



OFFICE OF INSPECTOR GENERAL
U.S. Department of Housing and Urban Development

SEMIANNUAL REPORT TO CONGRESS

For the period October 1, 2019, to March 31, 2020



★ ★ OFFICE of ★ ★
INSPECTOR GENERAL

UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

INTRODUCTION



HIGHLIGHTS

For the period October 1, 2019,
to March 31, 2020



\$1,605,425

Recommendations that funds
be put to better use



281

Subpoenas



\$5,819,503

Recommended
questioned costs



97

Arrests



\$21,499,708

Collections from audits



92

Indictments-informations



\$12,704,686

Investigative recoveries and
receivables to HUD programs



94

Convictions-pleas-pretrial
diversions

PROFILE OF PERFORMANCE

For the period October 1, 2019,
to March 31, 2020

AUDIT RESULTS

This Reporting Period

Recommendations that funds be put to better use	\$1,605,425
Recommended questioned costs	\$5,819,503
Collections from audits	\$21,499,708
Administrative sanctions	2
Civil actions	0
Subpoenas	6

INVESTIGATIVE RESULTS

Total restitutions and judgments	\$29,522,163
Total recoveries and receivables to HUD programs	\$12,704,686
Arrests	97
Indictments and informations	92
Convictions, pleas, and pretrial diversions	94
Civil actions	11
Total administrative sanctions	71
Suspensions	18
Debarments	11
Program referrals	5
Evictions	32
Other ¹	5
Systemic implication reports	0
Search warrants	31
Subpoenas	274

¹Includes reprimands, suspensions, demotions, or terminations of the employees of Federal, State, or local governments or of Federal contractors and grantees as the result of OIG activities

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A MESSAGE FROM THE INSPECTOR GENERAL

It is my pleasure to submit the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) Semiannual Report to Congress, which covers the period October 1, 2019, to March 31, 2020.

During this reporting period, the work of our Office of Investigation continued to protect taxpayer funds and the integrity of HUD programs. Our investigative activity resulted in 94 arrests, 92 indictments, 94 convictions, and 71 administrative sanctions. Our criminal investigative efforts returned \$12.7 million to HUD programs and also resulted in \$29.5 million in judicial orders of restitution. Our audit reports issued during this reporting period questioned \$5.8 million in costs and identified \$1.6 million in funds that could be put to better use, and HUD collected \$21.5 million as a result of our audit work.

The work we completed and initiated in this period falls primarily within the Oversight Priority Areas outlined on page 7 of this report. We made recommendations for HUD to improve its public housing agencies' (PHA) tracking and inspection practices for developments that might contain lead-based paint. We recommended that HUD comply with the laws that require it to take over the troubled PHAs that are unable improve and operate at the level required to provide sufficiently safe and affordable housing to their communities. We also reviewed the Puerto Rico Department of Housing's capacity to administer nearly \$20 billion in disaster recovery assistance grants and made recommendations to help improve its financial management and procurement controls, which will help achieve long-term recovery for millions of Puerto Ricans in need. Throughout the reporting period, we also identified many areas for improvement in HUD's information technology and security processes.

Our continued partnership with the U.S. Department of Justice has helped us protect HUD's mortgage insurance funds by securing a multi-million-dollar settlement, under the False Claims Act, with a lender who knowingly originated and underwrote hundreds of reverse mortgages that did not meet HUD's

requirements, resulting in substantial losses to the government. We will continue to use the False Claims Act as an important tool to fight fraud in HUD programs and return funds to HUD and the U.S. Treasury.

We have initiated work in several areas that have not received oversight in the recent past. For example, we are currently surveying the Office of Fair Housing and Equal Opportunity, which is responsible for eliminating housing discrimination, promoting economic opportunity, and achieving diverse, inclusive communities. We have also begun an evaluation of the effectiveness of HUD's internal hiring processes.

As the first half of fiscal year 2020 comes to a close, our Nation is responding to the pandemic caused by the coronavirus disease of 2019 (COVID-19). The pandemic has dramatically impacted our country and our economy. Through the Coronavirus Aid, Relief, and Economic Security Act, Congress provided more than \$12 billion to HUD to assist homeowners, renters, landlords, and impacted communities. In response, we developed a framework of five key oversight areas to guide our work: rental assistance, mortgage loan forbearance, assistance for vulnerable populations, assistance for communities' response, and HUD's mission performance. Our audits, evaluations, investigative initiatives, and other innovative reviews will align with these five key areas to ensure that timely and effective relief is provided to the intended recipients and that relief efforts are not undermined by fraud, waste, or abuse.

In closing, I want to express my gratitude to Congress and the Department for their sustained interest and commitment to improving HUD's programs and operations. I also want to express my sincere admiration to the staff of HUD OIG for their outstanding accomplishments and dedication. Their drive and determination have brought HUD OIG to where it is today – a lean, well-established, focused team.

A handwritten signature in black ink that reads "Rae Oliver Davis". The signature is fluid and cursive.

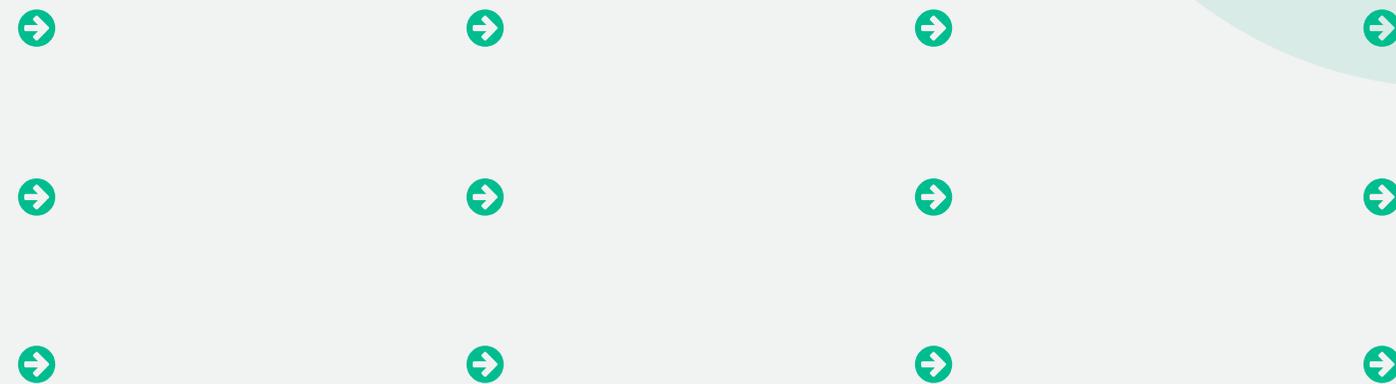
Rae Oliver Davis
Inspector General

OVERSIGHT WORK

PRIORITY AREAS

The U.S. Department of Housing and Urban Development's (HUD) mission is to create strong, sustainable, inclusive communities and quality affordable homes for all. HUD is working to strengthen the housing market to bolster the economy and protect consumers, meet the need for quality affordable rental homes, utilize housing as a platform for improving quality of life, build inclusive and sustainable communities free from discrimination, and transform the way HUD does business.

The HUD Office of Inspector General's (OIG) mission is to protect the integrity of HUD and its programs and to promote their efficiency and effectiveness. To ensure that we are doing the right work at the right time, OIG has established a set of Oversight Priority Areas, which includes our identified Top Management Challenges for the Department. We also include primary, cornerstone functions of the Department as well as emerging issues and recent strategic priorities that the Department has identified. Below is an overview of our 12 Oversight Priority Areas.



➔ Ensuring Safe and Affordable Housing

HUD is responsible for providing quality homes for all. HUD continues to be challenged by the increasing scarcity of safe and affordable housing, which increasingly impacts persons above very low-income levels. Over time, the balance of HUD support has shifted from public housing to providing rental housing assistance through subsidies, depending more and more on private rental stock. HUD-funded housing stock is aged, sometimes environmentally impacted, and in need of critical repairs to protect the health and safety of tenants. HUD seeks to extend the life of these units through various financing and programmatic vehicles, such as the Rental Assistance Demonstration Program and low-income housing tax credits, which also shifts HUD oversight to a private rental model. The Housing Choice Voucher Program, which provides tenants assistance in accessing the private rental market, has been highly successful for low-income persons but depends on available private rental housing, and need for the subsidy far outstrips appropriations. Further, HUD has limited tools to address safety and affordability issues impacting such housing.

➔ Advancing Economic Opportunities Initiatives

Advancing economic opportunity is the first priority goal of HUD's Strategic Plan and has been a signature focus of Secretary Carson. HUD initiatives and programs in this priority area focus on economic development in local communities, which increases opportunities for individuals and families receiving government benefits to find employment and become self-sufficient. Many of these initiatives are entirely new, such as EnVision Centers and Opportunity Zones. Other programs are longstanding self-sufficiency programs, such as the

Moving To Work Demonstration, Family Self Sufficiency, and Section 3 opportunities to local residents.² HUD's strategic plan also includes as a priority goal reducing the length of homelessness in communities. Examining the effectiveness of the Department's efforts to combat homelessness is a focus for us in this priority area.

➔ Fair Housing

HUD is the Federal entity tasked with eliminating housing discrimination and promoting inclusive communities. HUD's enforcement of fair housing laws extends beyond HUD programs into all fair housing issues throughout the country, and it accomplishes its mission through both education and enforcement in local communities and in Federal housing programs and by promoting economic opportunity for protected classes. HUD is also empowered to mandate compensation to victims of discriminatory housing practices. HUD was appropriated approximately \$65 million in fiscal year 2017 to support its fair housing mission. According to the Office of Fair Housing and Equal Opportunity's fiscal year 2017 Annual Report to Congress, HUD and State and local agencies completed nearly 8,000 investigations into housing discrimination cases and achieved nearly \$9 million in monetary relief during that year. HUD's fair housing work extends to sexual harassment associated with housing as a form of sex discrimination, and this is an area of particular focus for HUD OIG.

➔ Protecting the Mortgage Insurance Funds

The Federal Housing Administration (FHA) maintains a portfolio of more than 8 million mortgages with an outstanding balance of nearly \$1.2 trillion. The liquidity for the FHA lenders is created by Government

²The Section 3 program requires that recipients of certain HUD financial assistance, to the greatest extent possible, provide training, employment, contracting, and other economic opportunities to low- and very low-income persons, especially recipients of government assistance for housing, and to businesses that provide economic opportunities to low- and very low-income persons.

National Mortgage Association (Ginnie Mae) mortgage-back securities. FHA is challenged by a lack of safeguards, which increases HUD claim costs. Both FHA and Ginnie Mae are challenged by the increased participation of nonbanks that are less regulated. Ginnie Mae is rapidly moving toward accepting digital mortgages, which may increase risks of fraud as well as challenges to information security, data transfers, and platform integration. To date, FHA has been silent on its role regarding digital mortgages. HUD is also challenged by risks within its programs, including the structural weaknesses in the Home Equity Conversion Mortgage program, which HUD has been unable to resolve.

➔ Monitoring and Oversight

HUD's annual and supplemental budgets are predominantly made up of grants and other subsidies to be passed through to governments, organizations, and individuals. HUD continues to face challenges with effective management controls, monitoring, and oversight of its programs and program recipients. Lack of appropriate staffing plays a major role in this challenge. HUD is challenged with a lack of management controls of its programs, lack of monitoring within CPD and Section 232 programs, weaknesses in its standards for and oversight of public housing agencies, and a demonstrated inability to manage troubled participants and assets across its programs.

➔ Administering Disaster Assistance

HUD is a primary actor in the Federal effort to assist communities recovering from disasters, receiving more than \$90.4 billion since 2001. Despite the multiyear timespan of disaster recovery and the expectation that such activity will not decrease, HUD continues to administer the program disaster by disaster. Therefore, HUD faces continuing challenges to clarify and simplify its requirements; ensure that it has sufficient resources to efficiently monitor grants; ensure that expenditures are

eligible and supported and proper financial and procurement controls are in place to reduce fraud, waste, and abuse; ensure that citizens who seek disaster assistance understand their options and obligations; and reduce administrative delays in the funds disbursement process.

➔ Information Technology and Cybersecurity

HUD depends on data systems to assist and track the millions of participants in its programs. The systems contain more than a billion records containing personally identifiable information, as well as confidential business information and nonpublic HUD information. To properly protect these systems and information, HUD must ensure data privacy, ongoing system modernization, cybersecurity, and data governance. HUD's persistent information technology and cybersecurity challenges have been longstanding and have materially impacted the agency mission and services. Although improvements were made during fiscal year 2019, HUD is still developing a sound strategic approach with ongoing oversight to help HUD manage its risks, improve the maturity of its cybersecurity program, meet the needs of its stakeholders, and protect taxpayer dollars.

➔ Financial Management

For several years, HUD's financial management has been challenged by issues relating to HUD's internal controls, noncompliance with several statutory requirements, and significant weaknesses in its financial management systems and processes. Since 2018, HUD has made progress in addressing governance structures, management practices, and accountability. In addition, Ginnie Mae has implemented a loan-level system for loans it services, which may resolve the longstanding disclaimer of its financial statements. HUD received a qualified opinion for the fiscal year 2019 audit, which is notable progress from the disclaimer of opinion that HUD had received in previous fiscal years. Beyond the financial

statement audit, there are additional areas of concern associated with HUD legacy financial systems and the departmentwide application of an effective internal control system.

→ Human Resource Management and Procurement

Over the past 10 years, HUD's staffing level has declined while its programs and responsibilities have increased. Between fiscal years 2015 and 2018, HUD's attrition rate outpaced its hiring capacity. In fiscal year 2019, HUD hired 44 more employees than separated and it is important that HUD sustains this improvement. Yet, employees onboard often do not have the right skill sets, tools, or capacity to perform the range of functions needed within HUD. Leadership gaps resulting from extended vacancies and constant turnover have contributed to poor or delayed decisions and an inability to sustain positive changes. Many, if not all, of the challenges HUD faces are impacted by its staffing issues. Although HUD has increasingly relied on contractors to fill staffing gaps, HUD faces challenges with properly directing and monitoring these contractors, which have significant influence on the development, implementation, and oversight of HUD programs.

→ Ethical Conduct

HUD regularly hires senior industry participants to execute its many multi-billion-dollar programs, many of whom later return to the industry they previously regulated. HUD must ensure that these participants uphold the integrity of the programs and avoid even the appearance of cronyism and corruption. HUD must ensure that it has a robust ethics program that sufficiently educates and deters revolving door misconduct. Additionally, the Department must rely on its senior officials to identify potential conflicts of interest and remove themselves from decisions affected by those conflicts. While the law and departmental policy contain safeguards to ensure that current and former employees do not misuse their HUD

positions and remain free from conflicts of interest, HUD continues to face significant challenges in monitoring, identifying, and mitigating potential ethical lapses. These challenges present significant risk to the Department's reputation and program integrity.

→ Emerging Issues and Opportunities

The environment in which HUD operates is ever changing. HUD must strive for success in its mission in ways that are sustainable in – and take advantage of – the changing environment. Some environmental changes may become a Top Management Challenge or contribute to a Top Management Challenge; others may offer new solutions to old problems. HUD OIG strives to be cognizant of emerging issues and opportunities facing the Department and proactive in assessing risks and opportunities for HUD to more effectively address these issues.

→ Mandatory Work

HUD OIG is required to perform certain functions by law, such as financial statement audits and the Federal Information Security Modernization Act evaluation, and as a result, must plan around a series of annually required mandatory reports and reporting requirements. Likewise, HUD receives appropriations and supplemental funding that also provide constraints on or emphases for our work. This priority area focuses on ensuring that HUD OIG meets its mandatory requirements but also performs them in a way that is most efficient and effective.

PROGRAM AREAS

CHAPTER 1

SINGLE FAMILY HOUSING

The Federal Housing Administration (FHA) single-family programs provide mortgage insurance to mortgage lenders that, in turn, provide financing to enable individuals and families to purchase, rehabilitate, or construct homes. Some of the highlights from this semiannual period are outlined in this chapter.



OFFICE OF AUDIT

Strategic Initiative 1: Contribute to the reduction of fraud in single-family insurance programs

Key program results	Questioned costs	Funds put to better use
1 audit	\$0	\$0

REVIEW OF FHA'S HOME AFFORDABLE MODIFICATION PROGRAM

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), audited HUD's Federal Housing Administration, Home Affordable Modification Program's (FHA-HAMP) policies for reporting nonincentivized loan modifications and filing partial claims. The objective was to determine whether there was a need for HUD to issue a policy requiring loan servicers to report FHA-HAMP nonincentivized loan modifications and file FHA-HAMP nonincentivized partial claims within specific timeframes.

HUD's FHA-HAMP loss mitigation policy did not include deadlines to ensure timely reporting for nonincentivized loan modifications and filing of nonincentivized partial claims. The servicers were not obligated to always report or report in a timely manner nonincentivized loan modifications and file or file in a timely manner nonincentivized partial claims in FHA Connection. As a result, mortgage data from HUD's systems may not have accurately reflected the status of the FHA-insured mortgages for monitoring and financial reporting of the Mutual Mortgage Insurance Fund. In addition, OIG's recent corrective action verification review showed

that HUD's Claims Subsystem programming did not always properly calculate the time between claims to suspend payment for claims that had a reported prior loss mitigation action within 24 months because the claims were not submitted in order.

OIG recommended that HUD (1) update its loss mitigation policies, to include deadlines for the servicers to file the FHA-HAMP nonincentivized partial claims, and consider imposing sanctions for noncompliance with these deadline requirements and (2) update its loss mitigation policies, to include deadlines for the servicers to report the new terms of the FHA-HAMP nonincentivized loan modifications, and consider imposing sanctions for noncompliance with these deadline requirements. **(Audit Report: 2020-AT-0801)**

(HUD OIG Priority Area: Protecting the Mortgage Insurance Funds)

INVESTIGATION

Program Results

Administrative - civil actions	Convictions - pleas - pretrial diversions	Financial recoveries
19	24	\$20,734,249

FATHER AND SON IMPRISONED FOR MORE THAN 7 YEARS FOR DEFRAUDING THE HUD REO PROGRAM

A father and son, Sergio Garcia, Sr., and Sergio Garcia, Jr., were sentenced in U.S. District Court to a total of 88 months imprisonment and 3 years supervised release. They were also ordered to pay a total of \$500,454 in

restitution, with \$496,389 due to HUD and the rest due to the victims. The Garcias were sentenced following their earlier guilty pleas to conspiracy to commit mail fraud. They conspired with others to contract with HUD to buy hundreds of HUD real estate-owned (REO) homes across two States and sell them for a profit on the day of purchase. The purchase contracts provided to HUD stated that they or one of their businesses was purchasing the properties as an investor and would pay with cash or use other financing not involving FHA. The conspirators used fraudulent letters to show that they or their company had access to the funds needed to complete each purchase. Once under contract to purchase homes from HUD, the conspirators advertised the homes for resale and placed their own “for sale” signs at the homes. When the conspirators could not find a purchaser to buy the homes, they allowed their purchase contracts with HUD to expire and filed false liens on the homes for the full purchase price, thus impeding HUD’s ability to sell the homes to other interested buyers. The Garcias filed false liens on 87 REO homes, delaying HUD’s sale of those homes and leading to a loss of value of almost \$500,000 in eventual sales. HUD OIG and the Federal Bureau of Investigation conducted this investigation. **(Hammond, IN)**

(HUD OIG Priority Area: Protecting the Mortgage Insurance Funds)

TRIO ORDERED TO PAY RESTITUTION OF MORE THAN \$3.4 MILLION

Ira Davis, a recruiter; Henry Florez, an investor; and Michael Rogers, a loan officer, were sentenced in U.S. District Court in relation to their earlier guilty pleas to bank fraud. The three were sentenced to a collective 36 months incarceration and 8 years supervised release and ordered to pay more than \$3.4 million in restitution to HUD. Over a course of 2 years, Davis, Florez, and Rogers submitted or caused to be submitted



false representations to financial institutions regarding the sales price of properties, the source of the downpayments, and the amount of sales proceeds. This false information on real estate contracts, loan applications, and HUD-1 settlement statements allowed the trio to assist individuals in qualifying for FHA loans and purchase 16 properties for which they otherwise would not have qualified. The loss to HUD for the loans is approximately \$3.4 million. HUD OIG conducted this investigation.

