



AUDIT PLAN
As of March 30, 2012
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 budget 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. After realignment in January 2012, OIG merged its Inspections and Evaluations Division, which was formerly in the Office of Investigation, with the Headquarters Audit Division. In addition to the Inspections and Evaluations Division, the office has three other headquarters divisions: the Financial Audits Division, the Information Systems Audits Division, and the Technical Oversight and Planning Division. The realignment also resulted in reducing the number of regional offices from nine to seven. The Office of Audit merged the Boston and New York regions and realigned the Gulf Coast region with the Atlanta and Fort Worth regions. 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;



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conducting audits; and reviewing proposed legislation, regulations, and other HUD issuances. 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



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\$218 billion in single-family mortgages, bringing the active single-family portfolio to more than \$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. Effective April 9, 2012, the annual premium will increase from 1.10 basis points (bps) to 1.20 bps for loans with loan-to-value ratios of up to 95 percent and from 1.15 bps to 1.25 bps for loans with loan-to-value ratios of 95 percent and above with terms greater than 15 years. Further, FHA is exercising its preexisting statutory authority to add 25 bps to mortgages with base loan amounts exceeding \$625,000 to be effective for case numbers assigned on or after June 11, 2012. 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, as well as revising FHA requirements. For example,

- On February 23, 2012, FHA revised the third proposal of its risk management initiatives; namely, the proposal to reduce the amount of closing costs a seller may pay on behalf of a home buyer purchasing a home with financing insured by FHA. The result is a new proposal permitting concessions as offsets to actual closing costs on individual loans up to the greater of 3 percent or \$6,000 of the lesser of the sales price or appraised value.
- On January 25, 2012, FHA announced regulations to strengthen the process by which it requires certain lenders to indemnify HUD for insurance claims paid on mortgages that are found not to meet the agency's guidelines. In addition, the final rule requires all lenders with the authority to insure mortgages on HUD's behalf ("lender insurance" mortgagee) to meet stricter performance standards to gain and maintain their approval status.
- 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 lender executes a loan modification or partial claim action to cure a default.

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 lenders, 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



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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 borrowers 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 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 analyses and results of our reviews have been provided to the U.S. Department of Justice (DOJ) for possible civil action. On February 9, 2012, DOJ and 49 State attorneys general announced a proposed settlement of \$25 billion with 5 mortgage servicers for their reported violations of foreclosure requirements. On March 12, 2012, the Federal Government and State attorneys general filed consent judgments with the five mortgage servicers to resolve violations of State and Federal law as a result of our analyses and reviews.

The Dodd Frank Wall Street Reform and Consumer Protection Act provided \$1 billion to HUD to implement the Emergency Homeowners Loan Program. 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 and 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.



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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;
- 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 218 audits involving the Recovery Act, and 196 reports had been issued as of March 15, 2012. 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 FY 2012, there are approximately 1.2 million public housing units occupied by tenants. These units are under the direct management of the public housing agencies.



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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 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 ensure 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.

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).



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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 and objectives	Lead region	Start date	Final report target date
Single-family housing-FHA			
* HUD's oversight of Private Enforcement Initiative grants under its Fair Housing Initiatives Program (PH-12-0011): 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.	Philadelphia	January 2012	September 2012
* 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.	Fort Worth	August 2012	April 2013



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Program areas and objectives	Lead region	Start date	Final report target date
<p>* FHA’s oversight of property flipping: To determine whether FHA has a higher loss rate on properties sold less than 90 days after acquisition and whether lenders meet additional valuation requirements for these properties. Similarly, to analyze properties sold less than 6 months after acquisition and less than a year after acquisition to determine whether HUD has adequate oversight.</p>	Chicago	October 2012	June 2013
<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	October 2012	May 2013
<p>* FHA’s payment of single-family claims for mortgage insurance benefits: To determine whether HUD-FHA’s payments of single-family claims for mortgage insurance benefits are reduced by funds held by lenders (such as buydown funds remaining in escrow accounts, unapplied Section 235 assistance payments, rental income, escrow funds, etc.)</p>	Kansas City	October 2012	June 2013
<p>* HUD’s oversight of the Section 203(k) rehabilitation loan insurance program: To determine whether HUD has adequate oversight of the loan endorsement and completion of single-family rehabilitation under the Section 203(k) program.</p>	Chicago	January 2013	September 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	September 2012	March 2013



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Program areas and objectives	Lead region	Start date	Final report target date
* 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 of foreclosure loss disposition option adequately protects the insurance fund, and (3) HUD's oversight of the FHA loss mitigation programs is effective.	Los Angeles	October 2012	May 2013
* 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.	Atlanta	August 2012	November 2012
* 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.	New York	November 2011	May 2012
* 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.	Chicago	September 2011	May 2012
* HUD's oversight of its real estate-owned Management and Marketing III program contract administration (LA-12-0019): To determine whether HUD's policies and procedures provide for efficient and effective oversight of asset managers and field service managers under its real estate-owned Management and Marketing III program.	Los Angeles	January 2012	August 2012



