



**AUDIT PLAN**  
**As of October 31, 2012**  
**OFFICE OF INSPECTOR GENERAL**  
**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

## ***Overview***

The U.S. Department of Housing and Urban Development's (HUD) primary mission is to create strong, sustainable, inclusive communities and quality, affordable homes for all. HUD seeks to accomplish this mission through a wide variety of housing and community development grant, subsidy, and loan programs. Additionally, HUD assists families in obtaining housing by providing Federal Housing Administration (FHA) mortgage insurance for single-family and multifamily properties. HUD relies upon many partners for the performance and integrity of a large number of diverse programs. Among these partners are cities that manage HUD's Community Development Block Grant (CDBG) funds, public housing agencies (PHA) that manage assisted housing funds, HUD-approved lenders that originate and service FHA-insured loans, Government National Mortgage Association (Ginnie Mae) mortgage-backed security issuers that provide mortgage capital, and other Federal agencies with which HUD coordinates to accomplish its goals. HUD also has a substantial responsibility for administering disaster assistance programs and is administering new mortgage assistance and grant programs in response to the Nation's financial crisis, increase in foreclosures, and declining home values.

HUD had a \$37.4 billion budget for fiscal year (FY) 2012. The Department planned 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.

The Office of Audit is responsible for conducting audits, civil fraud reviews, inspections, and evaluations. This work identifies, assesses, and reports on the Department's activities and programs. We recommend corrective actions to the Department, as necessary, for the purpose of preventing future program or operational problems. Auditors are assigned to headquarters and regional offices. The Office of Audit initiates its work based on information obtained from program officials, program research, complaints, congressional requests, and risk assessments.

The Office of Audit conducts audits in accordance with Government Auditing Standards as defined by the Comptroller General. These audits include

1. Financial audits, which determine whether financial statements are fairly presented, internal controls are adequate, and laws and regulations have been followed.



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2. Information system audits, which determine, among other things, the adequacy of general and application controls and whether security of information resources is adequate and complies with system development requirements.
3. Performance audits, which determine whether programs are achieving the desired results or benefits in an efficient and effective manner.

The Office of Audit also conducts inspections and evaluations in accordance with the Quality Standards for Inspection and Evaluation developed by the Council of the Inspectors General on Integrity and Efficiency. Inspections and evaluations are assessments of the design, implementation, or results of HUD's operations, programs, or policies. They can be used to provide factual and analytical information or share best practices or promising approaches in administering HUD programs.

The Office of Audit also conducts civil fraud reviews to identify fraud and make referrals for civil actions and administrative sanctions against entities and individuals that commit fraud against HUD. In addition, the Civil Fraud Division provides case support to the U.S. Department of Justice, Civil Division; United States Attorney's Offices nationwide; and HUD's Office of General Counsel to investigate and pursue civil fraud and administrative cases.

### ***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. 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 PHAs and multifamily housing projects that provide HUD assistance, and thousands of HUD-approved lenders that originate FHA-insured loans.



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HUD's housing finance and subsidy programs represent over \$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:

- **Promoting fiscal responsibility and financial accountability**
- **Strengthening the soundness of public and Indian housing**
- **Improving HUD's execution of and accountability for grant funds**
- **Protecting the integrity of housing insurance and guarantee programs**

### *Promoting Fiscal Responsibility and Financial Accountability*

HUD's government corporations' and its program offices' programmatic and financial management focus is on

- Housing subsidies for low- and moderate-income families,
- Grants to States and communities for community development activities,
- Direct loans and capital advances for the construction and rehabilitation of housing projects for the elderly and persons with disabilities,
- Promoting and enforcing fair housing and equal housing opportunity,
- Insuring mortgages for single-family and multifamily dwellings,
- Insuring loans for home improvements and manufactured homes, and
- Facilitating financing for the purchase or refinancing of homes.

HUD accomplishes these missions through a decentralized structure of program offices and government corporations.

HUD OIG will conduct the annual financial statement audit, which includes all of HUD's components. In that audit, we test HUD's compliance with accounting standards, financial management controls, financial systems, financial reporting, and compliance with financial laws



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and regulations. We also audit FHA and Ginnie Mae financial statements. In addition, HUD OIG will conduct program audits of specific financial management functions to determine the effectiveness of HUD's implementation of program financial accountability requirements.

### ***Strengthening the Soundness of Public and Indian Housing***

HUD provides housing assistance funds under various grant and subsidy programs to PHAs. 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 PHAs, 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 PHAs.