(Chicago, IL)

(HUD OIG Priority Area: Protecting the Mortgage Insurance Funds)

MORTGAGE INDUSTRY PROFESSIONAL SENTENCED TO 46 MONTHS IN PRISON

Dilcia Mercedes, a mortgage payment processor, was sentenced in U.S. District Court in connection with her earlier guilty plea to money laundering and unauthorized access of a computer with intent to defraud. Mercedes was sentenced to 46 months incarceration and ordered to pay more than \$2 million in restitution to the mortgage company and the mortgage company's insurer. For nearly 3 years, Mercedes monitored unclaimed customer escrow accounts, then diverted the unclaimed escrow payments by accessing the mortgage company's computer system and having the payments sent via wire transfers and Automated Clearing House transfers to bank accounts and prepaid debit cards controlled by Mercedes and others. Mercedes exceeded her computer access authorization by using a coworker's computer login and password to approve the fund transfers, then making false entries canceling borrower escrow checks to make it appear as though customers had requested the unclaimed funds to be wire transferred to their bank accounts. A total of 1,543 mortgages were impacted by this scheme, of which 211 were FHA insured. HUD OIG, the Internal Revenue Service Criminal Investigation

Division, and the Federal Reserve Board OIG conducted this investigation.

(Camden, NJ)

(HUD OIG Priority Area: Protecting the Mortgage Insurance Funds)

DIRECT ENDORSEMENT LENDER AND HECM MORTGAGE ORIGINATOR TO PAY \$2.47 MILLION

Finance of America Reverse, L.L.C., as successor to Urban Financial Group, Inc., an FHA-approved direct endorsement lender that originated FHA-insured home equity conversion mortgages (HECM), entered into two settlement agreements in which it agreed to pay the Federal Government \$2.47 million. As part of the first settlement agreement, HUD received \$1.31 million to resolve False Claims Act claims. HUD received an additional \$500,000 as part of the second settlement agreement to resolve its administrative liability under the Program Fraud Civil Remedies Act. Between January 2007 and April 2010, Urban Financial Group is alleged to have violated the False Claims Act by knowingly originating and underwriting hundreds of HECM loans that did not meet HUD requirements, which resulted in HUD's incurring substantial losses. HUD OIG and the United States Attorney's Office for the District of Columbia conducted this investigation. **(Washington, DC)**

(HUD OIG Priority Area: Protecting the Mortgage Insurance Funds)

CHAPTER 2

PUBLIC AND INDIAN HOUSING

The U.S. Department of Housing and Urban Development (HUD) provides grants and subsidies to more than 3,100 public housing agencies (PHA) nationwide. Many PHAs administer both public housing and Section 8 programs. HUD also provides assistance directly to PHAs' resident organizations to encourage increased resident management entities and resident skills programs. Programs administered by PHAs are designed to enable low-income families, the elderly, and persons with disabilities to obtain and reside in housing that is safe, decent, sanitary, and in good repair. Some of the highlights from this semiannual period are outlined in this chapter.



AUDIT

Strategic Initiative 2: Contribute to the reduction of erroneous payments in rental assistance

Key program results	Questioned costs	Funds put to better use
6 audits	\$3,926,226	\$408,968

REVIEW OF THE PUBLIC HOUSING OPERATING AND CAPITAL FUNDS

HUD's Office of Inspector General (OIG) audited the Public Housing Operating Fund and Capital Fund programs at the Springfield Housing Authority in **Springfield, MA**, to determine whether the Authority complied with procurement and contract administration requirements for these programs.

Authority officials did not always comply with Federal procurement requirements and their own procurement policy. Specifically, they did not always adequately perform and document procurements, and contract terms were not always consistent with other procurement documents. In addition, Authority officials did not always comply with contract administration requirements. Specifically, they did not always ensure that contract amounts were not exceeded, change orders were approved in a timely manner, and completion documents were submitted as required. As a result, the Authority incurred nearly \$38,000 in ineligible costs, more than \$916,000 in unsupported costs, and nearly \$409,000 in unspent funds that may need to be reallocated.

OIG recommended that HUD require Authority officials to (1) repay the ineligible costs from non-Federal funds, (2) support that the amount spent on contracts was fair and reasonable or repay the funds, (3) support that the amount not yet spent on contracts was fair and reasonable or reallocate the funds, (4) establish and implement adequate record-keeping procedures to comply with Federal procurement requirements, and (5) establish and implement adequate controls so the Authority does not exceed the contract amount without appropriate contract amendments and approvals. **(Audit Report: 2020-BO-1002)**

(HUD OIG Priority Area: Monitoring and Oversight)

REVIEW OF HUD'S HOUSING CHOICE VOUCHER PROGRAM

HUD OIG audited the Housing Authority of the City of **Long Beach, CA's** Housing Choice Voucher Program to determine whether the Authority administered its program in compliance with program requirements, with an emphasis on its financial transactions, cost and payroll allocations, contracting, and procurement.

The Authority did not follow requirements under 2 CFR (Code of Federal Regulations) part 200 and 24 CFR part 982 in administering its program. It did not adequately support or perform overhead allocations, follow procurement requirements, or ensure that costs were eligible. As a result, HUD had no assurance that program funds totaling more than \$2.4 million were appropriately used for the operation of the program. In addition nearly \$6,000 was used for ineligible program expenses.

OIG recommended that HUD require the Authority to (1) develop and implement a HUD-approved cost allocation plan, (2) support the

reasonableness of more than \$1.9 million in overhead allocations or repay the program from non-Federal funds, (3) determine how much of the general operating costs applied to the program and repay potential overcharges (nearly \$51,000) to the program from non-Federal funds, (4) support or repay nearly \$26,000 in personnel expenses and more than \$64,000 for accounting services that applied to other programs from non-Federal funds, (5) support the reasonableness of the nearly \$341,000 Casterline and more than \$33,000 Genesis contract amounts or repay the program from non-Federal funds, (6) implement additional written procurement and contracting policies and procedures, and (7) repay the program for the unallowable expenses from non-Federal funds. **(Audit Report: 2020-LA-1002)**

(HUD OIG Priority Area: Monitoring and Oversight)

REVIEW OF HUD’S COMPLIANCE WITH THE LEAD SAFE HOUSING RULE

HUD OIG audited HUD’s oversight of PHAs’ compliance with the Lead Safe Housing Rule to determine whether HUD’s oversight was adequate.

HUD did not have adequate oversight of PHAs’ compliance with the Lead Safe Housing Rule. Specifically, it did not always obtain sufficient documentation to support that a public housing development was either exempt from or complied with the Rule and review all potential cases of noncompliance. HUD also did not ensure that PHAs reported accurate construction dates of housing developments to determine the applicability of the Rule. As a result, HUD lacked assurance that PHAs complied with the Rule, thus potentially exposing children under 6 years of age to lead-based paint hazards.

OIG recommended that HUD ensure that (1) it appropriately determines exemptions from the Rule and documents support of the determinations; (2) it determines whether children under 6 years of age reside in an exempt development; (3) the developments without sufficient support of an exemption either support the exemption status or complete the required lead-based paint inspections and provide the documentation to the appropriate field office; (4) the potentially noncompliant developments are reported in its response tracking system and reviewed for compliance with the Rule; (5) timeframes are established for reporting potentially noncompliant developments in its tracking system, monitoring PHAs for compliance, and implementing corrective actions and resolution; (6) a framework is developed for administrative action for noncompliant PHAs; and (7) PHAs accurately report the construction dates of their housing developments. **(Audit Report: 2020-CH-0003)**

(HUD OIG Priority Area: Ensuring Safe and Affordable Housing)

INVESTIGATION

Program Results

Administrative- civil actions	Convictions - pleas - pretrial diversions	Financial recoveries
30	39	\$1,992,279

PUBLIC HOUSING AGENCY ADMINISTRATOR SENTENCED FOR IDENTITY THEFT

Tonya Lewis, a former administrative assistant and human resources manager for a PHA, was sentenced in U.S. District Court in relation to an

earlier guilty plea to aggravated identity theft. Lewis was sentenced to 24 months incarceration and 12 months supervised release and ordered to pay restitution of \$150,189 to the PHA. Over approximately 3½ years, the PHA employee used PHA operating account transactions to misappropriate PHA funds for personal gain in the amount of \$95,689. In doing so, Lewis used the identity of another PHA employee to further misappropriate PHA funds. Lewis used the funds to make payments on her personal car, purchase party supplies and bulk alcohol, and go on vacations, among other expenditures. HUD OIG conducted this investigation. **(Mobile, AL)**

(HUD OIG Priority Area: Ethical Conduct)

EVALUATION

HUD HAS NOT REFERRED TROUBLED PUBLIC HOUSING AGENCIES AS THE LAW AND REGULATIONS REQUIRE

The Office of Public and Indian Housing (PIH) has not referred troubled PHAs to the Assistant Secretary for Public and Indian Housing to take them over as the law and regulations require. Without this referral mechanism, a PHA could remain troubled for an indefinite period while conditions stagnate or deteriorate. HUD OIG identified 18 PHAs that remained troubled for more than 2 years without being referred.

PIH is creating a process for referring troubled PHAs, but two problems exist with its approach. First, the draft process that OIG reviewed in this evaluation would provide more options to the Assistant Secretary than the law and regulations allow. Second, PIH cannot meet the statutory deadlines for referral of a troubled PHA without substantial changes to the assessment process or changes to the law and regulations, which PIH is not making as part of its new process. The new process would allow some

troubled PHAs more time to recover than the law and regulations allow. PIH's training that existed at the time of OIG's fieldwork on the authority and process for declaring a PHA in substantial default and for taking PHAs into possession suggests remedies that do not fully comply with the law and regulations. Finally, PIH has not submitted an annual troubled PHAs report to Congress for at least 11 years as the law requires, thereby missing another opportunity to strengthen the accountability and transparency of its recovery process.

OIG recommended that PIH (1) refer troubled PHAs directly to the Assistant Secretary for Public and Indian Housing when they have not met the 1- or 2-year recovery requirements, (2) ensure that referrals to the Assistant Secretary recommend only recovery options allowed by the law and regulations, (3) update training to include the actions that PIH must take when a troubled PHA does not meet the 1- or 2-year recovery requirements, (4) provide training on remedies for long-term troubled PHAs to all PIH staff members who routinely interact with troubled PHAs, and (5) submit an annual troubled PHAs report to Congress in accordance with the statute. **(Evaluation Report: 2019-OE-0001)**

(HUD OIG Priority Area: Monitoring and Oversight)

CHAPTER 3

MULTIFAMILY HOUSING AND HEALTHCARE

In addition to multifamily housing developments, healthcare facilities, and hospitals with U.S. Department of Housing and Urban Development (HUD)-held or HUD-insured mortgages, HUD subsidizes rents for low-income households, finances the construction or rehabilitation of rental housing, and provides support services for the elderly and disabled. Some of the highlights from this semiannual period are outlined in this chapter.

AUDIT

Strategic Initiative 2: Contribute to the reduction of erroneous payments in rental assistance

Key program results	Questioned costs	Funds put to better use
3 audits	\$0	\$0

REVIEW OF HUD'S RENTAL ASSISTANCE DEMONSTRATION PROGRAM

HUD's Office of Inspector General (OIG) reviewed HUD's funding allotment for tenant protection assistance at the Vineville Christian Towers (project) in **Macon, GA**, related to a housing conversion action and its approval of the project's Rental Assistance Demonstration Program (RAD) conversion. The objective was to determine whether HUD accurately allotted funding for tenant protection assistance and whether it properly approved the project's proposed RAD conversion.

HUD inaccurately allotted funding for tenant protection assistance at the project and improperly approved the project's RAD conversion. Specifically, it inappropriately processed a funding allotment for tenant protection assistance for a housing conversion action at the project based on unsupported requests from program offices. Further, HUD improperly approved the project's RAD conversion for 90 units. As a result, nearly \$715,000 in tenant protection assistance funding was inaccurately

allocated, and more than \$624,000 in housing assistance payments and administrative fees was improperly provided through an ineligible Section 8 Project-Based Voucher Program housing assistance payments contract.

OIG recommended that HUD update and implement internal procedures (1) for processing housing conversion actions to require documentation, including but not limited to expired contracts or financial documentation from HUD's Line of Credit Control System, to show when the last payment was made for the contract to support the proposed housing conversion actions before allotment of tenant protection funds and (2) to require verification that tenant protection funds were not previously allotted for the same type of housing conversion action. OIG also recommended that for the remaining retroactive RAD conversions not completed, HUD take steps, including but not limited to (1) maintaining adequate approval documentation and (2) training staff responsible for reviewing and approving RAD applications, to ensure that it enforces its requirement that the tenant protection assistance be provided to tenants before the submission of the RAD application. **(Audit Report: 2020-AT-0802)**
(HUD OIG Priority Area: Ensuring Safe and Affordable Housing)

INVESTIGATION

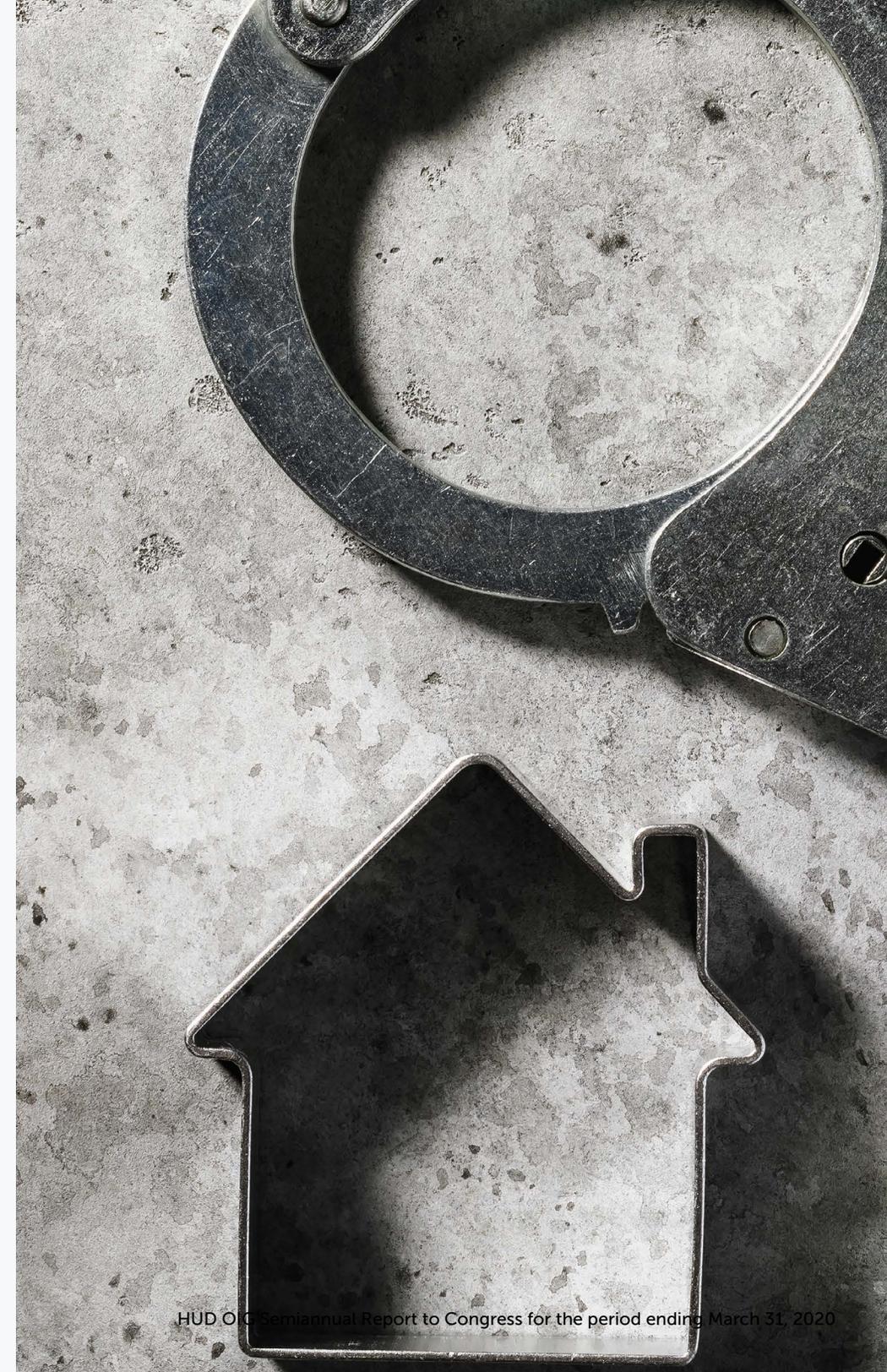
Program Results

Administrative - civil actions	Convictions - pleas - pretrial diversions	Financial recoveries
1	1	\$54,456

INTERNATIONAL FUGITIVE SENTENCED FOR SUBSIDIZED HOUSING FRAUD

A project-based multifamily tenant, Allan Mann, also known as Hailee Randolph DeSouza, was sentenced in U.S. District Court in relation to an earlier guilty plea to submitting false statements to HUD. Mann was sentenced to 18 months incarceration and ordered to pay restitution of \$53,256, with \$34,744 due to HUD. From 2004 to 2018, Mann made false statements and certifications to the government about his identity in order to receive HUD-subsidized rental assistance as well as Medicaid medical assistance. Mann was wanted by Canadian law enforcement for more than 30 years in connection with the June 1987 alleged abduction of his biological son during a scheduled weekend visit. Mann used the false identity of Hailee Randolph DeSouza in order to receive U.S. government benefits. HUD OIG; the U.S. Marshals Service; the U.S. Department of Health and Human Services OIG; the Social Security Administration OIG; the Diplomatic Security Service; and Homeland Security Investigations conducted this investigation. **(New Haven, CT)**

(HUD OIG Priority Area: Ensuring Safe and Affordable Housing)



CHAPTER 4

COMMUNITY PLANNING AND DEVELOPMENT

The Office of Community Planning and Development (CPD) seeks to develop viable communities by promoting integrated approaches that provide decent housing, suitable living environments, and expanded economic opportunities for low- and moderate-income persons. The primary means toward this end is the development of partnerships among all levels of government and the private sector. Some of the highlights from this semiannual period are outlined in this chapter.



AUDIT

Strategic Initiative 3: Contribute to the strengthening of communities

Key program results	Questioned costs	Funds put to better use
5 audits ³	\$739,836	\$390,077

REVIEW OF THE CONTINUUM OF CARE PROGRAM

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), audited Community Action North Bay in **Fairfield, CA**, regarding its Continuum of Care Program to determine whether the Community administered its program in accordance with HUD requirements.

The Community did not administer its Continuum of Care Program in accordance with HUD requirements. Specifically, it did not maintain documents required to support that (1) it met the matching contribution requirement, (2) its rapid rehousing and permanent supportive housing programs assisted eligible individuals, and (3) program income and expenses were supported and eligible. As a result, the Community is at risk of having to repay HUD nearly \$648,000. It also could not support the eligibility of individuals assisted by its rapid rehousing and permanent supportive housing programs.