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Program areas and objectives	Lead region	Start date	Final report target date
<p>* HUD oversight of the HECM program-Phase II (PH-12-0012): To determine whether HUD’s oversight of the Home Equity Conversion Mortgage (HECM) program ensured that participants did not improperly rent out units associated with HECM loans.</p>	Philadelphia	February 2012	August 2012
<p>* FHA Preforeclosure Sale Program (KC-12-0002): To determine whether HUD’s Preforeclosure Sale Program requirements adequately protect the insurance fund.</p>	Kansas City	October 2011	June 2012
Community planning and development			
<p>***Community housing development organizations’ qualifications: To determine whether HUD adequately monitors its participating jurisdictions to ensure that they certify nonprofit organizations to become community housing development organizations in compliance with HOME program requirements.</p>	New York	April 2012	October 2012
<p>*** 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.</p>	Chicago	September 2011	May 2012
<p>*** Evaluation of HUD’s HOME program proposed regulatory changes and the recovery of improperly used program funds (BO-12-0016): To complete a rollup of previous OIG audit report findings to identify systemic HOME program issues and consider whether HUD’s proposed actions provide adequate controls to mitigate the issues.</p>	New York	February 2012	June 2012



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Program areas and objectives	Lead region	Start date	Final report target date
<p>*** 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.</p>	Atlanta	March 2012	September 2012
<p>*** CDBG disaster – States’ results from hurricane funding (FW-12-0015): 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, to 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	March 2012	November 2012
<p>*** HUD’s oversight of CDBG and HOME program income: To determine whether HUD has procedures to ensure that CDBG grantees are providing full accountability for CDBG and HOME program income funds.</p>	New York	April 2012	December 2012
<p>*** Office of Special Needs Assistance Programs’ homeless program application review process: To determine whether the Office of Special Needs Assistance Programs appropriately awarded funding for the Continuum of Care homeless assistance programs in accordance with rules and regulations.</p>	Fort Worth	July 2012	March 2013



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Program areas and objectives	Lead region	Start date	Final report target date
<p>*** Impact of the CDBG-Recovery Act program on grantees' CDBG entitlement spending: To determine whether the award of CDBG-Recovery Act program funds resulted in grantees' not being able to meet HUD's 1.5 timeliness requirement for spending CDBG entitlement funds and whether HUD has processes in place to effectively identify and monitor grantees that were not able to disburse CDBG funds in a timely manner.</p>	New York	October 2012	June 2013
<p>*** HUD's grant risk assessment procedures: To determine whether the Office of Community Planning and Development's risk assessments are adequate for evaluating grants administered or carried out by subrecipients.</p>	Atlanta	October 2012	June 2013
<p>*** HUD's administration of CDBG property acquisitions and dispositions: To determine whether and how HUD compares planned and accomplished CDBG grantees' acquisition and disposition activities.</p>	Philadelphia	December 2012	August 2013
Public and Indian housing			
<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 public housing authorities (PHA) where they exist and adequately addresses the issues that cause them.</p>	New York	May 2012	January 2013
<p>** The reliability of HUD's Inventory Management System and PIH Information Center housing inventory data: To determine whether HUD verifies and assesses the reliability of PIH housing inventory data maintained within its Inventory Management System and PIH Information Center.</p>	New York	May 2012	October 2012
<p>*** HUD's oversight of environmental requirements: To determine whether HUD's oversight of PIH environmental reviews ensured that (1) the required reviews were performed by the responsible entity and (2) all required documents were submitted before HUD released funds.</p>	Fort Worth	May 2012	January 2013



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Program areas and objectives	Lead region	Start date	Final report target date
<p>*** PIH Capital Fund program insurance reimbursements (LA-12-0013): To determine whether HUD’s PIH Capital Fund program monitoring procedures are adequate to ensure that PHAs disclose and use property insurance claim proceeds in accordance with HUD requirements.</p>	Los Angeles	January 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	May 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 Family Self-Sufficiency 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	June 2012	January 2013
<p>***Southwest Office of Native American Programs’ enforcement of financial reporting requirements (LA-12-0014): To determine whether HUD’s Southwest Office of Native American Programs 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	January 2012	August 2012
<p>*** Effectiveness of HUD’s Section Eight Management Assessment Program (AT-12-0012): To determine whether HUD’s Section Eight Management Assessment Program assessments adequately identify poor performers, ultimately leading to the improved effectiveness of HUD’s Housing Choice Voucher program.</p>	Atlanta	January 2012	October 2012



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Program areas and objectives	Lead region	Start date	Final report target date
<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>	New York	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	April 2012	December 2012
<p>*** HUD's administration of its enhanced vouchers: To assess the adequacy of HUD's oversight of its enhanced vouchers.</p>	Philadelphia	May 2012	January 2013
<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	July 2012	March 2013
<p>*** Public Housing Capital Fund replacement reserve: To determine whether HUD allowed PHAs 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	October 2012	June 2013
<p>*** HUD's oversight of PHAs' expenditures for lobbying the Executive or Legislative Branches of the Federal Government: To determine whether HUD needs to develop and implement controls to monitor public housing agencies' expenditures to ensure that agencies are not using Federal funds to pay for lobbying costs.</p>	Philadelphia	December 2012	August 2013