The Moving to Work demonstration program gives PHAs the opportunity to design and test innovative, locally developed strategies that are designed to use Federal dollars more efficiently, help residents become self-sufficient, and increase housing choices for low-income families. The demonstration program gives PHAs exemptions from many existing public housing rules and more flexibility in how they use their Federal funds.

OIG will focus on this program area. Our reports will target significant issues related to gaining compliance from PHAs in this program area and developing quantifiable and outcome-oriented guidance. Evaluation of the program is essential in determining the success of the demonstration program. We will also evaluate how efficiently and effectively PHAs perform their duties to ensure that tenants receive quality housing.

### ***Improving HUD's Execution of and Accountability for Grant Funds***

HUD awards grants to all levels of government and to the private sector for developing viable communities by promoting integrated approaches that provide decent housing, suitable living environments, and expanded economic opportunities for low- and moderate-income persons. OIG plans to focus on significant areas related to the lack of controls over and accountability for grant funds. In addition, we plan to review HUD's oversight and the capacity of subrecipients as well as HUD's enforcement of returning unobligated or unexpended funds.

### ***Protecting the Integrity of Housing Insurance and Guarantee 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. At the end of July 2012, FHA had more than 7.6 million single-family mortgages in force with an amortized balance of almost \$1.1 trillion. FHA's dollar volume share of the one- to four-family mortgage market was 13.4 percent in the second quarter of 2012. In an effort to further strengthen its capital reserves, FHA has implemented increases in the annual



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mortgage insurance premium for newly endorsed loans. FHA's current premium levels are the highest they have been in the agency's history. By contrast, FHA has encouraged loan refinancing by lowering refinance annual premiums to 0.1 percent annually and also encouraged lenders to complete preforeclosure sales.

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 and another \$2 billion in 2009 (NSP2, which is part of the Recovery and Reinvestment Act of 2009). 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 NSP.

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 "robosigners" 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 were provided to the U.S. Department of Justice for possible civil action. On February 9, 2012, the U.S. Department of Justice and 49 State attorneys general announced a 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 consent judgments included more than \$20 billion, collectively, in consumer relief activities and a Federal payment settlement amount of more than \$684 million. The funds would be used for (1) losses incurred to FHA's capital reserve account and the Veterans Housing Benefit Program Fund or as otherwise directed by the U.S. Department of Veterans Affairs and the U.S. Department of Agriculture's Rural Housing Service and (2) the resolution of *qui tam* actions.

Following the meaningful impact of these servicer reviews, OIG is working with various



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assistant U.S. attorneys in its reviews of the loan origination practices of large lenders to determine their compliance with FHA requirements. The Office of Audit is placing an emphasis on civil mortgage fraud and will actively seek out instances involving false claims deserving civil complaints to recover Federal funds.

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 Office of Program Enforcement, the Enforcement Center, and our own Office of Investigation.

### ***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.





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### ONGOING AND PLANNED INTERNAL AUDITS

- \* *Audit contributes to promoting fiscal responsibility and financial accountability*
- \*\* *Audit contributes to strengthening the soundness of public and Indian housing*
- \*\*\* *Audit contributes to improving HUD's execution of and accountability for grant funds*
- \*\*\*\* *Audit contributes to protecting the integrity of housing insurance and guarantee programs*
- (a) *Audit is a significant mandated audit*
- (b) *Audit contributes to initiatives legislated by the Recovery Act*

Program areas and objectives	Lead region	Start date	Final report target date
<b>Single-family housing-FHA</b>			
**** <b>HUD's oversight of Private Enforcement Initiative grants under its Fair Housing Initiatives Program (PH-12-0011):</b> 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	November 2012
**** <b>HUD's oversight of the Home Equity Conversion Mortgage program-phase II (PH-12-0012):</b> To determine whether HUD's oversight and control of the program ensured that program participants did not improperly rent out units to Section 8 program participants.	Philadelphia	February 2012	December 2012
**** <b>FHA's payment of single-family claims for mortgage insurance benefits (KC 13 0006):</b> To determine whether 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.)	Kansas City	October 2012	June 2013
**** <b>FHA default reporting:</b> To determine whether HUD had effective controls in place to ensure timely and accurate default reporting on FHA-insured loans.	Kansas City	November 2012	June 2013





