUD OIG has long-standing concerns regarding the financial management controls over community planning and development formula grant programs and will continue to focus on audits of HOME grantees and HUD's monitoring of the grantees.

Public and Indian housing: The low-income program serves approximately 1.2 million households. The Section 8 Housing Choice Voucher program serves more than two million households. As part of an overall OIG initiative, tenant eligibility and accuracy of rental assistance payments will also be an area of audit focus. However, we will be increasing our focus on the Public Housing Capital Fund in light of the \$4 billion in Recovery Act funds being directed toward that program. The quality of housing and the cost of administering these programs continue to be concerns that will be addressed as workload permits. PHA development activities carried out by affiliated nonprofit entities are another area of emphasis that will be addressed as resources permit. Lastly, as HUD rolls out its Choice Neighborhoods Initiative, OIG will be preparing to ensure that the program efficiently meets its intended goals in the coming years.



AUDIT PLAN

Multifamily and insured health care project audits: Audits of multifamily project operations continue to be an area of interest in FY 2012. The economic slowdown has created high demand in the multifamily mortgage market. HUD announced that it has endorsed more than \$10.5 billion in multifamily rental loans this fiscal year, seven times the amount backed just 3 years ago. With the publication of new loan closing documents earlier this year and a revised Multifamily Accelerated Processing Guide in August, focus on this program area will be to ensure tht HUD's risk is limited as it sets record volume. The focus of these audits will be on the misuse of project operating funds, also known as equity skimming.

Nonprofit grantees: Continued concerns over the capacity of nonprofit entities receiving funding from HUD programs require that audits of such activities be given priority. Of particular concern are several Office of Community Planning and Development programs including entitlement and supportive housing grants. Based on referrals from HUD program staff, we will give priority attention to auditing nonprofits. For those selected, we will evaluate the control systems in place, especially for subrecipients of HUD grant funds, to determine whether these controls provide the review and oversight necessary to ensure that funds are spent on eligible activities and put to good use.