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Program areas and objectives	Lead region	Start date	Final report target date
Multifamily housing-FHA			
<p>*** The Real Estate Assessment Center’s 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 the Real Estate Assessment Center ensures that independent auditors follow relevant standards for identifying fraud when conducting PHA audits.</p>	Kansas City	August 2011	April 2012
<p>*** Review of the adequacy of HUD’s assessment of the eligibility of borrowers approved to own and develop multifamily-insured projects (AT-12-0013): To determine whether HUD has established and implemented adequate controls to ensure the eligibility and financial ability of borrowers approved to develop multifamily projects.</p>	Atlanta	January 2012	September 2012
<p>*** Assisted Living Conversion Program for eligible multifamily housing projects (CH-12-0022): To determine whether HUD monitors and reviews private nonprofits to ensure that program funds and units are converted properly for eligible multifamily-assisted housing projects.</p>	Chicago	February 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



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Program areas and objectives	Lead region	Start date	Final report target date
<p>***HUD’s servicing and disposal of HUD-held multifamily properties: To determine whether HUD is efficiently and effectively (1) ensuring that HUD-held mortgages are remitting required payments and (2) disposing of foreclosed-upon multifamily properties or mortgage notes.</p>	Los Angeles	October 2012	June 2013
<p>*** Review of HUD’s monitoring and implementation of the Section 236 program: To determine whether the Office of Multifamily Housing is monitoring its inventory of Section 236 properties to ensure that rents and excess income amounts are appropriate.</p>	Philadelphia	May 2012	January 2013
Recovery Act			
<p>*** (a) Effectiveness of the Homelessness Prevention and Rapid Re-Housing Program (NY-12-0009): To determine whether HUD is adequately monitoring Homelessness Prevention and Rapid Re-Housing Program recipients to assess the effectiveness of the program.</p>	New York	December 2011	August 2012
<p>*** (a) HUD’s compliance with Recovery Act expenditure requirements (FO-12-0043): To determine (1) whether Recovery Act funds have been expended according to the Recovery Act expenditure requirements and if not, whether the funds have been deobligated and sent back to the U.S. Treasury in accordance with the Pay It Back Act; (2) the status of obligations, commitments, and expenditures of funds and in compliance with applicable Federal and departmental policies, including closeout procedures for the Recovery Act grants; (3) whether Recovery Act funds control plans have been appropriately modified to include requirements to comply with the Pay It Back Act; and (4) whether programs are properly recording recaptures and whether recapture and deobligation reports exist and are accurate and complete.</p>	Financial Audit	March 2012	November 2012



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<p>*** (a) HUD’s administration of Section 3 of the HUD Act of 1968 for the Recovery Act: To determine whether HUD verified that Recovery Act Public Housing Capital Fund recipients complied with the requirements of Section 3 of the HUD Act of 1968.</p>	Kansas City	June 2012	February 2013
<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	October 2012	May 2013
<p>*** (a) 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	November 2012	July 2013
Information systems (IS) audits			
<p>**** FY 2012 review of information systems controls in support of the financial statements audit – Federal Information System Controls Audit Manual: To assess management controls over HUD’s computing environment as part of the internal control assessments required for the FY 2012 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	March 2012	January 2013
<p>**** 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 Federal Information System Controls Audit Manual audit.</p>	IS Audit	November 2011	July 2012
<p>**** Mobile device management (DP-12-0005): To determine whether HUD has adequate mobile device management controls in place.</p>	IS Audit	February 2012	June 2012



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<p>**** Application interfaces with the Integrated Core Financial System (DP-12-0004): To evaluate the Department's plan and procedures to ensure that the interfaces to and from its Integrated Core Financial System (ICFS) are designed and built as intended so that all pertinent data are extracted and accurately transferred.</p>	IS Audit	February 2012	June 2012
<p>**** HUD's data conversion for ICFS (DP-12-0002): To determine whether data conversion plans and activities were properly prioritized to minimize the risk of errors and omissions during the implementation of ICFS.</p>	IS Audit	February 2012	June 2012
<p>**** HUD's transition to Internet Protocol version 6 (DP-12-0006): To determine whether HUD is effectively managing the transition of its network backbones from Internet Protocol version (IPv) 4 to IPv6.</p>	IS Audit	March 2012	July 2012
Administrative-other			
<p>*** 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.</p>	Kansas City	October 2011	April 2012
<p>*** 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.</p>	Kansas City	October 2011	May 2012



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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 Government National Mortgage Association participants.

Community planning and development: In an effort to continue its 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 2 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 endorsed more than \$10.5 billion in multifamily rental loans in fiscal year 2011, seven times the amount backed just 3 years ago. With the publication of new loan closing documents in early 2011 and a revised Multifamily Accelerated Processing Guide in August, focus on this program area will be to ensure that HUD's risk is limited as it sets record volume. We will also continue to focus 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.