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Program areas and objectives	Lead region	Start date	Final report target date
<p><b>**** Prohibited restrictive covenants and liens:</b> To summarize FHA lenders' ineffectiveness in preventing the recording of prohibited restrictive covenants or potential liens in connection with FHA-insured loans, review HUD's enforcement, and identify recommendations to correct the industry violations.</p>	Los Angeles	November 2012	July 2013
<p><b>**** FHA's oversight of property flipping:</b> 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	November 2012	July 2013
<p><b>**** HUD's oversight of the Section 203(k) rehabilitation loan insurance program:</b> 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><b>**** Adequacy of HUD's single-family requirements for credit assessments:</b> 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	January 2013	August 2013
<p><b>**** FHA Preforeclosure claims sale requirements:</b> To determine whether HUD has adequate controls to prevent and/or detect excessive or ineligible preforeclosure sale claims that did not meet the net sales proceeds requirements.</p>	Los Angeles	January 2013	September 2013



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Program areas and objectives	Lead region	Start date	Final report target date
<p><b>**** HUD's oversight of servicing loans with coborrowers:</b> To determine whether lenders are contacting all borrowers on each FHA loan before proceeding to foreclosure.</p>	Kansas City	February 2013	September 2013
<p><b>**** Single-family loss mitigation:</b> 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.</p>	Los Angeles	March 2013	November 2013
<p><b>**** FHA's Technology Open to All Lenders (TOTAL) Scorecard and income-to-liability ratios:</b> 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	April 2013	December 2013
<p><b>**** Refinance of non-FHA loans to FHA:</b> 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	April 2013	November 2013
<b>Community planning and development</b>			
<p><b>*** Evaluation of HUD's HOME program proposed regulatory changes and the recovery of improperly used program funds (BO-12-0016):</b> 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	December 2012



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Program areas and objectives	Lead region	Start date	Final report target date
<p><b>*** CDBG disaster – overall program evaluation (FW-12-0015):</b> To perform an overall evaluation of the CDBG Disaster Recovery program for Hurricanes Katrina, Rita, Wilma, Ike, Gustav, and Dolly. Specifically, to (1) determine what has been accomplished with the funding and the funds remaining to be spent, (2) compare actual versus planned activities, and (3) identify best practices and issues or lessons to be learned</p>	<b>Fort Worth</b>	<b>March 2012</b>	<b>December 2012</b>
<p><b>*** Long-term effectiveness and sustainability of economic development projects (AT-12-0021):</b> 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>	<b>Atlanta</b>	<b>June 2012</b>	<b>December 2012</b>
<p><b>*** Impact of the CDBG-Recovery Act program on grantees' CDBG entitlement spending (NY 13 0001):</b> To determine whether the award of CDBG-Recovery Act program funds resulted in grantees' not being able to meet HUD's 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>	<b>New York</b>	<b>October 2012</b>	<b>June 2013</b>
<p><b>*** HUD's grant risk assessment procedures:</b> 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>	<b>Atlanta</b>	<b>November 2012</b>	<b>July 2013</b>
<p><b>*** Effectiveness of Neighborhood Stabilization Programs (rollup):</b> To evaluate (1) program effectiveness in stabilizing housing markets and (2) grantee compliance with program requirements.</p>	<b>Atlanta</b>	<b>March 2013</b>	<b>November 2013</b>



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Program areas and objectives	Lead region	Start date	Final report target date
<p><b>*** HUD’s administration of CDBG property acquisitions and dispositions:</b> To determine whether and how HUD compares planned and accomplished CDBG grantees’ acquisition and disposition activities.</p>	<b>Philadelphia</b>	<b>March 2013</b>	<b>December 2013</b>
<b>Public and Indian housing</b>			
<p><b>*** HUD’s oversight of environmental requirements (FW-12-0018):</b> 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>	<b>Fort Worth</b>	<b>April 2012</b>	<b>February 2012</b>
<p><b>** HUD’s administration of its enhanced vouchers (PH-12-0021):</b> To assess the adequacy of HUD’s oversight of its enhanced vouchers.</p>	<b>Philadelphia</b>	<b>August 2012</b>	<b>March 2013</b>
<p><b>*** HUD’s cost-saving measures related to maximizing the number of families that can be assisted in the Housing Choice Voucher program (NY 12 0020):</b> 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 Housing Choice Voucher program.</p>	<b>New York</b>	<b>August 2012</b>	<b>May 2013</b>
<p><b>*** HUD management and oversight of housing authority interfund transactions (NY-12-0024):</b> To determine whether HUD has adequate personnel and procedures in place to identify high interprogram fund balances at PHAs where they exist and adequately address the issues that cause them.</p>	<b>New York</b>	<b>September 2012</b>	<b>May 2013</b>
<p><b>*** HUD’s oversight of PHAs’ expenditures for lobbying the Executive or Legislative Branches of the Federal Government (PH 13 0002):</b> To determine whether HUD needs to develop and implement controls to monitor PHAs’ expenditures to ensure that agencies do not use Federal funds to pay for lobbying costs.</p>	<b>Philadelphia</b>	<b>October 2012</b>	<b>June 2013</b>