OIG recommended that HUD require the Community to (1) support that it met the matching contribution requirement or reimburse HUD nearly \$578,000 from non-Federal funds, (2) reclassify nearly \$29,000 as

program income to the specific permanent supportive housing program, and (3) support that nearly \$3,000 paid to a board member for legal services was allowed through a HUD-approved waiver or repay HUD from non-Federal funds. **(Audit Report: 2020-LA-1001)**

(HUD OIG Priority Area: Monitoring and Oversight)

INVESTIGATION

Program Results

Administrative - civil actions	Convictions - pleas - pretrial diversions	Financial recoveries
7	26	\$6,713,028

FORMER NONPROFIT HOUSING PROGRAM MANAGER SENTENCED FOR IDENTITY THEFT AND THEFT BY SWINDLE

Cynthia Waight, former housing program manager of a nonprofit community resource center for adults with serious mental illnesses, was sentenced in State District Court in connection with her earlier guilty plea to identity theft and theft by swindle. Waight was sentenced to 12 months incarceration and 120 months probation and ordered to pay \$136,543 in restitution to the nonprofit, 11 individual victims, and others. Over a span of 15 months, Waight created and submitted falsified applications for housing assistance on behalf of fictitious clients of the nonprofit. Once the funds were made available, Waight created, endorsed, and cashed 99 checks issued to the fictitious clients totaling almost \$100,000, which she then used on gambling ventures at a casino. HUD OIG conducted this investigation. **(Minneapolis, MN)**

(HUD OIG Priority Area: Financial Management)

³The total CPD audits, questioned costs, and funds put to better use amounts include questioned costs for any disaster-related audits included in the community planning and development area (one audit). The writeups for this audit is shown separately in chapter 5 of this semiannual report.

CHAPTER 5

DISASTER RELIEF

In response to disasters, Congress may appropriate additional funding as Disaster Recovery grants to rebuild the affected areas and provide crucial seed money to start the recovery process. Since fiscal year 2001, Congress has appropriated \$83.7 billion to the U.S. Department of Housing and Urban Development (HUD), from which HUD provides flexible grants to help cities, counties, and States recover from presidentially declared disasters. Of the \$82.2⁴ billion in active disaster grants, the funds have been allocated nationwide, with nearly \$51.8 billion obligated and more than \$40.4 billion disbursed as of March 31, 2020. HUD’s Office of Inspector General (OIG) continues to take steps to ensure that the Department remains diligent in assisting communities with their recovery efforts.

Disaster	Funds allocated	Funds disbursed	% of funds disbursed	Fiscal year funds allocated
Harvey, Irma, & Maria	\$35.8 billion	\$382.6 million	1%	2017 & FY 2018
Louisiana, Texas, & West Virginia ⁵	2.5 billion	1.14 billion	45%	2016 & FY 2017
Hurricane Sandy	15.2 billion	11.5 billion	76%	2013
Hurricanes Ike, Gustav & Dolly	6.1 billion	5.4 billion	89%	2008
Hurricanes Katrina, Rita & Wilma	19.7 billion	18.6 billion	95%	2006 & 2008
9-11	3.5 billion	3.27 billion	94%	2001 & 2002



⁴The more than \$1.4 billion difference between appropriated and allocated funds is due to nonmajor program appropriations made since fiscal year 2001.

⁵In addition to Louisiana, Texas, and West Virginia (LTW is the name of the grant), funding was included for North and South Carolina and Florida in fiscal year 2017, but the grant name (LTW) remained the same.

AUDIT

Strategic Initiative 3: Contribute to the strengthening of communities

Key program results	Questioned costs	Funds put to better use
1 audit ⁶	\$55,010	\$361,501

REVIEW OF THE PUERTO RICO DEPARTMENT OF HOUSING

HUD OIG audited the Puerto Rico Department of Housing (PRDOH) in **San Juan, PR**, to determine whether the PRDOH (1) had the capacity to administer its Community Development Block Grant Disaster Recovery (CDBG-DR) grants⁷ in accordance with applicable regulations and requirements and (2) had in place financial and procurement policies and procedures that promoted the expenditure of funds and the acquisition of goods and services in accordance with Federal requirements.

The PRDOH should strengthen its financial and procurement capacity to administer its CDBG-DR grants in accordance with applicable regulations and requirements. Specifically, it could strengthen its capacity by (1) improving its financial controls, (2) improving its processes for preventing duplication of benefits, (3) improving its procurement controls, and

(4) continuing to increase its staffing. Strengthening its capacity would help ensure that the PRDOH properly administers more than \$19 billion in CDBG-DR funds in accordance with applicable requirements. Further, the PRDOH did not follow Federal and its own procurement requirements when it acquired goods and services. As a result, HUD had no assurance that purchases were reasonable, necessary, and allowable.

OIG recommended that HUD require the PRDOH to (1) develop adequate procedures outlining steps for tracking monthly grant expenditures and reprogramming funds and program income and develop and implement a financial management system for its 2008 CDBG-DR grant, (2) review and update its policies and procedures to prevent duplication of benefits, (3) review and update its procurement policies and procedures, and (4) continue to fill its vacancies. In addition, HUD should require the PRDOH to submit supporting documentation showing compliance with procurement requirements and that purchases totaling nearly \$417,000 were reasonable and necessary costs or reimburse the program more than \$55,000 from non-Federal funds and cancel nearly \$362,000 in CDBG-DR obligations.

(Audit Report: 2020-AT-1002)

(HUD OIG Priority Area: Administering Disaster Assistance)

⁶Disaster-related audits fall under the purview of the Office of Community Planning and Development (CPD). The total disaster audits, questioned costs, and funds put to better use amounts shown above do not include questioned costs for any CPD audits that are not disaster related.

⁷The CDBG-DR grants reviewed were for the 2017 and 2008 disasters.

INVESTIGATION

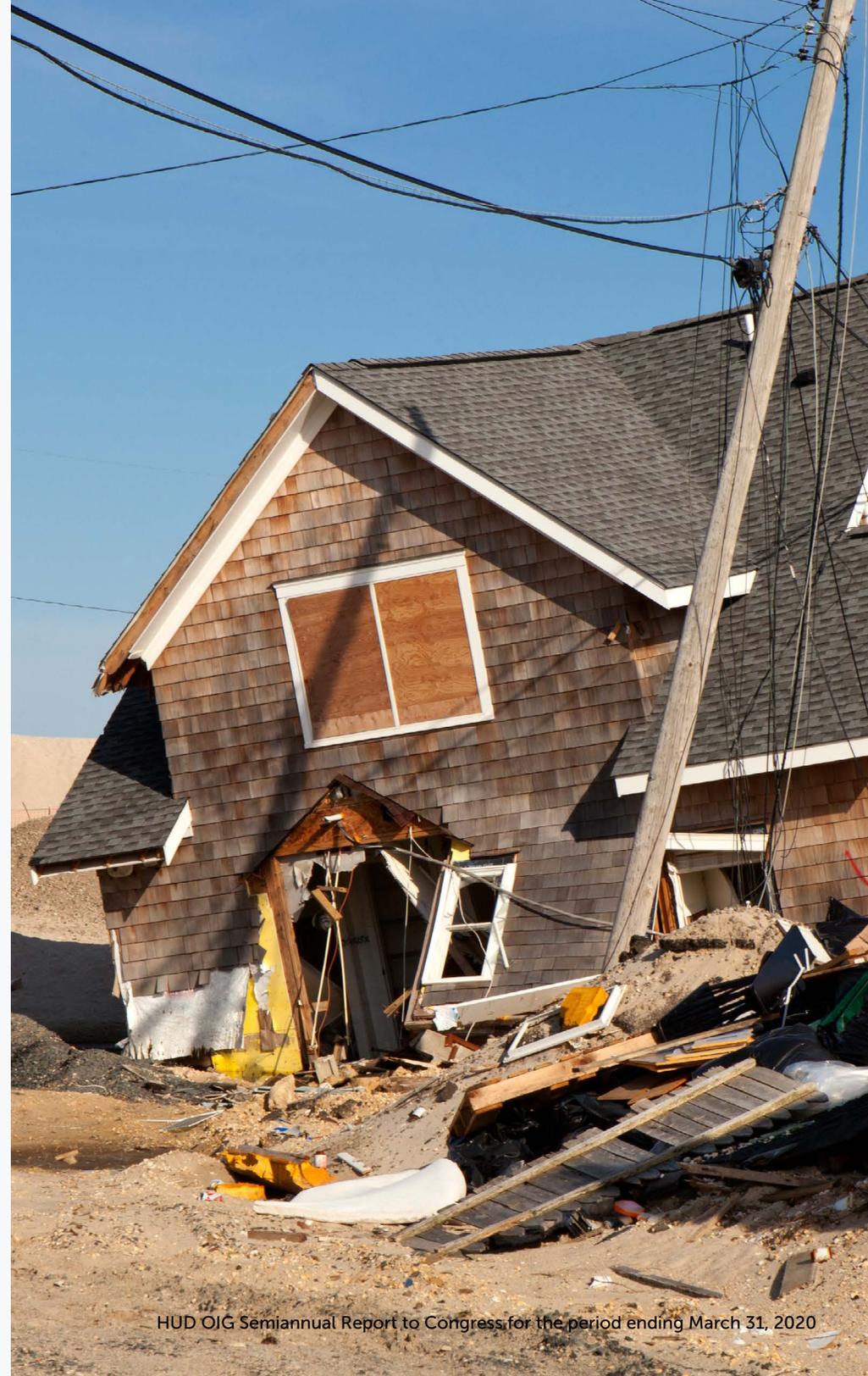
Program Results*

Administrative - civil actions	Convictions - pleas - pretrial diversions	Financial recoveries
2	9	\$416,270
*Figures included in CPD stats		

DISASTER RECIPIENT SENTENCED FOR THEFT

Anthony Novello, a disaster aid recipient, was sentenced in State Superior Court in connection with an earlier guilty plea to theft by unlawful taking. Novello was sentenced to 5 years probation and ordered to pay \$142,414 in restitution to the New Jersey Department of the Treasury. Novello falsified an application and grant agreement to support his false certification that his primary residence was damaged during Hurricane Sandy in 2012. The damaged property was a vacation home and, therefore, ineligible for the CDBG-DR funds, which were HUD funds administered by the New Jersey Department of Community Affairs through the Resettlement Program and Reconstruction, Rehabilitation, Elevation, and Mitigation Program. HUD OIG, the U.S. Small Business Administration OIG, and the New Jersey Division of Criminal Justice conducted this investigation. **(Toms River, NJ)**

(HUD OIG Priority Area: Administering Disaster Assistance)



ADDITIONAL REPORTS

CHAPTER 6

OTHER SIGNIFICANT AUDITS AND EVALUATIONS

The U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) more significant reports are discussed within this chapter.

AUDIT

Strategic Initiative 4: Contribute to improving HUD's execution of and accountability for fiscal responsibilities as a relevant and problem-solving advisor to the Department

Key program results	Questioned costs	Funds put to better use
8 audits	\$618,270	\$0

AUDIT OF HUD'S FISCAL YEAR 2019 CONSOLIDATED FINANCIAL STATEMENTS

HUD OIG audited HUD's consolidated financial statements⁸ in accordance with the Chief Financial Officers Act of 1990 as amended. The objectives

were to express an opinion on the fair presentation of HUD's consolidated financial statements and to report on HUD's internal controls over financial reporting and compliance with select provisions of applicable laws, regulations, contracts, and grant agreements. This report supplements OIG's independent auditor's report on the results of its audit of HUD's consolidated financial statements for the fiscal year ending September 30, 2019.

OIG expressed a qualified opinion on HUD's consolidated financial statements for fiscal year 2019 because of the significant effects of certain unresolved audit matters, which restricted its ability to obtain sufficient, appropriate evidence about HUD's non-credit reform loans and other liabilities resulting from the Government National Mortgage Association's (Ginnie Mae) guaranty asset and guaranty liability. This report provides additional details on one material weakness, three significant deficiencies, and three instances of noncompliance with laws, regulations, contracts, and grant agreements. The most significant finding relates to instances in which HUD's accounting did not always comply with Federal generally accepted accounting principles. OIG also identified (1) weaknesses in internal controls over financial reporting; (2) weaknesses in the financial management system and computing environment; (3) financial management governance deficiencies; and (4) three instances of noncompliance with laws, regulations, contracts, and grant agreements. The most significant OIG recommendations were that HUD (1) improve its validation methodology for accrued grant liabilities; (2) develop, implement, and improve policies and procedures related to internal controls over financial reporting, including the Federal Housing Administration's (FHA) and Ginnie Mae's estimation models; and (3) ensure

⁸HUD's consolidated financial statements include its two component entities, the Federal Housing Administration (FHA) and Ginnie Mae.

that sufficient documentation is maintained and is sufficiently traceable to support transactions related to non-credit reform loans. **(Audit Reports: 2019-FO-0003 and 2019-FO-0004)**
(HUD OIG Priority Area: Financial Management)

AUDIT OF THE FEDERAL HOUSING ADMINISTRATION'S FINANCIAL STATEMENTS FOR FISCAL YEARS 2019 AND 2018

HUD OIG audited FHA's principal financial statements and notes for the fiscal years ending September 30, 2018 and 2019, including a review of FHA's internal control over financial reporting and testing of its compliance with selected provisions of laws, regulations, contracts, and grant agreements.

In OIG's opinion, FHA's fiscal years 2018 and 2019 financial statements were presented fairly, in all material respects, in accordance with the U.S. generally accepted accounting principles for the Federal Government. This opinion is reported in FHA's Fiscal Year 2019 Annual Management Report. The results of OIG's audit of FHA's principal financial statements and notes for the fiscal years ending September 30, 2018 and 2019, including its report on FHA's internal control over financial reporting and compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to FHA, are presented in this report.

OIG's audit disclosed one significant deficiency in internal controls and no instances of noncompliance with applicable laws, regulations, contracts, and grant agreements. OIG recommended that FHA strengthen its system of internal control processes, policies, and procedures to (1) ensure complete model research and concurrent model documentation and (2)

prevent inaccurate financial reporting and misstatements from occurring in the financial statements and notes. **(Audit Report: 2020-FO-0001)**
(HUD OIG Priority Area: Financial Management)

AUDIT OF THE GOVERNMENT NATIONAL MORTGAGE ASSOCIATION FISCAL YEAR 2019 FINANCIAL STATEMENTS

HUD OIG audited Ginnie Mae's fiscal year 2019 financial statements, including its internal control over financial reporting and compliance with selected provisions of applicable laws, regulations, and contracts.

In fiscal year 2019, OIG was unable to obtain sufficient, appropriate evidence to express an opinion on the fairness of Ginnie Mae's financial statements. Specifically, OIG had significant modeling concerns affecting Ginnie Mae's guaranty asset, guaranty liability, and allowance for loan losses, which prevented it from completing its audit work due to time constraints imposed by the statutory reporting deadlines. These issues concerned the appropriateness and reasonableness of the model methodologies, specifications, and model assumptions, which raised questions about the reliability of the significant accounting estimates produced by these models. Additionally, OIG was unable to audit the nonpooled loan assets due to (1) documentation challenges to support balances for claims receivable and reimbursable costs and (2) insufficient time to complete necessary audit procedures for mortgage loans held for investment and acquired properties.

Given the significance of all of these limitations combined, it is OIG's professional opinion that there may be risks that undetected misstatements that could be material may exist in these statements.

Therefore, OIG deemed its audit scope to be insufficient to express an opinion on Ginnie Mae's fiscal year 2019 financial statements as a whole. OIG identified two material weaknesses; one significant deficiency; and one reportable noncompliance with selected provisions of laws, regulations, and contracts. OIG made 18 new audit recommendations.

(Audit Report: 2020-FO-0002)

(HUD OIG Priority Area: Financial Management)

REVIEW OF THE LEAD HAZARD REDUCTION DEMONSTRATION GRANT PROGRAM

HUD OIG audited the City of **Detroit, MI**'s Housing and Revitalization Department's Lead Hazard Reduction Demonstration Grant Program to determine whether the Department administered the program in accordance with HUD's requirements.

The Department did not administer the program in accordance with HUD's requirements. Specifically, it did not (1) maintain documentation to support that healthy homes assessment and data collection services were cost reasonable, (2) ensure that landlords gave preference in renting vacant assisted units to targeted families, (3) maintain adequate lead inspection documentation to support that lead-based paint hazard control activities were necessary, (4) obtain HUD approval before spending healthy homes supplemental funds in excess of \$5,000 per unit, and (5) calculate annual income correctly for one assisted household. As a result, the Department and HUD lacked assurance that more than \$616,000 in program funds was used in accordance with HUD's requirements.

OIG recommended that HUD require the Department to (1) support that the contract for healthy homes assessment and data collection services was cost reasonable, (2) support that landlords gave preference in renting vacant assisted units to targeted families, (3) support that lead-based paint hazard control activities were necessary, (4) coordinate with HUD to determine whether healthy homes supplemental funds used in excess of \$5,000 per unit were used for eligible activities, and (5) implement adequate procedures and controls to address the findings cited. **(Audit Report: 2020-CH-1001)**

(HUD OIG Priority Area: Monitoring and Oversight)

REVIEW OF HUD'S COMPLIANCE WITH THE PURCHASE CARD PROGRAM FOR FISCAL YEARS 2017 AND 2018

HUD OIG audited HUD's compliance with the purchase card program requirements for fiscal years 2017 and 2018, based on its risk assessment, to determine whether HUD maintained accurate records of cardholders and transactions; HUD employees took purchase card training when required; and HUD purchase cards were used for potentially illegal, improper, or erroneous transactions.

HUD did not have accurate and complete records of cardholders and transactions, including errors in cardholder closure dates, errors in training dates, inadequate tracking of merchant category code overrides, and incomplete transactional data. In addition, purchase cardholders and approving officials did not always take purchase card training when required. Further, OIG identified 10 instances in which HUD purchase cards were used for improper purchases and incurred improper interest charges totaling more than \$29,000.

OIG recommended that HUD (1) implement processes to periodically audit or reconcile the shared service provider's records, (2) review ratios of cardholders to approving officials, (3) ensure that training is taken when required, (4) suspend cardholders or approving officials who fail to take training or repeatedly cause HUD to pay interest, and (5) research the incomplete monthly transactional data and identify a solution. In addition, OIG recommended that HUD (1) enhance the process to periodically analyze data for split transactions or improper merchant category codes, (2) improve notifications to employees, and (3) follow up on any potential issues identified. **(Audit Report: 2020-KC-0001)**
(HUD OIG Priority Area: Financial Management)

REVIEW OF HUD'S COMPLIANCE WITH THE TRAVEL CARD PROGRAM FOR FISCAL YEAR 2018

HUD OIG audited HUD's compliance with the travel card program requirements for fiscal year 2018, based on its risk assessment, to determine whether HUD travel cards were used for potentially illegal, improper, or erroneous purchases and whether travel cards were used when required.

From a sample of transactions identified as high risk, OIG found that HUD's travel cards were used for 166 potentially illegal, improper, or erroneous purchases totaling nearly \$23,000. In addition, 19 employees used their personal sources of payment instead of the government travel card in violation of the Federal Travel Regulations.

OIG recommended that HUD (1) take appropriate actions against the employees identified, (2) improve controls to ensure the proper use of the travel cards and detect employees who do not use their government travel

cards when required, and (3) provide employees with appropriate training on the issues identified and ensure that all cardholder training is up to date. **(Audit Report: 2020-KC-0002)**
(HUD OIG Priority Area: Financial Management)

EVALUATION

OVERVIEW OF HUD'S HOUSING ASSISTANCE PROGRAMS

At the request of Senator Enzi, HUD OIG reviewed HUD's housing assistance programs based on their purpose, types of assistance, and eligible participants. This report also includes the 5-year funding history for each HUD program office that administers housing assistance programs.