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Program areas and objectives	Lead region	Start date	Final report target date
<p><b>*** HUD's oversight of PHAs' expenditures for outside legal services (PH 13 0001):</b> 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	October 2012	June 2013
<p><b>*** HUD's oversight of its Moving to Work program:</b> To review HUD's monitoring and oversight of its Moving to Work program.</p>	Philadelphia	November 2012	July 2013
<p><b>** The reliability of HUD's Inventory Management System and PIH Information Center housing inventory data:</b> 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	November 2012	June 2013
<p><b>*** Oversubsidization in the Housing Choice Voucher program:</b> To determine (1) whether an oversubsidization problem exists and (2) the amount of overpayments for households that are oversubsidized and project the overpayment amount for the universe of PHAs.</p>	Kansas City	January 2013	September 2013
<p><b>*** HUD's monitoring and administration of the Housing Choice Voucher Family Self-Sufficiency program:</b> 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	January 2013	August 2013
<p><b>*** Public Housing Capital Fund replacement reserve:</b> 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	March 2013	November 2013



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Program areas and objectives	Lead region	Start date	Final report target date
<p><b>** Rent reasonableness data availability:</b> To determine whether changes in information technology, combined with the economic downturn, limited the types of data necessary for PHAs to make proper rental determinations.</p>	New York	April 2013	December 2013
<b>Multifamily housing-FHA</b>			
<p><b>**** Review of the adequacy of HUD's assessment of the eligibility of borrowers approved to own and develop multifamily-insured projects (AT-12-0013):</b> 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	December 2012
<p><b>**** Assisted Living Conversion Program for eligible multifamily housing projects (CH-12-0022):</b> 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	December 2012
<p><b>**** Review of HUD's monitoring and implementation of the Section 236 program (PH-12-0015):</b> 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	March 2012	November 2012
<p><b>**** HUD's monitoring and servicing of HUD-held multifamily properties (LA-12-0027):</b> To determine whether HUD has policies, procedures, and controls in place to ensure that (1) multifamily properties with HUD-held mortgages submit required monthly accounting reports to HUD and (2) properties with excess funds remit required monthly payments to HUD.</p>	Los Angeles	June 2012	April 2013



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Program areas and objectives	Lead region	Start date	Final report target date
<p><b>**** HUD oversight of multifamily housing project finances (NY 13 0004):</b> 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>	<b>New York</b>	<b>October 2012</b>	<b>July 2013</b>
<b>Recovery Act</b>			
<p><b>(b) HUD's administration of Section 3 of the HUD Act of 1968 for the Recovery Act (KC 13 0002):</b> 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>	<b>Kansas City</b>	<b>October 2012</b>	<b>May 2013</b>
<p><b>(b) HUD's oversight of NSP2-funded housing counseling and rehabilitation programs in Arizona:</b> 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>	<b>Los Angeles</b>	<b>December 2012</b>	<b>July 2013</b>
<p><b>(b) Recovery Act Capital Fund grants:</b> To determine whether HUD ensured that program objectives were accomplished and the funds were spent as intended.</p>	<b>Fort Worth</b>	<b>March 2013</b>	<b>November 2013</b>