HUD administers 73 housing assistance programs that promote home ownership, provide rental assistance, and support public housing. Six HUD program offices administer the 73 active housing assistance programs, including the Office of Housing, the Office of Community Planning and Development, the Office of Public and Indian Housing, the Office of Fair Housing and Equal Opportunity, Ginnie Mae, and the Office of Lead Hazard Control and Healthy Homes. Of the 73 active housing assistance programs, 23 programs provide home-ownership assistance, 28 programs provide rental housing assistance, and 22 programs provide both types of housing assistance. There are no specific areas of significant program overlap across HUD's 73 active housing assistance programs. From fiscal years 2014 to 2018, Congress appropriated approximately \$257.90 billion to HUD's housing assistance programs. **(Evaluation Report: 2019-OE-0004)**

(HUD OIG Priority Area: Monitoring and Oversight)

MANAGEMENT ALERT: RECORDS AND PRIVACY PROTECTION ISSUES IDENTIFIED DURING FISCAL YEAR 2019 FISMA EVALUATION

During the HUD OIG Federal Information Security Modernization Act of 2014 (FISMA) evaluation, OIG reviewed HUD's records and privacy programs. Based on the initial findings, OIG issued a management alert due to HUD's failure to meet basic records management and privacy requirements for more than 1 billion records containing personally identifiable information. Specifically, HUD is unable to identify, categorize, and adequately secure all of its electronic and paper records that contain personally identifiable information. This management alert does not contain any recommendations, although further work is being conducted to provide HUD with a comprehensive report and associated recommendations. **(Evaluation Product: 2019-OE-0007)**
(HUD OIG Priority Area: Information Technology and Cybersecurity)



CHAPTER 7

LEGISLATION, REGULATIONS, AND OTHER DIRECTIVES

Reviewing and making recommendations on legislation, regulations, and policy issues is a critical part of the Office of Inspector General's (OIG) responsibilities under the Inspector General Act. During this 6-month reporting period, OIG has committed more than 750 hours to reviewing 143 issuances. The draft directives consisted of 102 notices, 7 mortgagee letters, and 34 other directives. OIG provided comments on 37 (or 26 percent) of the issuances and nonconcurred on 18 (or 13 percent) but lifted 10 nonconcurrences. Of the 34 other directives, OIG reviewed two proposed rules and three final rules, taking no position on three and providing comments on two; 25 handbooks or guidebooks; one research report; two U.S. Department of Housing and Urban Development (HUD) legislative referral memorandum reports; and one set of frequently asked questions regarding Community Development Block Grant (CDBG) Disaster Recovery acquisition activities. The following is a summary of selected reviews for this 6-month period.

Notices, Mortgagee Letters, and Other Directives

OFFICE OF SINGLE FAMILY HOUSING

Updates to FHA's Single Family Housing Policy Handbook - On October 24, 2019, the Federal Housing Administration (FHA) issued HH 4000.1, FHA Single Family Housing Policy Handbook, effective October 15, 2019, incorporating the final rule in Federal Register Notice FR-5715-F-02 and Mortgagee Letter 2019-17. The rule provided requirements for lenders to

obtain approval under the direct endorsement lender review and approval process authority for condominiums and for standards that projects must meet to be approved for mortgage insurance on individual units. The rule further provided flexibility with respect to the concentration of FHA-insured units, owner-occupied units, and the amount that can be set aside for commercial and nonresidential space. The mortgagee letter provided updated origination requirements for home equity conversion mortgages (HECM) (reverse mortgages) on condominium units. The mortgagee letter also established borrower eligibility requirements for prospective HECM borrowers seeking to use the single-unit approval process to obtain FHA insurance on an individual condominium unit. OIG previously provided a no position response on the rule and the mortgagee letter and provided a no position response to the issuance of the handbook.

Maximum rehabilitation costs in qualified opportunity zones for limited 203(k) mortgages

– On November 22, 2019, HUD issued Mortgagee Letter 2019-18, increasing the maximum rehabilitation costs in qualified opportunity zones for limited 203(k) mortgages from \$35,000 to \$50,000. OIG provided a no position response regarding this mortgagee letter.

Credit risk retention regulations – On December 20, 2019, HUD issued a Federal Register Notice, Docket No. FR-6172-N-01, seeking comments on beginning the review of the definition of qualified residential mortgage, the community-focused residential mortgage exemption, and the exemption for qualifying three- to four-unit residential mortgage loans, in each case as currently set forth in the Credit Risk Retention Regulations adopted by the Department. HUD made this commitment jointly with the U.S. Treasury, Office of the Comptroller of the Currency; Board of Governors of the Federal Reserve System; Federal Deposit Insurance Corporation;

U.S. Securities and Exchange Commission; and Federal Housing Finance Agency. OIG provided a no position response regarding this notice.

Mortgagee electronic funds transfer accounts – On January 29, 2020, HUD issued Mortgagee Letter 20-02, eliminating the manual process to establish and maintain electronic funds transfer (EFT) accounts. FHA is leveraging technology to allow lenders to establish and maintain EFT accounts through the Lender Electronic Assessment Portal. OIG provided a no position response regarding this notice.

Foreclosure and eviction moratorium in connection with the presidentially declared COVID-19 national emergency – On March 18, 2020, HUD issued Mortgagee Letter 2020-04, informing lenders of a foreclosure and eviction moratorium for all FHA-insured single-family mortgages (all FHA Title II forward and HECM reverse mortgage programs) for a period of 60 days. The moratorium applies to the initiation of foreclosures and to the completion of foreclosures in process. Similarly, evictions of persons from properties secured by FHA-insured single-family mortgages are also suspended for a period of 60 days. In addition, deadlines of the first legal action and reasonable diligence timelines are extended by 60 days. This mortgagee letter did not come through the clearance process; therefore, OIG did not have an opportunity to review and comment on it.

Reverification of employment and exterior-only and desktop-only appraisal scope of work options for FHA single-family programs impacted by COVID-19 – On March 27, 2020, HUD issued Mortgagee Letter 2020-05, informing lenders and appraisers of FHA's single-family modification to the reverification of employment requirements due to the presidentially declared COVID-19 national emergency and exterior-only or

desktop-only appraisal inspection option, which limits face-to-face contact for certain transactions affected by the declaration. The reverification of employment guidance in this mortgagee letter is effective immediately for cases closed on or before May 17, 2020. The appraisal guidance in this mortgagee letter is effective immediately for appraisal inspections completed on or before May 17, 2020. This mortgagee letter did not come through the clearance process; therefore, OIG did not have an opportunity to review and comment on it.

OFFICE OF PUBLIC AND INDIAN HOUSING

30-day notice of proposed information collection: National Standards for the Physical Inspection of Real Estate demonstration – On December 12, 2019, HUD published a notice (Federal Register 7011-N-55) in which HUD is requesting information from PHAs, owners, and agents (POA) that participate in the National Standards for the Physical Inspection of Real Estate (NSPIRE) multistage demonstration to identify potential adjustments to standards, protocols, and processes. Through this notice, HUD is requesting from the POAs the following: an annual self-inspection report or work order receipts, a property profile, copies of building system certificates, local code violations over the rolling calendar year, and participation in feedback sessions. HUD is developing a standardized electronic system and data exchange standard for this collection and will distribute self-inspection software for properties to collect and submit these data electronically. OIG's review of the notice resulted in a comment that the demonstration for HUD to collect data to identify potential adjustments to standards, protocols, and processes does not address what action, if any, HUD will take against the expected 60,000 participants if their self-reported information indicates violations of HUD's housing quality standards or the local codes. Further, OIG stated that the proposed demonstration does not seem to have a clear beginning or ending

date. HUD issued the notice with a change to the number of expected participants, reducing the count from 60,000 to 35,000. There were no other changes made to the notice.

OFFICE OF MULTIFAMILY HOUSING PROGRAMS

Green mortgage insurance premium compliance reporting

guidance – On January 8, 2020, HUD issued Notice 2020-1 (related to Mortgagee Letter 2020-01), which reiterates the requirements to all multifamily accelerated processing lenders and borrowers regarding how to report and maintain compliance with green mortgage insurance premium (MIP) requirements according to the rider to the regulatory agreement, “Borrowers Obligation to Maintain Projects Energy Performance as Consideration for MIP Reduction.” This notice outlines a compliance monitoring framework that applies to all properties that have a green MIP in the FHA multifamily-insured portfolio. OIG provided a no position response regarding this notice.

Delegated processing for certain capital advance projects – On February 11, 2020, HUD issued Housing Notice H-20-2, which updates and replaces Notice 2013-12 that defined HUD’s procedures for processing certain Section 202 Supportive Housing for the Elderly projects and Section 811 Supportive Housing for Persons With Disabilities under a delegated processing system. According to the notice, the delegated processing procedures complement the Department’s capital advance processing mechanism. The program enhances the Department’s ability to provide timely, high-quality underwriting, while streamlining the compliance process for sponsors and owners undertaking mixed-finance transactions. Further, the delegated processing program gives selected State and local agencies the choice to review and process capital advance projects. OIG provided a no position response regarding this notice.

Revision of the Section 223(f) policy requiring 3 years of postconstruction sustained occupancy – On March 2, 2020, HUD issued Housing Notice H 20-03 (related to Mortgagee Letter 2020-03), which revises HUD’s policy that applications for refinancing or acquisition of existing properties under Section 223(f) of the National Housing Act may not be accepted unless and until 3 years have passed since completion of construction or substantial rehabilitation of the property. Applications for refinancing of newly built or substantially rehabilitated properties will now be accepted as soon as properties achieve the applicable programmatic debt service coverage ratio for not less than 1 full month. This notice supersedes all previous guidance concerning the time elapsed between construction completion and the date of an application for Section 223(f) mortgage insurance, including the 2016 Multifamily Accelerated Processing Guide. To mitigate risks to the FHA Insurance Fund, this notice also outlines limitations that will apply to applications for properties with less than 3 years elapsed since completion of construction. This notice applies to all applications for mortgage insurance under Section 223(f) except health care properties under Section 232. OIG provided a no position response regarding this notice.

Rental Assistance Demonstration Program: revised notice – On October 10, 2019, HUD published a notice (Federal Register FR-5630-N-13), which announces the posting of the fourth revision to the Rental Assistance Demonstration Program (RAD) notice and solicits public comment on changed eligibility and selection criteria. Some of the key changes to RAD include establishing a mechanism for public housing agencies (PHA) to enter into partnerships in order to pool resources or capacity with each other so as to effectively convert properties through RAD and broadening the use of “tiered” environmental reviews so that

streamlined submissions are needed for certain 24 CFR (Code of Federal Regulations) part 50 reviews. This notice also includes new waivers and alternative requirements that subject any non-RAD Project-Based Voucher Program (PBV) units located in the covered project to certain waivers and alternative requirements applicable to RAD units. Some of these waivers and alternative requirements include waiving the site selection provisions related to deconcentrating poverty and expanding housing and economic opportunity for the existing site, specifying alternative requirements to allow for the phase-in of tenant rent increases caused purely as a result of conversion, and specifying an alternative requirement to ensure that applicants on the PHA's communitywide public housing waiting list have been offered placement on a covered project's site-based PBV waiting list. OIG's review of the notice resulted in comments to the Department, which include suggesting that HUD consider how the partnerships to pool resources or capacity will work and how they will impact residents and communities; whether there are sufficient policies, procedures, and controls in place to ensure that HUD and responsible entities continue to comply with the National Environmental Policy Act of 1969 and 24 CFR parts 50 and 58; how to ensure that the public is able to understand and participate in the environmental review process; and how these changes impact the affordability of housing, current tenants, and those on waiting lists. HUD issued the notice without making any changes in these areas.

OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT

Four-year completion requirement for HOME-assisted projects – On January 8, 2020, HUD issued Notice CPD-20-01, providing guidance to HOME Investment Partnerships program participating jurisdictions regarding the requirement that HOME-assisted projects be completed within 4 years of the commitment of HOME funds and outlining the

process for resolving noncompliance. For HOME projects that do not meet the 4-year completion requirement, the participating jurisdiction must take additional steps to resolve the noncompliance. Generally, if a project has not been completed within 4 years of the commitment date, the participating jurisdiction must repay all HOME funds disbursed for the project. The participating jurisdiction may request a voluntary grant reduction in lieu of repayment. It may request a 1-year extension by submitting a letter to the Office of Community Planning and Development director in its local HUD field office. The notice explains the steps for requesting an extension. OIG Provided a no position response on this notice.

Disaster funding – HUD published Notice FR-6182-N-01 on January 27, 2020, announcing the allocation of \$3.8 billion in CDBG Disaster Recovery funds appropriated by the Supplemental Appropriations for Disaster Relief Act, 2019, and the Additional Supplemental Appropriations for Disaster Relief Act, 2019. The notice contained clarifications on waivers and alternative requirements included in prior notices. Section IV.B.2 of the notice states, "Grantees must comply with procurement requirements for states or for local governments, as applicable, in the Prior Notices (as amended)." During the clearance review process, OIG previously nonconcurred with HUD regarding State procurement processes because HUD does not require States to comply with requirements at 24 CFR 200.318 through 200.326. For example, FR-6109-N-02, dated August 23, 2019, stated, "A State has proficient procurement policies and processes if HUD determines that its procurement processes/standards uphold the principles of full and open competition and include an evaluation of the cost and price of the property or service, and if its procurement processes/standards either

- a. adopted 2 CFR 200.318 through 200.326; or
- b. follows its own procurement policies and procedures and establishes requirements for procurement policies and procedures for local governments and subrecipients based on full and open competition pursuant to 24 CFR 570.489(g), and the requirements applicable to the State, its local governments, and subrecipients include evaluation of the cost or price of the product or service; or
- c. adopted 2 CFR 200.317, meaning that it will follow its own State procurement policies and procedures and evaluate the cost or price of the product or service, but impose 2 CFR 200.318 through 200.326 on its subgrantees and subrecipients. A grantee must demonstrate that its procurement policies and procedures will allow the grantee to comply with the procurement requirements in section V.A.26.⁹ of this notice.”

OIG nonconcurred because the notice did not reference 2 CFR part 200, which required grantee procurement standards to be equivalent to 200.318 through 200.319, and did not address 200.319, which identified situations considered to be restrictive of competition. HUD informed OIG that it would not address OIG’s nonconcurring comments because they were the same issues OIG has had for approximately 5 years. Because OIG’s nonconcurrences of the past 5 years had not been resolved, OIG did not nonconcur but commented that it continues to believe that HUD should include references to 2 CFR part 200 in the State procurement requirements.

ADMINISTRATIVE AND OTHER PROGRAM AREAS

White House Council on Eliminating Regulatory Barriers to Affordable Housing

– On November 22, 2019, for consistency with President Trump’s Executive Order 13878, “Establishing a White House Council on Eliminating Regulatory Barriers to Affordable Housing,” dated June 25, 2019, HUD published Federal Register Notice FR-6187-N-01, requesting public comment on Federal, State, local, and tribal laws, regulations, land use requirements, and administrative practices that artificially raise the costs of affordable housing development and contribute to shortages in the housing supply. It also seeks data, other information, analyses, and recommendations on methods for reducing these regulatory barriers. While HUD welcomed comments on all aspects of developing a plan for reducing barriers to affordable housing development, HUD was particularly interested in receiving information, data, analyses, and recommendations on the following:

- Federal, State, and local barriers to affordable housing development
- Basis for reducing barriers to affordable housing development
- Plan and development implementation

OIG had no position on the notice.

Fair Housing Act design and construction requirements; adoption of additional safe harbors

– On January 15, 2020, HUD published a proposed rule, FR-6138-P-01, which proposed amending HUD’s Fair Housing Act design and construction regulations by incorporating by reference the 2009 edition of the International Code Council (ICC) Accessible and Usable Building and Facilities (ICC A117.1-2009) standard as

⁹This section requires State grantees to comply with procurement requirements at 24 CFR 570.489(g) and evaluate the cost or price of the product or service.

a safe harbor. The Accessible and Usable Buildings and Facilities standard is a technical standard for the design of facilities that are accessible to persons with disabilities. HUD proposed to determine whether compliance with ICC A117.1-2009 satisfies the design and construction requirements of the Fair Housing Act and its amendments. This rule also proposes to designate the 2009, 2012, 2015, and 2018 editions of the International Building Code (IBC) as safe harbors under the Fair Housing Act. The IBC is a model building code and not law, but it has been adopted as law by various States and localities. The IBC provides minimum standards for public safety, health, and welfare as they are affected by building construction. OIG provided a comment regarding the accessibility of the hyperlinks contained in the proposed rule.

Adjustment of civil monetary penalty amounts for 2020 – On March 6, 2020, HUD published a final rule, FR-6196-F-01, which provides for 2020 inflation adjustments of civil monetary penalty amounts required by the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015. The annual adjustment is based on the percentage change between the U.S. Department of Labor’s Consumer Price Index for All Urban Consumers (CPI-U) for the month of October preceding the date of the adjustment and the CPI-U for October of the prior year (28 U.S.C. (United States Code) 2461 note, section (5)(b)(1)). Based on that formula, the cost-of-living adjustment multiplier for 2019 is 1.01764. Because HUD is not applying these adjustments retroactively, the 2020 increases apply to violations occurring on or after this rule’s effective date. OIG provided a no position response regarding this final rule.



CHAPTER 8

REPORT RESOLUTION

In the report resolution process, Office of Inspector General (OIG) and U.S. Department of Housing and Urban Development (HUD) management agree upon needed actions and timeframes for resolving recommendations. Through this process, OIG strives to achieve measurable improvements in HUD programs and operations. The overall responsibility for ensuring that the agreed-upon changes are implemented rests with HUD managers. This chapter describes reports issued before the start of the period that do not have management decisions, have significantly revised management decisions, or have significant management decisions with which OIG disagrees. It also has a status report on HUD's implementation of the Federal Financial Management Improvement Act of 1996 (FFMIA). In addition to this chapter on report resolution, see appendix 3, table B, "Significant Audit Reports for Which Final Action Had Not Been Completed Within 12 Months After the Date of the Inspector General's Report."

AUDIT REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AS OF MARCH 31, 2020

ADDITIONAL DETAILS TO SUPPLEMENT OUR REPORT ON HUD'S FISCAL YEARS 2013 AND 2012 (RESTATED) FINANCIAL STATEMENTS

ISSUE DATE: DECEMBER 16, 2013

HUD OIG audited the Office of Public and Indian Housing's (PIH) implementation of U.S. Treasury cash management regulations as part of the annual audit of HUD's consolidated financial statements for fiscal years 2013 and 2012. OIG found that HUD's implementation of the new cash management process for the Housing Choice Voucher Program departed from Treasury cash management requirements and Federal generally accepted accounting principles (GAAP). OIG also reported that there were not sufficient internal controls over the process to ensure accurate and reliable financial reporting. Due to weaknesses in the process, material financial transactions were not included in HUD's consolidated financial statements; therefore, public housing agencies (PHA) were allowed to continue to hold Federal funds in excess of their immediate disbursing needs, which is in violation of Treasury cash management regulations. The OIG report included a recommendation (2C) that HUD PIH implement a cost-effective method for automating the cash management process, to include an electronic interface of transactions to the standard general ledger.

HUD issued three proposals to address recommendation 2C. However, OIG rejected all three proposals because they were too vague and did not include a high-level plan showing the actions PIH will take until the final action date to implement corrective action. Further, the proposals included several contingencies, from which OIG cannot determine whether PIH is making progress in addressing the recommendation.

This issue was referred to the Assistant Secretary on June 19, 2014, and September 30, 2014, but as of March 31, 2015, a new proposal had not been made. Therefore, this issue was referred to the Deputy Secretary on March 31, 2015. OIG briefed the Deputy Secretary's staff on the subject on April 20, 2015. On August 24, 2016, PIH indicated that in coordination with the Office of the Chief Information Officer (OCIO), plans were being developed to address the recommendation. OIG follows up during each audit cycle to determine the status of this recommendation.

In fiscal year 2019, PIH began to make progress on this recommendation by completing a performance of work statement to obtain a contractor to design and implement an Enterprise Voucher Management System (eVMS) that would address the issue. PIH expected portions of this system to be implemented in fiscal year 2020; however, in March 2020, PIH informed OIG that although the contractor had completed phase 1 of the performance of work statement, there had been unexpected delays. Currently, eVMS cannot be placed into production until OCIO and the Office of the Chief Procurement Officer (OCPO) take further actions, including (1) the release of eVMS phase II funding, (2) the completion of a securities and vulnerabilities assessment to lift the moratorium OCIO placed on a data warehouse that eVMS must access for family-level Public and Indian Housing Information Center data, and (3) onboarding of a new contractor because the initial contract has ended. The eVMS application is also pending future funding to complete phase II development and operations and maintenance support. PIH is hesitant to provide a management decision because of the remaining unknowns. Therefore, as of March 31, 2020, HUD had not submitted a new proposed management decision. **(Audit Report: 2014-FO-0003)**

HUD DID NOT ALWAYS RECOVER FHA SINGLE-FAMILY INDEMNIFICATION LOSSES AND ENSURE THAT INDEMNIFICATION AGREEMENTS WERE EXTENDED

ISSUE DATE: AUGUST 8, 2014

HUD OIG audited HUD's controls over its Federal Housing Administration (FHA) loan indemnification recovery process to determine whether HUD had adequate controls in place to monitor indemnification agreements and recover losses on FHA single-family loans.

HUD did not always bill lenders for FHA single-family loans that had an indemnification agreement and a loss to HUD. Specifically, it did not bill lenders for any loans that were part of the Accelerated Claims Disposition (ACD) program or the Claims Without Conveyance of Title (CWCOT) program or loans that went into default before the indemnification agreement expired but were not in default on the expiration date. There were a total of 486 loans from January 2004 to February 2014 that had enforceable indemnification agreements and losses to HUD but were not billed. This condition occurred because HUD's Financial Operations Center was not able to determine loss amounts for loans that were part of the ACD program, was not aware of the CWCOT program, and considered the final default date for billing only. As a result, HUD did not attempt to recover a loss of \$37.1 million for 486 loans that had enforceable indemnification agreements.

In addition, HUD did not ensure that indemnification agreements were extended to 64 of 2,078 loans that were streamline refinanced. As a result, HUD incurred losses of \$373,228 for 5 loans, and 16 loans had a potential loss to HUD of approximately \$1 million. The remaining 43 loans were either terminated or did not go into delinquency before the

indemnification agreement expired, or the agreement did not state that it would extend to loans that were streamline refinanced.

OIG rejected three management decisions proposed by the Offices of Single Family Housing and Finance and Budget because they did not follow the plain language explicitly stated in signed indemnification agreements. The Offices of Single Family Housing and Finance and Budget disagree with OIG's determination that HUD should have billed lenders for FHA loans that either were in default or went into default during the indemnification agreement period.

OIG referred the matter to the Assistant Secretary for Housing – Federal Housing Commissioner on January 8, 2015. OIG met with the HUD Offices of General Counsel, Housing, Single Family Housing, and Finance and Budget on January 30, 2015. The meeting ended in disagreement; however, the HUD Office of General Counsel and OIG Office of Legal Counsel continued discussions.

Single Family Housing received two legal opinions from HUD's Office of General Counsel, dated January 26, 2015, and February 24, 2015, respectively. Combined, the legal opinions support Single Family Housing's and Finance and Budget's position that they have collected in a manner consistent with longstanding policy that emphasized the definition of the "date of default." Single Family Housing maintains that its collection practice is consistent with FHA's regulatory definition of "date of default" found in 24 CFR (Code of Federal Regulations) 203.331, which refers to the first "uncorrected" failure and the first failure to pay that is not satisfied by later payments.

OIG disagrees and believes that Single Family Housing and Finance and Budget have adopted a collection practice not supported by the plain language of the indemnification agreements or required by HUD regulations. Based on the plain language explicitly stated in signed indemnification agreements, OIG believes that the indemnification agreement should be enforced for any loan that "goes into default" during the indemnification agreement term, regardless of whether the loan emerged from a default status after the agreement expired. In response to HUD's legal opinions, OIG received its own legal opinion from the OIG Office of Legal Counsel, which supports OIG's position.

OIG has had past discussions with HUD's Offices of General Counsel, Single Family Housing, and Finance and Budget regarding the recommendations in question but has not reached agreeable management decisions. On March 31, 2015, OIG referred the recommendations to the Deputy Secretary for a decision. In March 2020, OIG restarted discussions with HUD and plans to seek OIG Office of Legal Counsel guidance regarding statute of limitations provisions that may affect the resolution of this audit.

(Audit Report: 2014-LA-0005)

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION FISCAL YEARS 2014 AND 2013 FINANCIAL STATEMENTS AUDIT

ISSUE DATE: FEBRUARY 27, 2015

HUD OIG audited the Government National Mortgage Association's (Ginnie Mae) fiscal year 2014 stand-alone financial statements. OIG conducted this audit in accordance with the Chief Financial Officers Act of 1990 as amended. OIG found a number of material weaknesses in Ginnie Mae's financial reporting specifically related to the auditability of several material

assets and reserve for loss liability account balances. The audit report had 20 audit recommendations to (1) correct the financial statement misstatements identified and (2) take steps to strengthen Ginnie Mae's financial management operations.

Initially, OIG did not reach consensus with Ginnie Mae on the necessary corrective actions for 9 of the 20 audit recommendations and referred the matter to the Deputy Secretary for a decision on September 21, 2015. Since that time, OIG has reached an agreement for management decisions on four of the nine management decisions that it previously rejected. As a result, there are now five audit recommendations without a management decision. OIG's audit recommendations request that HUD's Office of the Chief Financial Officer (OCFO) provide oversight of Ginnie Mae's financial management operations, but HUD's proposed corrective action plan to provide the oversight of Ginnie Mae lacked specificity. As of March 31, 2020, the five recommendations previously referred to the Deputy Secretary remained unresolved. **(Audit Report: 2015-FO-0003)**

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION FISCAL YEARS 2015 AND 2014 (RESTATED) FINANCIAL STATEMENTS AUDIT

ISSUE DATE: NOVEMBER 13, 2015

HUD OIG audited Ginnie Mae's fiscal year 2015 stand-alone financial statements. OIG conducted this audit in accordance with the Chief Financial Officers Act of 1990 as amended. This report had new and repeat audit findings. Of 11 audit recommendations, OIG and Ginnie Mae did not reach consensus on the necessary corrective actions for 3 recommendations.

Ginnie Mae did not provide a response to OIG to explain Ginnie Mae's refusal to implement one audit recommendation related to compliance with the Debt Collection Improvement Act.

For the remaining two information technology (IT)-related audit recommendations, Ginnie Mae's master servicer (MSS) disagreed with one audit recommendation. The MSS believes that it has the proper segregation of duties for cash processes, payment processing, and reconciliation of all financial activities. However, OIG disagrees and maintains its original position that segregation of duties means that no single person should have control of two or more conflicting functions within a transaction or operation. Further, while a security camera system, criminal background checks, etc., are helpful, they do not take the place of good internal controls, which include the segregation of duties.

Regarding the second IT audit recommendation, Ginnie Mae's MSS agreed to regularly review the market discount fraction change report and confirm this review in its monthly self-evaluation. However, this response and management's plan of action did not fully address OIG's recommendation. The methods identified were neither sufficient nor adequate to address OIG's (1) finding "that management had an ineffective monitoring tool in place" and (2) recommendation that management automate the approval process to include restricting the capability to make unauthorized changes unless evidence of approval is present or increase the scope of the "Admin Adjustment Report" to include all exceptions and adjustments. The issue was not that a review process was not in place but that the review was not meaningful or effective because the tool or report used to review financial adjustment changes was limited. The manual approval process also enabled staff to avoid obtaining approval before making adjustments because there were (1) no checks

and balances and (2) no restrictions in the financial system to prevent unauthorized adjustments. Management's plan of action did not address OIG's concern.

OIG referred this matter to the President of Ginnie Mae on April 21, 2016, and to the Deputy Secretary for a decision on March 6, 2017. On September 12, 2018, Ginnie Mae provided additional information in response to the three unresolved recommendations. OIG reviewed the information and concluded that the information did not adequately address the recommendations. As of March 31, 2020, OIG was awaiting a decision from the Deputy Secretary on these recommendations. **(Audit Report: 2016-FO-0001)**

ADDITIONAL DETAILS TO SUPPLEMENT OUR FISCAL YEARS 2015 AND 2014 (RESTATED) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FINANCIAL STATEMENT AUDIT

ISSUE DATE: NOVEMBER 18, 2015

HUD OIG audited HUD's consolidated financial statements and reported on deficiencies, including the areas of (1) accounting for liabilities for PIH programs in accordance with GAAP and FFMIA and (2) HUD's financial management governance structure and internal controls over financial reporting. HUD disagreed with several recommendations made in each of these areas, and as a result, OIG referred them to the Principal Deputy Assistant Secretary for Public and Indian Housing and the Deputy Chief Financial Officer on April 21, 2016. OIG received a response to only one recommendation, and disagreement remained on the actions necessary to correct the deficiencies identified in the report. OIG referred the remaining recommendations to the Deputy Secretary on September 20, 2016. OIG had received two new proposals as of March 31, 2018; however,

OIG could not agree with them due to an insufficient proposal that was not clear on how to address the recommendations and insufficient evidence to support closure.

Accounting for liabilities for PIH programs in accordance with GAAP

and FFMIA: OIG reported that HUD is not recognizing the accounts payables arising from shortages identified in PIH's cash management reconciliations. In 2016, PIH's position was that it did not record the payables because the cash management reconciliations are completed 45-60 days after each quarter. By the time they are conducted, the PHA could have used either restricted or unrestricted net position balances or requested frontload funding to cover the shortages. PIH believed that adjusting the prepaid expense was the most practical way to account for the cash reconciliation activities. OIG did not agree that this position complied with GAAP because adjusting the prepaid expense after payables have been paid is not accrual accounting. In March 2020, PIH submitted documentation indicating that it has changed its position and now believes that the implementation of eVMS will address this recommendation. OIG plans to meet with PIH in April 2020 to discuss a possible management decision. However, OIG maintains that this recommendation cannot be resolved until PIH's cash management process is automated, as detailed in Audit Report 2014-FO-0003. As of March 31, 2020, PIH had not submitted a new management decision for the recommendation made in 2014-FO-0003 or this recommendation.

HUD's financial management governance structure and internal

controls over financial reporting: OIG reported on deficiencies found in the financial governance and financial reporting areas. OIG could not accept the proposed management decisions for eight recommendations because OCFO (1) requested final action target dates that were too far

into the future, (2) claimed that the deficiencies had been addressed by the new processes implemented by New Core when they had not, and (3) did not provide sufficient detail to support that the recommendations would be fully addressed. OIG communicated these issues to HUD on March 7, 2016, and April 6, 2017. HUD submitted new proposals for four of the eight recommendations, which OIG accepted. On December 19, 2019, OCFO submitted a revised management decision for one of the four remaining management decisions, which OIG accepted. As of March 31, 2020, OIG had not received new proposed management decisions for the three remaining recommendations. **(Audit Report: 2016-FO-0003)**

HUD DID NOT ALWAYS PROVIDE ADEQUATE OVERSIGHT OF PROPERTY ACQUISITION AND DISPOSITION ACTIVITIES

ISSUE DATE: JUNE 30, 2016

HUD OIG audited HUD's Community Development Block Grant (CDBG) program's property acquisition and disposition activities. OIG's audit objective was to determine whether HUD had adequate oversight of property acquisition and disposition activities under its CDBG program.

OIG found that HUD did not always provide adequate oversight of property acquisition and disposition activities. Specifically, of 14 activities reviewed, 7 field offices did not provide adequate oversight of 8 property acquisition and disposition activities totaling more than \$26.2 million. For the eight activities for which adequate oversight was not provided, two activities with draws totaling \$6.1 million had outstanding program-related findings that HUD had not enforced, and six totaling \$20.1 million had not been monitored. Additionally, four of the eight activities totaling nearly \$11.9 million had not met a national objective. These conditions occurred because HUD did not have adequate controls to ensure that

it enforced its monitoring findings and its grantee risk assessment procedures did not specifically address oversight of property acquisition and disposition activities.

The OIG report included a recommendation that the Deputy Assistant Secretary for Grant Programs direct field offices to include property acquisition and disposition activities as an area of special emphasis when assessing grantee risk and establishing their monitoring plans and grantee monitoring strategies.

The Deputy Assistant Secretary for Grant Programs proposed a management decision in December 2016. However, after discussions with HUD, OIG rejected the proposed management decision because it did not specifically address directing field offices to include property acquisition and disposition activities as an area of special emphasis when assessing grantee risk and establishing its monitoring plans and grantee monitoring strategies as recommended. For OIG to consider the proposed management decision as an acceptable alternative action, OIG requested clarification and documentation from HUD. However, HUD did not provide the requested information and documentation, and OIG referred this recommendation to the Assistant Secretary for Community Planning and Development on March 30, 2017. HUD proposed another management decision in April 2017; however, OIG rejected it because it also did not directly address the intent of the recommendation. OIG referred this recommendation to the Deputy Secretary on August 23, 2017, and as of March 31, 2020, had not received a decision. **(Audit Report: 2016-PH-0001)**

HUD DID NOT ALWAYS PROVIDE ACCURATE AND SUPPORTED CERTIFICATIONS OF STATE DISASTER GRANTEE PROCUREMENT PROCESSES

ISSUE DATE: SEPTEMBER 29, 2016

HUD OIG audited HUD's controls over its certifications of State disaster recovery grantee procurement processes to determine whether HUD's certifications were accurate and supported. OIG found that HUD did not always provide accurate and supported certifications of State disaster grantee procurement processes. Specifically, it (1) allowed conflicting information on its certification checklists, (2) did not ensure that required supporting documentation was included with the certification checklists, and (3) did not adequately evaluate the supporting documentation submitted by the grantees. These conditions occurred because HUD did not have adequate controls over the certification process. Due to the weaknesses identified, HUD did not have assurance that State grantees had proficient procurement processes in place, and the Secretary's certifications did not meet the intent of the Disaster Relief Appropriations Act of 2013.¹⁰

The report included five recommendations for the Deputy Assistant Secretary for Grant Programs, who in turn proposed corrective actions on January 11, 2017. OIG rejected the proposed actions on January 27, 2017. OIG referred the recommendations to the General Deputy Assistant Secretary for Community Planning and Development on February 6, 2017. The General Deputy Assistant Secretary responded to the referral on February 21, 2017. For all of the recommendations, the General Deputy

Assistant Secretary stated that OIG's disagreement regarding the definition of a proficient procurement process as it relates to State disaster grantees and the meaning of "equivalent" as it relates to a State's procurement policies and procedures being "equivalent to" or "aligned with" the Federal procurement standards was closed by the Deputy Secretary in her decision regarding resolution of recommendations from OIG's audit of New Jersey's Sandy Integrated Recovery Operations and Management System. In the January 10, 2017, decision, the Deputy Secretary wrote that the State certified that its procurement standards were equivalent to the Federal standards at 24 CFR 85.36 and HUD had also certified to the proficiency of the State's policies and procedures. The Deputy Secretary noted that two legal opinions from the Office of General Counsel concluded that the standards at 24 CFR 85.36 did not apply and, therefore, there was no legal basis for the finding and associated recommendations. The General Deputy Assistant Secretary asserted that the legal opinion for the New Jersey audit applied to this audit. Based on this information, the General Deputy Assistant Secretary believed it was appropriate to close all of the recommendations.

OIG disagreed with the General Deputy Assistant Secretary's request to close the recommendations in this audit based on the Deputy Secretary's decision to resolve recommendations from OIG's audit of New Jersey's Sandy Integrated Recovery Operations and Management System.¹¹ OIG has two main areas of disagreement with the decision: (1) OIG continues to assert that 24 CFR 85.36 was applicable to the State because its procedures needed to be equivalent to these Federal standards, and (2) OIG asserts that the applicability of 24 CFR 85.36 was not the only basis for the recommendations in the New Jersey audit report and believes that the decision failed to consider the other bases of the recommendations. Further, the Deputy Secretary's decision did not address all of the issues

¹⁰Public Law 113-2, dated January 29, 2013

¹¹2015-PH-1003, dated June 4, 2015

with HUD's process for certifying State disaster grantee procurement processes that were identified in the subject audit report. OIG referred these recommendations to the Deputy Secretary on March 31, 2017, and as of March 31, 2020, had not received a decision. **(Audit Report: 2016-PH-0005)**

AUDIT OF FISCAL YEARS 2016 AND 2015 (RESTATED) FINANCIAL STATEMENTS AUDIT

ISSUE DATE: NOVEMBER 14, 2016

HUD OIG audited Ginnie Mae's fiscal year 2016 stand-alone financial statements. OIG conducted this audit in accordance with the Chief Financial Officers Act of 1990 as amended. Of the 19 recommendations issued, OIG did not reach consensus on the necessary corrective actions for 2 audit recommendations.

The first disagreement was associated with the recommendation for Ginnie Mae to reverse the accounting writeoff of the advances account. In conjunction with the subledger data solution, Ginnie Mae needs to conduct a proper analysis to determine whether any of the \$248 million balances in the advances accounts are collectible. Ginnie Mae believed that it could not reverse the \$248 million residual balance in the advances account. Based on its analysis, Ginnie Mae explained that this residual balance should have been charged off by the realized losses incurred on liquidated loans from fiscal years 2009 through 2016 but was not. Therefore, according to Ginnie Mae, this residual balance was no longer supportable or collectible after the sale of the mortgage servicing rights.

Additionally, Ginnie Mae stated that it cannot pursue additional collection from its MSSs based on the terms of a settlement agreement. OIG has

concerns about the reliability of Ginnie Mae's analysis because when OIG auditors attempted to review Ginnie Mae's support for the advances writeoff, OIG was unable to validate the accuracy of the information used in its analysis. For example, of \$248 million, OIG could not validate the \$180 million in realized losses because this information was based on rough estimates (\$50 million) and MSSs' accounting reports that were considered unauditible (\$130 million). Ginnie Mae could not explain the other \$68 million. Further, the audit showed that the \$248 million residual balance may contain advances related to unliquidated nonpooled loans. Specifically, in fiscal year 2016, Ginnie Mae informed HUD OIG that all advance balances associated with liquidated loans were removed from the advances account and attached (carried forward) to the liquidated loans balance. However, in fiscal year 2017, OIG learned that this was not the case. According to Ginnie Mae, the advance balances associated with these loans were not carried forward. Therefore, there are legitimate collection action claims that Ginnie Mae can pursue on these unliquidated nonpooled loans.