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Program areas and objectives	Lead region	Start date	Final report target date
<b>Information systems (IS) audits</b>			
<p><b>* Application interfaces with the Integrated Core Financial System (DP-12-0004):</b> To evaluate the Department's readiness to move forward with the full implementation of the Integrated Core Financial System (ICFS). Specifically, to focus directly on the Department's capacity to meet the objectives of the HUD Integrated Financial Management Improvement Project and the goals of the ICFS implementation by determining whether key interfaces are complete and the ICFS planned interfaces, as designed, will allow the Department to meet the objectives of the Project.</p>	<b>IS Audit</b>	<b>February 2012</b>	<b>November 2012</b>
<p><b>* HUD's data conversion for ICFS (DP-12-0002):</b> To evaluate the Department's readiness to move forward with the full implementation of ICFS. Specifically, to review whether HUD properly planned and managed implementation activities and payments related to data conversion.</p>	<b>IS Audit</b>	<b>February 2012</b>	<b>November 2012</b>
<p><b>* HUD's transition to Internet Protocol version 6 (DP-12-0006):</b> To determine whether HUD will be able to complete the transition to Internet Protocol version 6 on its public-facing servers, services, and internal applications to meet the Office of Management and Budget's FY 2012 and 2014 deadlines.</p>	<b>IS Audit</b>	<b>March 2012</b>	<b>November 2012</b>
<p><b>(a) FY 2012 review of information systems controls in support of the financial statements audit – Federal Information System Controls Audit Manual (DP-12-0010):</b> 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, to evaluate the general and application controls of selected computer systems that support HUD's business operations.</p>	<b>IS Audit</b>	<b>April 2012</b>	<b>January 2013</b>



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Program areas and objectives	Lead region	Start date	Final report target date
<b>* Application security review of Ginnie Mae (DP-12-0009):</b> To determine whether Ginnie Mae application security controls provide adequate security.	<b>IS Audit</b>	<b>April 2012</b>	<b>January 2013</b>
<b>(a) FY 2012 Federal Information Security Management Act Review (DP-12-0013):</b> To perform the annual independent review of HUD's information security program and practices in order to prepare responses to Office of Management and Budget questions.	<b>IS Audit</b>	<b>September 2012</b>	<b>November 2012</b>
<b>Administrative-other</b>			
<b>(a) FY 2012 Consolidated Financial Statement Audit (FO-12-0003):</b> To perform the annual consolidated financial statement audit as required by the Chief Financial Officers Act of 1990 as amended.	<b>Financial Audit</b>	<b>January 2012</b>	<b>November 2012</b>
<b>*** Lead Hazard Control grant administrative cost review (KC 12 0027):</b> To determine whether the Office of Healthy Homes allowed excessive administrative costs to be charged to the Lead-Based Paint Hazard Control grant program.	<b>Kansas City</b>	<b>September 2012</b>	<b>May 2013</b>
<b>(a) Review of HUD's compliance with the Improper Payments Act (FO 12 0045):</b> To review (1) HUD's compliance with the Improper Payments Elimination and Recovery Act of 2010 and Office of Management and Budget Circular A-12 reporting requirements, (2) evaluate efforts to reduce improper payments in rental housing assistance programs, and (3) evaluate HUD's risk assessment process for determining programs' susceptibility to improper payments.	<b>Financial Audit</b>	<b>November 2012</b>	<b>March 2013</b>



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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. 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 on the following areas.

**Single-family lenders:** Single-family lender origination reviews continue to be a priority for FY 2013 due to the abuses being experienced in single-family programs. A specialized audit program has been developed for the purpose of targeting lenders, 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 its emphasis on improving efficiency and effectiveness, OIG is continuing to emphasize this program area. Based on OIG assessments, congressional inquiries, and Recovery Accountability and Transparency Board referrals, OIG plans to continue to focus on audits of grantees receiving NSP funding. In addition, Congress has taken interest in improving the efficiency of the HOME program. HUD's Office of Community Planning and Development has recently developed the OneCPD model to focus on skills, planning, and innovations to build grantee capacity and help grantees comply with regulatory requirements. 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.

OIG also has concerns over the capacity of subrecipients receiving funding from HUD programs; therefore, audits of such activities will also be given priority. For those selected, we will evaluate the control systems in place 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.

**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. The quality of housing and the cost of administering these programs as well as PHA development activities carried out by affiliated nonprofit entities are other areas of emphasis that will be addressed as resources permit. Lastly, as HUD rolls out its Rental Assistance Demonstration program, OIG will prepare to ensure that



## AUDIT PLAN

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the program efficiently meets its intended goals in the coming years.

**Multifamily and insured health care project audits:** The economic slowdown has created high demand in the multifamily mortgage market. HUD continues to break records in the number of multifamily rental loans insured. We will continue to focus on this program area 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. The Office of Healthcare Programs is in the final stages of revising its regulations and closing documents to increase its ability to control risks associated with its programs. These changes are in response to a 2002 audit. We will also continue to focus on equity skimming in healthcare programs as volume continues to increase in this area.