The second disagreement was related to OIG's recommendation for Ginnie Mae to appropriately exclude the loan impairment allowance on other indebtedness instead of reporting it as part of loan impairment allowance on the mortgage held for investment (MHI) account. Ginnie Mae partially agreed with OIG regarding the MHI allowance issue. Ginnie Mae agreed that it should have excluded from the MHI allowance account the allowance portion related to the reimbursable preforeclosure expense but not the nonreimbursable preforeclosure expense portion. According to Ginnie Mae, it included the nonreimbursable preforeclosure expense in the MHI allowance calculation because the expense was necessary to collect proceeds of the MHI loans. Ginnie Mae cited Accounting Standards Codification (ASC) 450-20 and the Interagency Policy Statement on

the allowance for loan and lease losses as the bases for its conclusion with respect to the issue of nonreimbursable preforeclosure expense. Overall, Ginnie Mae concluded that in estimating the MHI allowance, the expected or anticipated recoveries from insurance, as well as the expected but not yet incurred preforeclosure costs, will need to be included in determining the collectability of cash flows from these loans. Regarding nonreimbursable preforeclosure expenses, OIG does not agree with Ginnie Mae that its inclusion in the ASC 450-20 or ASC 310-10 components of the MHI allowance was in accordance with GAAP.

OIG referred both disagreements to the Deputy Secretary on August 24, 2017. In December 2019, Ginnie Mae provided additional documentation for both disagreements, but OIG was unable to complete the review before the end of this reporting period. **(Audit Report: 2017-FO-0001)**

ADDITIONAL DETAILS TO SUPPLEMENT OUR FISCAL YEARS 2016 AND 2015 (RESTATED) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FINANCIAL STATEMENT AUDIT

ISSUE DATE: NOVEMBER 15, 2016

HUD OIG audited HUD's consolidated financial statements and reported on deficiencies in the areas of HUD's loan guarantee balances. OIG rejected HUD's initial management decision on April 24, 2017, as it did not contain adequate evidence to provide closure. OIG referred this recommendation to the Deputy Secretary on July 24, 2017; however, as of March 31, 2020, OIG had not received a decision. **(Audit Report: 2017-FO-0003)**

HUD'S TRANSITION TO FEDERAL SHARED SERVICE PROVIDER FAILED TO MEET EXPECTATIONS

ISSUE DATE: FEBRUARY 1, 2017

HUD OIG audited the effectiveness of the controls over the New Core Interface Solution (NCIS) and PRISM™ and the impact of the implementation of release 3 of phase 1 of the New Core Project on the preparation of HUD's financial statements.

HUD's transition to a Federal shared service provider (FSSP) did not significantly improve the handling of its financial management transactions. Weaknesses identified with the controls over NCIS and PRISM™ contributed to this issue. A year after the transition, HUD had inaccurate data resulting from the conversions and continued to execute programmatic transactions using its legacy applications. The transition increased the number of batch processes required to record programmatic financial transactions and introduced manual processes and delays for budget and procurement transactions. These conditions occurred because of funding shortfalls as well as HUD's decisions to (1) separate phase 1 of the project into smaller releases, (2) move forward with the implementation despite unresolved issues, and (3) terminate the project before its completion. These system issues and limitations inhibited HUD's ability to produce reliable, useful, and timely financial information.

While HUD considered its New Core Project implementation successful, it acknowledged that not all of the originally planned capabilities were deployed. HUD needs to pursue new process improvement projects to address the functionalities that were not achieved with phase 1 of New Core, which will require additional time and funding. HUD will also need to pursue process improvements for the functionality planned in the future phases of the project. In April 2016, HUD ended the New

Core Project and the transition to an FSSP after spending \$96.3 million; however, the transition did not allow HUD to decommission all of the applications it wanted to or achieve the planned cost savings.

OIG made two recommendations that were directed to the Deputy Secretary; specifically, (1) reevaluate the functionality initially planned under the New Core Project and determine how the agency will implement the functionality needed for budget formulation, cost accounting, property management, and the consolidation of HUD's financial statements and (2) take an active role in the implementation of financial management improvement initiatives or projects moving forward to ensure collaboration within HUD and that adequate funding and governance are in place.

OIG referred these recommendations to the Deputy Secretary on June 6, 2017. In September 2019, OCFO initiated actions to work with the Deputy Secretary to address these weaknesses. However, as of March 31, 2020, HUD had not submitted management decisions for these recommendations. **(Audit Report: 2017-DP-0001)**

HUD'S OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT DID NOT APPROPRIATELY ASSESS STATE CDBG GRANTEES' RISK TO THE INTEGRITY OF CPD PROGRAMS OR ADEQUATELY MONITOR ITS GRANTEES

ISSUE DATE: JULY 10, 2017

HUD OIG audited HUD's Office of Community Development's (CPD) risk assessment and monitoring of its State CDBG recipients. OIG's reporting objective was to determine whether CPD appropriately assessed State CDBG grantees' risk to the integrity of CPD programs and adequately monitored its grantees.

OIG found that CPD did not appropriately assess State CDBG grantees' risk to the integrity of CPD programs or adequately monitor its grantees. This condition occurred because its field office staff did not follow CPD risk assessment and monitoring requirements and field office management responsible for reviewing staff performance did not correct noncompliance of staff performing these responsibilities. In addition, the headquarters desk officer review function was administrative in focus and failed to note noncompliance. As a result, CPD cannot be assured that its field offices correctly identified the high-risk grantees or conducted adequate monitoring to mitigate risk to the integrity of CPD programs.

The report included five recommendations, including recommendations to (1) develop and implement a policy requiring field offices to rate grantees of at least medium risk that have not been monitored in their respective program area within the last 3 years on factors that require assessments of capacity, program complexity, and monitoring findings, resulting in repayment or grant reductions; (2) develop and implement guidance for field offices to maintain supporting documentation in their official files with an adequate explanation of procedures performed

to verify risk scores assigned, which could include upgrading CPD's systems to allow for the attachment of supporting documentation for risk analysis; and (3) update monitoring exhibits to require staff to document procedures performed, provide sufficient explanation to verify procedures performed and conclusions drawn, and reference appropriate supporting documentation.

CPD provided proposed management decisions on October 19, 2017, for all five recommendations. OIG concluded that the response did not adequately address the three recommendations discussed above. OIG advised HUD of its concerns in October 2017 but was ultimately unable to reach agreement.

OIG referred the three recommendations without management decisions to the Assistant Secretary for Community Planning and Development on December 19, 2017. Following OIG's referral, CPD submitted proposed management decisions, along with additional documentation, on March 30, 2018. Based on the documentation submitted, OIG was not able to reach resolution on the remaining three recommendations. OIG referred these recommendations to the Deputy Secretary on June 25, 2018. On June 27, 2018, HUD again submitted proposed management decisions. However, the management decisions did not appropriately address the recommendations, and OIG could not concur. OIG has attempted to resolve the disagreement; however, as of March 31, 2020, had not received a decision from the Deputy Secretary. **(Audit Report: 2017-FW-0001)**

HUD NEEDS TO CLARIFY WHETHER ILLEGAL-UNDOCUMENTED ALIENS ARE ELIGIBLE FOR ASSISTANCE UNDER THE HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS PROGRAM

ISSUE DATE: AUGUST 21, 2017

HUD OIG assisted the U.S. Attorney's Office, Southern District of New York, in a civil investigation related to illegal-undocumented aliens receiving Housing Opportunities for Persons With AIDS (HOPWA) assistance. The HOPWA program at 24 CFR part 574 is a HUD CPD grant program that provides formula allocations and competitively awarded grants to eligible States, cities, and nonprofit organizations to provide housing assistance and related supportive services to meet the housing needs of low-income persons and their families living with HIV-AIDS.

Noncitizen or alien ineligibility for federally funded programs is a recurring issue in Congress. Two laws primarily govern noncitizen or alien eligibility for housing programs: Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 - 8 U.S.C. (United States Code) 1611 (PRWORA) and Section 214 of the Housing and Community Development Act of 1980 as amended. PRWORA states that aliens, who are not qualified aliens, are not eligible for "Federal public benefits," a term defined in the law to include public and assisted housing. Under this statute, illegal aliens do not meet the definition of qualified aliens and as a result are ineligible for Federal public benefits. However, PRWORA exempted certain Federal public benefits from the alien eligibility restrictions, including programs, services, or assistance (such as soup kitchens, crisis counseling and intervention, and short-term shelters) specified by the Attorney General, after consultation with the appropriate Federal agency.

The issue of nonqualified aliens receiving assistance under HOPWA or other homeless assistance programs has not been clearly addressed in

HUD regulations and guidance. Specifically, OIG has not been able to identify clear guidance as to whether programs that are funded through HUD's community development programs and administered through nonprofits (such as HOPWA) have been clearly designated as a "Federal public benefit." This designation is important because aliens, who have not been qualified to be considered "qualified aliens" under 8 U.S.C. 1611, are not eligible for Federal public benefits. Also, it is not clear whether homeless assistance grants are considered a Federal public benefit. There is a conflict as to whether "housing assistance" and "homeless assistance" are synonymous. If homeless assistance grants were considered a Federal public benefit, HOPWA benefits would not be available to illegal-undocumented aliens. However, because it is unclear whether such grants are considered Federal public benefits, there is a potential for unqualified aliens to fall under the exceptions under 8 U.S.C. 1611 (which include emergency type programs) and qualify to receive benefits.

OIG recommended that HUD CPD (1) clarify whether assistance provided under its community development programs, such as HOPWA, are considered "Federal public benefits" and are, therefore, subject to PRWORA's noncitizen eligibility restrictions and (2) consult with the Office of the Attorney General to establish whether HOPWA and other homeless assistance programs are a Federal public benefit that meets the definition of "providing assistance for the protection of life or safety" and are, therefore, exempt from PRWORA noncitizen eligibility restrictions.

HUD CPD submitted management decisions for both recommendations on December 18, 2017, but the management decisions stated that CPD was not able to take action on the recommendations, and OIG rejected

them. This issue was referred the Assistant Secretary on December 19, 2017. In January 2018, OIG attempted to meet with HUD regarding the recommendations but was unsuccessful. The issue was referred to the Deputy Secretary on February 27, 2018. As of March 31, 2020, OIG was awaiting a decision from the Deputy Secretary. **(Audit Memorandum: 2017-CF-0801)**

HUD DID NOT PROVIDE SUFFICIENT GUIDANCE AND OVERSIGHT TO ENSURE THAT STATE DISASTER GRANTEES FOLLOWED PROFICIENT PROCUREMENT PROCESSES

ISSUE DATE: SEPTEMBER 22, 2017

HUD OIG audited HUD's oversight of disaster grantee procurement processes to determine whether HUD provided sufficient guidance and oversight to ensure that disaster grantees followed proficient procurement processes when purchasing products and services. OIG found that HUD did not provide sufficient guidance and oversight to ensure that State disaster grantees followed proficient procurement processes. Since HUD agreed to correct procurement issues from a previous audit,¹² OIG has issued 17 audit reports on disaster grantees with questioned costs totaling nearly \$391.7 million related to procurement. These conditions occurred because HUD was so focused on providing maximum feasible deference to State grantees that it was unable to ensure that grantees followed proficient procurement processes. HUD also believed that State grantees were not required to have procurement standards that aligned with each of the Federal procurement standards. As a result, HUD lacked assurance that State grantees purchased necessary products and services competitively at fair and reasonable prices.

¹²Audit Report 2013-FW-0001, *Generally, HUD's Hurricane Disaster Recovery Program Assisted the Gulf Coast States' Recovery; However, Some Program Improvements Are Needed*, issued March 28, 2013

OIG made four recommendations to the Deputy Assistant Secretary for Grant Programs, who in turn proposed corrective actions on November 24, 2017. For two of the recommendations, the Deputy Assistant Secretary for Grant Programs stated that the matter of the applicability of the Federal procurement standards at 2 CFR 200.318 through 200.326¹³ (or 24 CFR 85.36(b) through (i)) and the requirements of the Federal Register notices on procurement was closed by the Deputy Secretary in her decision regarding resolution of recommendations from OIG's audit of New Jersey's Sandy Integrated Recovery Operations and Management System.¹⁴ In the January 10, 2017, decision, the Deputy Secretary wrote that the State certified that its procurement standards were equivalent to the standards at 24 CFR 85.36 and HUD had also certified to the proficiency of the State's policies and procedures. The Deputy Secretary noted that two legal opinions from the Office of General Counsel concluded that the standards at 24 CFR 85.36 did not apply and, therefore, there was no legal basis for the finding and associated recommendations.

The Deputy Assistant Secretary for Grant Programs also noted that the Senate Appropriations Committee report on fiscal year 2018 U.S. Department of Transportation-HUD appropriations legislation¹⁵ addressed this issue. The report stated that the Committee believed that as long as HUD provided consistent and rigorous oversight of the procurement processes employed by the State and local recipients, an equivalent, though not identical, procurement standard that upholds the principles

of fair and open competition can prevent Federal dollars appropriated for disaster recovery from being spent irresponsibly. The Deputy Assistant Secretary for Grant Programs further stated that HUD clarified its definition of proficient procurement processes and policies when it published subsequent Federal Register notices allocating funds under Public Laws 114-113, 114-223, and 114-254. Based on this information, the Deputy Assistant Secretary believed it was appropriate to close these two recommendations.

OIG disagrees with the Deputy Assistant Secretary's request to close these two recommendations based on the Deputy Secretary's decision to resolve recommendations from OIG's audit of New Jersey's Sandy Integrated Recovery Operations and Management System. OIG continues to assert that the procurement standards at 24 CFR 85.36 were applicable to the State because its procedures needed to be equivalent to these Federal standards. OIG acknowledges the Senate Committee's belief that consistent and rigorous oversight of equivalent State procurement processes and standards that uphold the principles of fair and open competition can prevent Federal dollars from being spent irresponsibly. However, Federal procurement involves the acquisition of products and services at fair and reasonable prices, which OIG believes is a higher standard and necessitates performing cost estimates and cost analyses. OIG believes that HUD weakened its interpretation of Federal procurement standards in the subsequent Federal Register notices because rather than considering a State's procurement process proficient if its procurement standards were equivalent to the Federal

¹³Before December 26, 2014, the relevant procurement requirements were found at 24 CFR 85.36. HUD has since moved its uniform administrative requirements, cost principles, and audit requirements for Federal awards to 2 CFR part 200.

¹⁴2015-PH-1003, dated June 4, 2015

¹⁵Senate Report 1115-138, dated July 27, 2017

standards, HUD considered a State's procurement process proficient if its procurement standards operated in a manner that provided for full and open competition. Because of the disagreement, OIG rejected the Deputy Assistant Secretary's request to close the recommendations.

In response to another recommendation, OIG rejected it because the proposed corrective action did not directly address improving controls by having HUD personnel who specialize in procurement evaluate the proficiency of State grantee procurement processes for those States that select the equivalency option to ensure that the State processes fully align with or meet the intent of each of the Federal procurement standards at 2 CFR 200.318 through 200.326.

In response to the remaining recommendation, OIG rejected it because the proposed guidance and training did not include State grantees that chose to certify that their procurement processes and standards were equivalent to the Federal procurement standards at 2 CFR 200.318 through 200.326. OIG referred the recommendations to the Assistant Secretary for Community Planning and Development on January 25, 2018. The Assistant Secretary did not respond. OIG referred these recommendations to the Deputy Secretary on March 16, 2018, and as of March 31, 2020, had not received a decision. **(Audit Report: 2017-PH-0002)**

HUD COULD IMPROVE ITS CONTROLS OVER THE DISPOSITION OF PROPERTIES ASSISTED WITH CDBG FUNDS

ISSUE DATE: SEPTEMBER 29, 2017

HUD OIG audited HUD's oversight of the disposition of real properties assisted with CDBG funds. OIG's objective was to determine whether HUD had adequate controls over the disposition of real properties assisted with CDBG funds.

OIG found that HUD could improve its oversight of the disposition of real properties assisted with CDBG funds. Although HUD's drawdown and reporting system allowed grantees to enter identifying information for assisted properties and its field offices performed risk-based monitoring of grantees, HUD's controls were not always sufficient to ensure that grantees (1) entered addresses of assisted properties into its system, (2) provided proper notice to affected citizens before changing the use of assisted properties, (3) adequately determined the fair market value of assisted properties at the time of disposition, and (4) properly reported program income from the disposition of the properties. Further, HUD did not fully implement guidance related to the applicability of change of use requirements after voluntary grant reductions. OIG attributed these deficiencies to HUD's lack of emphasis on verifying address information, its field office staff's not being adequately trained to use data to monitor HUD's interest in properties, and the Milwaukee field office's incorrectly interpreting program requirements. As a result, HUD could not track and monitor its interest in the properties and did not have assurance that grantees properly handled changes in use and properly reported program income.

OIG recommended that the Deputy Assistant Secretary for Grant Programs develop a process to ensure that grantees properly report the addresses of assisted properties in the Integrated Disbursement and Information System (IDIS) and properly calculate and report program income from the disposition of these properties regularly. OIG indicated that this process could include but is not limited to developing a process to extract data reported in IDIS on activities with the matrix codes related to real property and training and instructing CPD's field office staff to extract these data and manually check for address and program income data on grantees' activities, particularly activities that are completed but have properties that could still be subject to program income requirements.

The Deputy Assistant Secretary for Grant Programs proposed a management decision in January 2018, which OIG rejected. OIG referred this recommendation to the Assistant Secretary for Community Planning and Development on February 6, 2018, and to the Deputy Secretary on March 26, 2018. In an attempt to reach agreement, OIG held discussions with CPD officials on February 13, 2018, and March 8, 2018. On March 28, 2018, the Deputy Assistant Secretary for Grant Programs submitted a revised proposal. CPD proposed to (1) ensure that its staff is aware of a recent CPD notice; (2) ensure that its staff and grantees are aware of the record retention requirements related to change-of-use and reversion-of-asset requirements; (3) present a webinar for field staff on the importance of requirements related to real property, especially program income in relation to the acquisition and disposition of real properties, and the requirement to maintain inventories of real property; (4) identify, create, or revise a report that lists acquisition-related activities or includes addresses and accomplishment data for staff to use for monitoring; and (5) evaluate the adequacy of several sections of the CDBG Single Audit Compliance Supplement, to include reviews for real property acquisition and disposition and related to program income issues.

OIG rejected HUD's March 28, 2018, proposal for several reasons. For example, HUD's proposal (1) did not clearly cover all categories of activities related to real property assisted with CDBG funds but, rather, focused on those specifically related to acquisitions and dispositions and (2) did not commit to changes that would result in a process to ensure that grantees properly report the addresses of properties assisted with CDBG funds and properly calculate and report program income from the disposition of these properties regularly. While it alluded to a report that could be used by field staff to prepare for monitoring, it did not indicate that HUD's monitoring process would be updated to require field offices to consider

the relevant information. Further, while HUD committed to reviewing the CDBG Single Audit Compliance Supplement requirements, it did not commit to this review's resulting in a process to ensure that grantees properly report the addresses of properties assisted with CDBG funds and that grantees properly calculate and report program income from the disposition of these properties. As of March 31, 2020, OIG was awaiting a decision from the Deputy Secretary. **(Audit Report: 2017-NY-0002)**

ADDITIONAL DETAILS TO SUPPLEMENT OUR FISCAL YEARS 2017 AND 2016 (RESTATED) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FINANCIAL STATEMENT AUDIT

ISSUE DATE: NOVEMBER 15, 2017

HUD OIG audited HUD's consolidated financial statements and reported on deficiencies in the area of HUD's administrative control of funds system and internal control documentation. Recommendations were made to OCPO to address the deficiency of not maintaining adequate records for interagency agreements (IAA) in its procurement system of record, ARC's PRISM. OIG issued a referral regarding two recommendations to address this deficiency to OCPO on March 22, 2018, but could not reach an agreement. OCPO stated that it no longer had access to the documents in question because the previous system was shut down and data migration had not yet occurred. OCPO indicated that it was not willing to correct a deficiency with the maintenance of IAAs within PRISM because it would not be a prudent use of taxpayer funds.

On May 31, 2018, OIG referred these recommendations to the Deputy Secretary due to disagreement. On July 5, 2018, OCPO provided the remaining changes to its internal policies and procedures for one of the two recommendations, and OIG concurred with the management decision

on October 30, 2018. However, OCPO did not provide additional corrective action plans for resolving the missing IAAs and modifications in its procurement system of record. As of March 31, 2020, OIG had not received a decision from the Deputy Secretary. **(Audit Report: 2018-FO-0004)**

HUD'S OFFICE OF BLOCK GRANT ASSISTANCE HAD NOT CODIFIED THE COMMUNITY DEVELOPMENT BLOCK GRANT DISASTER RECOVERY PROGRAM

ISSUE DATE: JULY 23, 2018

HUD OIG audited HUD's Office of Block Grant Assistance's (OBGA) CDBG Disaster Recovery program. OIG found that although OBGA had managed billions in Disaster Recovery funds since 2002, it had not codified the CDBG Disaster Recovery program. It had not codified the program because it believed it did not have the authority under the Robert T. Stafford Disaster Relief and Emergency Assistance Act and it had not determined whether it had the authority under the Housing and Community Development Act of 1974 as amended. It also believed a Presidential Executive order presented a barrier to codification, as it required CPD to identify two rules to eliminate in order to create a new codified rule. OIG believes OBGA has the authority under the Housing Act of 1974 and it should codify the program. OBGA's use of multiple Federal Register notices to operate the Disaster Recovery program presented challenges to the grantees. For example, 59 grantees with 112 active Disaster Recovery grants, which totaled more than \$47.4 billion as of September 2017, had to follow requirements contained in 61 different Federal Register notices to manage the program. Further, codifying the CDBG Disaster Recovery program would (1) ensure that a permanent framework is in place for future disasters, (2) reduce the existing volume of Federal Register notices, (3) standardize the rules for all grantees, and (4) ensure that grants are closed in a timely manner.

In April 2019, OBGA acknowledged that issuance of multiple Federal Register notices created a compliance burden for CDBG Disaster Recovery grantees, but it disagreed that codification was necessary. OBGA stated that OIG did not consider the following items:

1. There is no requirement for codification.
2. Congress has not established CDBG Disaster Recovery as an authorized program.
3. Publication of the Federal Register notices is predicated on the authorities granted in each appropriation.

Further, OBGA made the following statements to support why it will not implement the recommendation: (1) codification is not necessary, (2) Federal Register notices are required, and (3) codification has limited or no applicability for future disasters.

On September 30, 2019, OIG referred the disagreement and recommendation to the Deputy Secretary for resolution, and as of March 31, 2020, OIG was awaiting a decision. **(Audit Report: 2018-FW-0002)**

THE STATE OF NEW YORK DID NOT ENSURE THAT PROPERTIES PURCHASED UNDER THE ACQUISITION COMPONENT OF ITS PROGRAM WERE ELIGIBLE

ISSUE DATE: MARCH 29, 2019

HUD OIG audited the State of New York's CDBG Disaster Recovery-funded New York Rising Buyout and Acquisition program. OIG's objective was to determine whether the State ensured that properties purchased under the acquisition component of the program met applicable HUD, Federal, and State requirements.

OIG found that the State did not ensure that properties purchased under the acquisition component of its program met eligibility requirements. Specifically, it did not ensure that properties (1) were substantially damaged and (2) complied with flood hazard requirements. Further, it may have improperly purchased properties that did not comply with flood insurance requirements. These deficiencies occurred because the State did not have adequate controls and relied on applicants and other entities to ensure compliance with requirements. For example, the State relied on letters from local governments provided by its applicants to show that properties were substantially damaged, but it did not have a process to ensure that the substantial damage determination letters were accurate and supported. As a result, the State disbursed more than \$3.5 million for ineligible properties and incentives and more than \$5.9 million for properties that it could not show met applicable requirements, and HUD did not have assurance that Disaster Recovery funds were used for their intended purpose.

OIG recommended that HUD require the State to (1) reimburse more than \$3.5 million in settlement costs and incentives paid for properties that did not meet eligibility requirements or should not have received incentives; (2) provide documentation showing that 15 properties met requirements related to substantial damage, flood hazards, and flood insurance or reimburse more than \$5.9 million paid to purchase the properties; and (3) conduct a review of the other properties purchased under its program to ensure that properties were eligible and reimburse the amount paid for any additional properties found to be ineligible. Further, OIG recommended that HUD require the State to provide documentation showing that the acquisition component of its program has ended or improve its controls to ensure that properties purchased are eligible.

The Principal Deputy Assistant Secretary for Community Planning and Development proposed management decisions on October 2019. As of March, 31, 2020, OIG was reviewing the proposed management decisions. **(Audit Report: 2019-NY-1001)**

THE STATE OF NEW YORK DID NOT ENSURE THAT APPRAISED VALUES USED BY ITS PROGRAM WERE SUPPORTED AND APPRAISAL COSTS AND SERVICES COMPLIED WITH REQUIREMENTS

ISSUE DATE: MAY 29, 2019

HUD OIG audited the State of New York's CDBG Disaster Recovery-funded New York Rising Buyout and Acquisition program. OIG's objectives were to determine whether the State ensured that (1) the appraised fair market values used to determine award amounts under its program were supported and (2) appraisal costs for its program complied with applicable requirements and were for services performed in accordance with Federal, State, and industry standards.

OIG found that the State did not ensure that (1) appraised fair market values used to determine award amounts under its program were supported and (2) appraisal costs complied with applicable requirements and were for services performed in accordance with applicable Federal, State, and industry standards. The State also did not ensure that it had a clear and enforceable agreement with the City of New York before relying on appraisal services provided by the City's contractor and did not ensure that the appraisal services were properly procured and performed. These issues occurred because the State did not have adequate controls over its program. As a result, HUD and the State did not have assurance that (1) more than \$367.3 million paid to purchase properties was supported; (2) more than \$3.4 million disbursed for appraisal services was for costs that

were reasonable, necessary, and adequately documented; and (3) appraisal services were properly procured and performed. If the State improves controls over its program, it can ensure that up to \$93.4 million not yet disbursed is put to better use.

OIG recommended that HUD require the State to (1) provide documentation to support the appraised values of the properties purchased; (2) provide support to show that appraisal costs were reasonable, necessary, supported, and for services that were performed in accordance with requirements; (3) execute an agreement with the City for the use of appraisal services and show that services were properly procured; and (4) strengthen controls to ensure that Disaster Recovery funds used for appraisal services are for costs that are reasonable, necessary, supported, and for services that comply with applicable requirements.

The Deputy Assistant Secretary for Grant Programs did not propose management decisions to address the 10 recommendations contained in the audit report. In an attempt to reach agreement, OIG held discussions with CPD officials on June 17, 2019, September 10, 2019, and September 24, 2019. Due to not reaching agreement, OIG referred the 10 recommendations to the Assistant Secretary for Community Planning and Development on October 3, 2019. In another attempt to reach agreement, OIG held a discussion with CPD officials on November 21, 2019, but when agreement was not reached, OIG referred the recommendations to the Deputy Secretary on February 20, 2020. On February 26, 2020, CPD indicated that it was preparing management decisions. However, as of March 31, 2020, OIG had not received a decision from the Deputy Secretary. **(Audit Report: 2019-NY-1002)**

THE NORTH CAROLINA DEPARTMENT OF COMMERCE DID NOT ADMINISTER ITS NEIGHBORHOOD STABILIZATION PROGRAM GRANTS AS REQUIRED BY HUD

ISSUE DATE: JUNE 14, 2019

HUD OIG audited the North Carolina Department of Commerce's Neighborhood Stabilization Program (NSP) grants because the Department received more than \$57 million in NSP1 and NSP3 funding. OIG's audit objective was to determine whether the Department administered its NSP1 and NSP3 grants in accordance with HUD requirements.

The Department did not administer its NSP1 and NSP3 grants in accordance with HUD requirements. Specifically, it did not deobligate grant funds in a timely manner, reallocate grant funds with proper justification, maintain adequate documentation to support grant expenditures, properly track program income, and ensure that six NSP activities met their national objectives. These conditions occurred primarily due to a lack of written and implemented policies and procedures. As a result, the Department (1) allowed more than \$417,000 in grant funds to remain unused, (2) improperly reallocated \$1.3 million in grant funds, (3) used more than \$1.1 million in grant expenditures without adequate supporting documentation, (4) underreported at least \$6.1 million in program income to HUD, and (5) drew down more than \$11.9 million in grant funds without showing that a national objective was met.

OIG recommended that HUD require the Department to (1) reprogram and put unused NSP1 funds to better use, (2) support more than \$2.4 million or reimburse its NSP grants from non-Federal funds, (3) reconcile and update NSP income reported to HUD, (4) develop and implement a remediation plan to show that national objectives have been met as required to

support more than \$11.9 million in program funds, and (5) establish and implement written policies and procedures and provide adequate training to staff to recapture and reallocate unused NSP funds in a timely manner and to help ensure accurate reporting of program income. OIG also recommended that HUD (1) work with the Department so that it plans properly to ensure that the six activities identified in this report meet a national objective, thereby avoiding extended delays, and (2) review the Department's expenditure of the more than \$736,000 in remaining NSP1 grant funding before its drawdowns.

HUD agrees with the majority of OIG's recommendations. However, HUD disagrees with OIG on the recommendation related to the Department's inability to support that a national objective was met in accordance with 24 CFR 570.200(a)(2).

HUD states that it was unreasonable to question the cost as unsupported because the NSP rules do not require the Department to achieve a national objective within a set timeframe and the activities are still in the process of being implemented. HUD stated that it has granted control of how long a grant remains open to the NSP grantees, such as the Department; therefore, HUD has no authority in this situation to force the Department to complete the activity. Further, HUD stated that the field office has these grant awards on its books and will continue to track implementation and be available for technical assistance and that it will provide guidance and review when the Department is ready to close its NSP awards. Lastly, HUD stated that the field office will validate the Department's achievement of a national objective and identify any unsupported costs. HUD further asserted that it is, therefore, already positioned to ensure that national objectives are achieved and does not require this recommendation to remain open.

At the time of OIG's review, two of the six activities did not have an expected activity completion date specified. Implementing the recommendation and developing and using a remediation plan for the six NSP activities to show that the national objectives have been met as required to support \$11.9 million in program funds drawn will assist the Department and HUD in avoiding extended delays adversely impacting potential program beneficiaries and ensuring compliance and achievement of the program's goals.

OIG has explained that the documentation to close the recommendation would be the remediation plan that the Department would develop and that the recommendation would stay open until the remediation plan was fully implemented, showing that the national objectives have been met as required to support the program funds drawn down for the six activities. OIG acknowledged that program regulations do not impose a timeframe for meeting a national objective due to incompleteness of the activities. While timeframes are not imposed, this does not mean that grantees have indefinite and unlimited time to meet program requirements, such as meeting the national objectives. NSP is an inactive program, and no new funding is available as it was authorized by Congress from 2008 to 2011. In other words, it has been nearly 10 years since NSP ended; however, the activities remained open. Extended delays adversely impact potential program beneficiaries.

OIG cannot accept the management decision until the decision is revised to implement the recommendation or it can be demonstrated that the six activities have met a national objective since the time this audit report was issued. OIG rejected HUD's proposed management decision to not implement and close the recommendation and referred these issues to the Deputy Assistant Secretary for Operations on March 31, 2020. **(Audit Report: 2019-AT-1004)**

HUD PAID RENTAL SUBSIDIES TO BENEFIT PUBLIC HOUSING AND VOUCHER TENANTS REPORTED AS EXCLUDED FROM FEDERAL PROGRAMS OR DECEASED

ISSUE DATE: JUNE 25, 2019

HUD OIG audited HUD to determine whether it provided PHAs with access to the information contained in the Do Not Pay system. OIG performed this audit because the Housing Opportunity Through Modernization Act of 2016 requires HUD to ensure that PHAs have access to information contained in the Bureau of Fiscal Services' Do Not Pay system established by the Improper Payments Elimination and Recovery Improvement Act of 2012. Do Not Pay is a collection of data sources, one of which is the General Services Administration's System for Award Management (SAM) database of excluded parties.

OIG found, among other things, that HUD paid potentially improper rental subsidies to benefit 1,550 tenants who were reported as excluded from Federal programs. OIG recommended that HUD issue guidance to PHAs to ensure that any applicant for or tenant of public or assisted housing whose name appears on the SAM excluded parties list is reviewed by PHAs to determine eligibility in a manner consistent with the regulations in 2 CFR parts 180 and 2424 so that ineligible applicants or tenants are not admitted or recertified to put up to an estimated \$13.7 million in annual rental subsidies to better use.

In its October 8, 2019, management decision, PIH disagreed with this recommendation. PIH submitted a legal opinion from HUD's Office of General Counsel in support of its position. PIH maintains that persons included on the excluded parties list are eligible for admission to and continued occupancy in public housing and the Housing Choice Voucher Program. PIH also asserted that section 102(E) of the Housing Opportunity

Through Modernization Act of 2016 addresses electronic income verification but HUD provides a mechanism for compliance through the Enterprise Income Verification system. Further, the Act requires only that HUD give PHAs access to the Do Not Pay system and does not explicitly mandate that HUD require PHAs to deny admission and terminate the tenancy of individuals on the excluded parties list. HUD has never mandated that individuals be ineligible on the basis of being on the excluded parties list.

OIG rejected this management decision because it does not resolve the recommendation. It is the position of OIG that 2 CFR parts 180 and 2424 apply to the tenants indicated in the report. Office of Management and Budget (OMB) guidance does not limit the reach of its debarment and suspension provisions to procurement transactions. The purpose of the nonprocurement debarment and suspension system is to protect the public interest by ensuring the integrity of Federal programs by conducting business only with responsible persons. In this regard, contracts of assistance and subsidies are considered nonprocurement covered transactions under OMB regulations, and HUD regulations define subsidized tenants as being covered by this restriction. OMB guides agencies to check the governmentwide SAM exclusions to determine whether a person is excluded and whether that person is ineligible as a result. HUD's regulations define recipients under HUD assistance agreements as well as ultimate beneficiaries of HUD programs as principals or participants in the transaction. Assisted or subsidized tenants are either recipients under HUD assistance agreements, ultimate beneficiaries of HUD programs, or both. Therefore, OIG continues to recommend that HUD issue guidance to PHAs to ensure that any applicant for or tenant of public or assisted housing whose name appears on the SAM excluded parties list is reviewed by PHAs to determine eligibility.

Because OIG did not reach agreement with the Deputy Assistant Secretary for Public Housing and Voucher Programs, on February 19, 2020, OIG referred its disagreement to the Assistant Secretary for Public and Indian Housing. However, OIG did not reach agreement with the Assistant Secretary for Public and Indian Housing on the actions necessary to correct the deficiencies identified in the report. Therefore, OIG referred the recommendation to the official serving in the Deputy Secretary role on March 31, 2020, for his final decision as the Departmental Audit Resolution Official. **(Audit Report: 2019-KC-0002)**

EVALUATION REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AS OF MARCH 31, 2020

RISK-BASED ENFORCEMENT COULD IMPROVE PROGRAM EFFECTIVENESS

ISSUE DATE: FEBRUARY 12, 2016

HUD OIG evaluated the effectiveness of the Departmental Enforcement Center (DEC). Historically, HUD program managers have not wanted to enforce program requirements. That reluctance increases the risk that program funds will not provide maximum benefits to recipients and allows serious noncompliance to go unchecked. When it was created, DEC had independent enforcement authority, but it lost that authority when it moved from the Deputy Secretary's office to the Office of General Counsel. DEC lost control of funding and staffing levels and contended with inadequate IT systems and support. Although program offices were asking for more DEC financial analyses, they did not consistently use enforcement actions to remedy noncompliance. Further, managers' reluctance to enforce program requirements limited DEC's effectiveness in most programs. Turnover, retirements, and hiring limitations could leave

DEC without enough skilled staff to support future workloads needed to service HUD programs and enforce program requirements. Risk-based monitoring and enforcement offers the opportunity to provide quality, affordable rental housing, improve the quality of life, and build strong, resilient communities.

OIG made eight recommendations, two of which remain open. OIG has not reached an agreed-upon management decision for either of these recommendations.

To address one of these recommendations, HUD plans to develop protocols that would provide data-driven referrals to DEC on financial and physical performance failures. HUD plans to develop two: one among the Real Estate Assessment Center (REAC), DEC, and PIH and another among REAC, DEC, and the Office of Multifamily Housing Programs. HUD has developed and provided draft protocols. In February 2020, OIG met with DEC officials to discuss the status of the recommendation and learned that the new National Standards for the Physical Inspection of Real Estate demonstration may impact the implementation of the recommendation. During the next reporting period, OIG will contact REAC on DEC's behalf to encourage the collaboration necessary to resolve and close this recommendation.

To address the other recommendation, HUD needs to strengthen DEC's authority to enforce program requirements. In April 2019, OIG changed the status of this recommendation to resolved-open based on HUD's proposed actions in response to a U.S. Government Accountability Office report. However, after reviewing the protocols developed between DEC and PIH, OIG determined that the protocol does not strengthen DEC's authority to enforce program requirements or include any provisions

for DEC to make independent assessments. Therefore, OIG changed the status of this recommendation to unresolved-open. On March 31, 2020, OIG referred this recommendation to the Deputy Secretary for final action. **(Evaluation Report: 2014-OE-0002)**

OPPORTUNITIES FOR IMPROVEMENT WITHIN CPD'S RISK MANAGEMENT PROCESS FOR HURRICANE SANDY GRANTS

ISSUE DATE: MARCH 29, 2017

HUD OIG evaluated the risk analysis process for Hurricane Sandy grants performed by HUD CPD. CPD uses a risk analysis process to rank grantees that pose the greatest risk to the integrity of its programs. According to CPD, the risk analysis results guide how the monitoring phase of the risk management process is conducted. After CPD management certifies the risk analysis results, management develops a monitoring strategy. By monitoring grantees, CPD aims to ensure that a grantee performs and delivers on the terms of the grant while reducing the possibility of fraud, waste, and mismanagement.

OIG observed that (1) CPD's risk analysis worksheet did not consider risk related to performance outputs, (2) the risk analysis did not consider the likelihood of risk events occurring, (3) no clear correlation between the risk analysis and monitoring existed, (4) CPD made limited use of data analytics in its risk management process, and (5) CPD staff was not trained to conduct a risk analysis.

OIG made five recommendations, two of which remain open. OIG has not reached an agreed-upon management decision for one of these recommendations. To address this recommendation, CPD plans to improve the risk analysis process, namely through data automation. The

intent of the recommendation is to include the likelihood of future risk occurrence in the risk analysis, but CPD's planned changes do not address how it has incorporated or plans to incorporate the likelihood of risk occurrence into its updated risk analysis. In August 2019, OIG notified CPD officials that CPD should specify how its planned changes to the risk analysis process will incorporate the likelihood of risk occurrence into its updated risk analysis and when it expects to complete these changes. To date, CPD has not provided this information. During this next reporting period, OIG will refer this recommendation to the Deputy Secretary for final action. **(Evaluation Report: 2016-OE-0004S)**

HUD WEB APPLICATION SECURITY EVALUATION

ISSUE DATE: JUNE 6, 2018

HUD OIG completed a targeted web application security evaluation of HUD in support of a Counsel of the Inspectors General on Integrity and Efficiency Federal cross-cutting project, making nine recommendations for improvement to the Department. OIG assessed HUD's capability to identify and mitigate critical IT vulnerabilities in the Department's publicly accessible web applications. OIG identified key deficiencies in HUD's practices that put HUD's extensive collection of sensitive data, including personal information of private citizens, at increased risk of unauthorized access and compromise. Of particular concern was the discovery of multiple operating web applications unknown to OCIO.

To date, HUD has not provided management decisions for the nine open recommendations or a required estimated completion date for providing the management decisions. On June 2, 2017, HUD concurred with all recommendations and agreed to work with OIG to assign responsibility and complete resolution. Due to key leadership changes and a priority

focus on providing OIG with management decisions for the fiscal years 2017 and 2018 Federal Information Security Modernization Act of 2014 evaluations, management decisions for this report have not been provided. HUD OCIO is working closely with OIG to provide management decisions and estimated completion dates for the recommendations. OIG agreed to close one recommendation due to technology changes in the HUD IT environment, leaving eight open recommendations. **(Evaluation Report: 2016-OE-0002)**

HUD IT SYSTEM MANAGEMENT AND OVERSIGHT OF THE SECTION 184 PROGRAM

ISSUE DATE: AUGUST 13, 2018

HUD OIG evaluated the IT systems supporting the Office of Native American Programs' (ONAP) Indian Home Loan Guarantee Program (Section 184 program) following concerns that HUD had not used provided resources to address shortcomings in internal controls and the ability to deploy a reliable IT system. OIG observed that (1) a newly developed IT system, called the Loan Origination System (LOS), had significant limitations, requiring lenders and program officials to continue to use a HUD legacy IT system and manual processes for maintaining files, servicing loans, and managing claims; (2) only 1 of 38 lenders was able to access and use LOS due to HUD's inability to resolve and implement a user access solution; (3) LOS had no capability to conduct loan servicing and claims, which are still conducted using Excel spreadsheets; and (4) LOS lacked critical management reporting capabilities. Despite HUD's investing \$4 million into the development of LOS, the system does not satisfy all management and oversight objectives.

OIG made five recommendations, with all five remaining open. HUD and ONAP concurred with all five recommendations in August 2018 with a suspense of November 26, 2018, to provide OIG with management decisions. OIG received a management decision for the fourth recommendation from HUD OCIO. However, due to the LOS contract lapse in September 2018 and the inability to award a new contract, HUD and ONAP have been unable to provide management decisions for the remaining four recommendations. ONAP has been in regular contact with OIG and states that a new contract for maintaining LOS must be in place in order to coordinate with HUD on the management decisions. The LOS solicitation was released in March 2019 and was awarded at the beginning of calendar year 2020. **(Evaluation Report: 2018-OE-0004)**

SIGNIFICANTLY REVISED MANAGEMENT DECISIONS

Section 5(a)(11) of the Inspector General Act, as amended, requires that OIG report information concerning the reasons for any significantly revised management decisions made during the reporting period.

During the current reporting period, there were no significantly revised management decisions.

SIGNIFICANT MANAGEMENT DECISION WITH WHICH OIG DISAGREES

Section 5(a)(12) of the Inspector General Act, as amended, requires that OIG report information concerning any significant management decision with which OIG disagrees.

During the reporting period, OIG did not disagree with any significant management decision.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT OF 1996

Section 804(b) of FFMI requires OIG to report in its Semiannual Reports to Congress instances and reasons when an agency has not met the intermediate target dates established in its remediation plans required by FFMI. Section 803(a) of FFMI requires that each agency establish and maintain financial management systems that comply with (1) Federal financial management system requirements, (2) Federal accounting standards, and (3) the United States Standard General Ledger at the transaction level.

As of September 30, 2019, OIG and HUD noted noncompliance with the three Section 803(a) elements of FFMI. Specifically, there were eight financial systems¹⁶ that were noncompliant with one or more of the three Section 803(a) requirements. HUD has continued to implement its remediation plans to address the longstanding weaknesses in its financial management systems. The latest target date for remediation is April 11, 2020, and as of March 31, 2020, HUD was on track to meet the intermediate target dates in its remediation plans.

¹⁶The eight financial systems that were noncompliant with FFMI as of September 30, 2019, were New Core Interface Solution, Integrated Pool Management System, Single Family Mortgage Asset Recovery Technology, Integrated Disbursement and Information System Online, Disaster Recovery Grant Reporting System, Tenant Rental Assistance Certification System, Federal Asset Management Enterprise System, and Ginnie Mae Financial Accounting System.

CHAPTER 9

WHISTLEBLOWER OMBUDSMAN

Whistleblowers play a critical role in keeping our Government programs honest, efficient, and accountable. The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), continues to ensure that HUD and HUD OIG employees are aware of their rights to disclose misconduct, waste, or abuse in HUD programs without reprisal and to assist HUD and HUD OIG employees in seeking redress when employees believe that they have been subject to retaliation for whistleblowing. HUD OIG also investigates complaints of whistleblower retaliation by government contractors and grantees.

HUD OIG's Whistleblower Protection Coordinator Program works with HUD and HUD OIG employees to provide information on

- employee options for disclosing misconduct, waste, or abuse in HUD programs;
- statutory protections for Federal employees who make such disclosures; and
- how to file a complaint with the Office of Special Counsel under the Whistleblower Protection Act when an employee believes that he or she has been retaliated against for making protected disclosures.

The HUD OIG Whistleblower Protection Coordinator Program continued its focus on staff training and individual assistance. The mandatory whistleblower training is presented in conjunction with the OIG annual ethics training. The 2019 training was presented on September 19, 2019. It was presented live and is posted on OIG's website for employees who could not attend in person.

The Whistleblower Protection Coordinator meets with HUD employees individually, upon request. Generally, OIG will refer HUD employees with whistleblower retaliation complaints to the Office of Special Counsel. OIG does not track these matters unless the Office of Special Counsel requests OIG assistance in investigating a complaint. During this semiannual reporting period, OIG did not substantiate any whistleblower retaliation complaints against HUD employees.

OIG received a number of complaints filed under 41 U.S.C (United States Code) section 4712. This provision extends whistleblower protection to employees of Federal contractors, subcontractors, grantees, and subgrantees. If the employee of a HUD grantee or contractor believes he or she has been retaliated against for whistleblowing, he or she may file a complaint with OIG, and OIG will investigate the complaint and provide findings of fact to HUD. OIG is required to complete its investigation within 180 days, unless the complainant agrees to an extension.

The chart below provides further information on those complaints.

Whistleblower Ombudsman Data

Number of complainants asserting whistleblower status ¹⁷	11 (3 referred to hotline)
Complaints referred for investigation to the HUD OIG Office of Investigation (OI)	8
Complaint investigations opened by OI	7
Complaints declined by OI	1
Complaints currently under review by OI	6
Employee complaint investigations closed by OI	1

¹⁷Not all complainants are found to be whistleblowers under Section 4712. For example, many complainants raise questions regarding treatment by public housing agencies (PHA) following their alleged disclosures of wrongdoing by the same PHA. They claim to be whistleblowers, but they are not employees of the grantee. These complaints are referred to OIG's hotline for appropriate referral and disposition.

CHAPTER 10

PEER REVIEW REPORTING

Background

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law No. 111-203), section 989C, requires inspectors general to report the latest peer review results in their semiannual reports to Congress. The purpose in doing so is to enhance transparency within the government. The Offices of Audit, Investigation, and Evaluation are required to undergo a peer review of their individual organizations every 3 years. The purpose of the review is to ensure that the work completed by the respective organizations meets the applicable requirements and standards. The following is a summary of the status of the latest round of peer reviews for the organization.

OFFICE OF AUDIT

Peer Review Conducted on HUD OIG by DOT OIG

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), received a grade of pass (the highest rating) on the peer review report issued by the U.S. Department of Transportation (DOT) OIG on September 28, 2018. There were no recommendations included in the System Review Report. The report stated:

In our opinion, the system of quality control for the audit organization of the HUD OIG in effect for the year ended March 31, 2018, was suitably designed and complied with to provide the HUD OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal Audit organizations can receive a

rating of pass, pass with deficiencies, or fail. The HUD OIG has received a peer review rating of pass.

Peer Review Conducted by HUD OIG on DOD OIG

HUD OIG conducted an external peer review of the U.S. Department of Defense (DoD) OIG, Office of Audit, and issued a final report September 27, 2018. DoD OIG received a peer review rating of pass.

A copy of the external quality control review report can be viewed at <https://media.defense.gov/2018/Oct/05/2002048826/-1/-1/1/TRANSMITTAL%20MEMO%20AND%20SYSTEM%20REVIEW%20REPORT.PDF>.

OFFICE OF INVESTIGATION

Peer Review Conducted on HUD OIG by DHS OIG

The U.S. Department of Homeland Security (DHS) OIG conducted a peer review of the HUD OIG, Office of Investigation, and issued a final report on July 3, 2017. DHS OIG determined that HUD OIG was in compliance with the quality standards established by the Council of the Inspectors General on Integrity and Efficiency and the Attorney General's guidelines.

Peer Review Conducted by HUD OIG on USDA OIG

HUD OIG conducted an external peer review of the U.S. Department of Agriculture (USDA) OIG, Office of Investigation, and issued a final report on October 4, 2016. HUD OIG determined that USDA OIG was in compliance with the quality standards established by the Council of the Inspectors General on Integrity and Efficiency.

OFFICE OF EVALUATION

Peer Review Conducted by HUD OIG on FHFA OIG

HUD OIG conducted an external peer review of the Federal Housing Finance Agency (FHFA) OIG's inspection and evaluation functions and issued a final report September 10, 2019. FHFA OIG received a peer review rating of pass.

A copy of the external quality control review report can be viewed at <https://www.fhfaig.gov/sites/default/files/Final%20Report%20-%20External%20Peer%20Review%20of%20FHFA%20OIG.pdf>.

Peer Review Conducted on HUD OIG

During the review period, the Office of Evaluation has not been reviewed.



APPENDIXES

APPENDIX 1 - REPORTS ISSUED

Internal Audit Reports

Chief Financial Officer	
2020-CH-0001	HUD's Office of the Chief Financial Officer Generally Complied With the Digital Accountability and Transparency Act of 2014 With a Few Exceptions, 11/07/2019.
2020-FO-0003	Additional Details To Supplement Our Fiscal Year 2019 U.S. Department of Housing and Urban Development Financial Statements Audit, 02/07/2020.
2020-FO-0004	HUD's Fiscal Year 2019 Consolidated Financial Statements Audit, 02/14/2020.
2020-KC-0002	HUD's Travel Cards Were Used for Illegal, Improper, or Erroneous Purchases and Were Not Always Used When Required, 01/31/2020.
Chief Procurement Officer	
2020-KC-0001	HUD's Purchase Card Program Had Inaccurate Records, Untimely Training, and Improper Purchases, 01/31/2020. Questioned: \$1,807. Unsupported: \$1,807.
Community Planning and Development	
2020-LA-0001	The Office of Special Needs Assistance Programs' Award Review Process Generally Complied With HUD Continuum of Care Program Requirements, 03/31/2020.

APPENDIX 1 - REPORTS ISSUED

Internal Audit Reports continued...

Government National Mortgage Association	
2020-FO-0002	Audit of the Government National Mortgage Association's Financial Statements for Fiscal Year 2019, 02/07/2020.

Housing	
2020-CH-0002	HUD May Be Able To Improve Its Cash Flow Model To Estimate and Reestimate the Credit Subsidy for Cohorts of Mortgages Within the Section 232 Program, 03/17/2020.
2020-FO-0001	Audit of the Federal Housing Administration's Financial Statements for Fiscal Years 2019 and 2018, 11/14/2019.
2020-FW-0001	HUD Did Not Have Adequate Oversight To Ensure That Its Payments to Subsidized Property Owners Were Accurate and Supported When It Suspended Contract Administrator Reviews, 02/26/2020.

Public and Indian Housing	
2020-CH-0003	HUD Lacked Adequate Oversight of Public Housing Agencies' Compliance With the Lead Safe Housing Rule, 03/18/2020.

APPENDIX 1 - REPORTS ISSUED

Audit-Related Memorandums¹⁸

Community Planning and Development	
2020-NY-0801	Independent Attestation Review: U.S. Department of Housing and Urban Development, Office of Special Needs, Continuum of Care Homeless Assistance Grants Program, Regarding Drug Control Accounting for Fiscal Year 2019, 01/31/2020.

Housing	
2020-AT-0801	HUD Had Not Established Deadlines for Reporting FHA-HAMP Nonincentivized Loan Modifications and Filing Nonincentivized Partial Claims, 02/04/2020.
2020-AT-0802	HUD Inaccurately Allotted Funding for Tenant Protection Assistance and Improperly Approved a Proposed RAD Conversion, 02/18/2020.

¹⁸The memorandum format is used to communicate the results of reviews not performed in accordance with generally accepted government auditing standards; to close out assignments with no findings and recommendations; to respond to requests for information; or to report on the results of a survey, an attestation engagement, or civil actions or settlements.

APPENDIX 1 - REPORTS ISSUED

External Audit Reports

Community Planning and Development	
2020-AT-1002	The Puerto Rico Department of Housing, San Juan, PR, Should Strengthen Its Capacity To Administer Its Disaster Grants, 03/16/2020. Questioned: \$55,010. Unsupported: \$55,010. Better use: \$361,501.
2020-DE-1001	Del Norte Neighborhood Development Corporation, Denver, CO, Failed To Provide Eight Units of HOME-Funded Affordable Housing for the Required 20-Year Period, 11/26/2019. Questioned: \$37,000.
2020-LA-1001	Community Action North Bay, Fairfield, CA, Did Not Administer Its Continuum of Care Program in Accordance With HUD Requirements, 01/31/2020. Questioned: \$647,826. Unsupported: \$632,663. Better use: \$28,576.

Lead Hazard Control	
2020-CH-1001	The City of Detroit's Housing and Revitalization Department, Detroit, MI, Did Not Administer Its Lead Hazard Reduction Demonstration Grant Program in Accordance With HUD's Requirements, 10/02/2019. Questioned: \$616,463. Unsupported: \$616,463.

APPENDIX 1 - REPORTS ISSUED

External Audit Reports continued...

Public and Indian Housing	
2020-AT-1001	The Christian Church Homes, Oakland, CA, Did Not Ensure That the Rental Assistance Demonstration Program Conversion Was Accurate and Supported for Vineville Christian Towers, 11/04/2019. Questioned: \$485,475.
2020-BO-1001	The New Hampshire Housing Finance Authority, Bedford, NH, Complied With Housing Choice Voucher Program Requirements, 03/04/2020.
2020-BO-1002	The Housing Authority of the City of Springfield, MA, Did Not Always Comply With Procurement and Contract Administration Requirements, 03/19/2020. Questioned: \$954,073. Unsupported: \$916,132. Better use: \$408,968.
2020-CH-1002	The Wausau Community Development Authority, Wausau, WI, Generally Complied With HUD's and Its Own Requirements Regarding Housing Quality Standards Inspections, 12/12/2019.
2020-LA-1002	The Housing Authority of the City of Long Beach, CA, Did Not Administer Its Housing Choice Voucher Program in Accordance With HUD Requirements, 03/05/2020. Questioned: \$2,486,678. Unsupported: \$2,481,030.

APPENDIX 1 - REPORTS ISSUED

Evaluation Reports

Public and Indian Housing	
2019-OE-0001	HUD Has Not Referred Troubled Public Housing Agencies as the Law and Regulations Require, 2/4/2020.

Community Planning and Development	
2019-OE-0004	Overview of HUD's Housing Assistance Programs, 3/31/2020.

Evaluation-Related Memorandums

Chief Information Officer	
2019-OE-0007	Management Alert: Records and Privacy Protection Issues Identified During FY 2019 FISMA Evaluation, 12/19/2019.

APPENDIX 2 - TABLES

TABLE A

Audit Reports Issued Before Start of Period With No Management Decision as of March 31, 2020

*Significant Reports Described in Previous Semiannual Reports

Report number	Title	Issue date
* 2014-FO-0003	Additional Details To Supplement Our Report on HUD's Fiscal Years 2013 and 2012 (Restated) Financial Statements	12/16/2013
* 2014-LA-0005	HUD Did Not Always Recover FHA Single-Family Indemnification Losses and Ensure That Indemnification Agreements Were Extended	08/08/2014
* 2015-FO-0003	Audit of the Government National Mortgage Association's Financial Statements for Fiscal Years 2014 and 2013	02/27/2015
* 2016-FO-0001	Audit of Fiscal Years 2015 and 2014 (Restated) Financial Statements	11/13/2015
* 2016-FO-0003	Additional Details To Supplement Our Fiscal Years 2015 and 2014 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	11/18/2015

Report number	Title	Issue date
* 2016-PH-0001	HUD Did Not Always Provide Adequate Oversight of Property Acquisition and Disposition Activities	06/30/2016
* 2016-PH-0005	HUD Did Not Always Provide Accurate and Supported Certifications of State Disaster Grantee Procurement Processes	09/29/2016
* 2017-FO-0001	Audit of Fiscal Years 2016 and 2015 (Restated) Financial Statements	11/14/2016
* 2017-FO-0003	Additional Details To Supplement Our Fiscal Years 2016 and 2015 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	11/15/2016
* 2017-DP-0001	HUD's Transition to a Federal Shared Service Provider Failed To Meet Expectations	02/01/2017
2017-FW-0001	HUD's Office of Community Planning and Development Did Not Appropriately Assess State CDBG Grantees' Risk to the Integrity of CPD Programs or Adequately Monitor Its Grantees	07/10/2017
2017-CF-0801	HUD Needs To Clarify Whether Illegal-Undocumented Aliens Are Eligible for Assistance Under the Housing Opportunities for Persons With AIDS Program	08/21/2017
* 2017-PH-0002	HUD Did Not Provide Sufficient Guidance and Oversight To Ensure That State Disaster Grantees Followed Proficient Procurement Processes	09/22/2017

Report number	Title	Issue date
* 2017-NY-0002	HUD Could Improve Its Controls Over the Disposition of Real Properties Assisted With Community Development Block Grant Funds	09/29/2017
* 2018-FO-0004	Additional Details To Supplement Our Fiscal Years 2017 and 2016 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	11/15/2017
* 2018-FW-0002	HUD's Office of Block Grant Assistance Had Not Codified the Community Development Block Grant Disaster Recovery Program	07/23/2018
* 2019-NY-1001	The State of New York Did Not Ensure That Properties Purchased Under the Acquisition Component of Its Program Were Eligible	03/29/2019
* 2019-NY-1002	The State of New York Did Not Ensure That Appraised Values Used by Its Program Were Supported and Appraisal Costs and Services Complied With Requirements	05/29/2019
* 2019-AT-1004	The North Carolina Department of Commerce Did Not Administer Its Neighborhood Stabilization Program Grants as Required by HUD	06/14/2019
* 2019-KC-0002	HUD Paid Rental Subsidies To Benefit Public Housing and Voucher Tenants Reported as Excluded From Federal Programs or Deceased	06/25/2019

Evaluation Reports Issued Before Start of Period With No Management Decision as of March 31, 2020

Report number	Title	Issue date
2014-OE-0002	Risk-Based Enforcement Could Improve Program Effectiveness	02/12/2016
2016-OE-0002	HUD Web Application Security Evaluation	08/13/2018
2018-OE-0004	HUD IT System Management and Oversight of the Section 184 Program	03/29/2017
2016-OE-0004S	Opportunities for Improvement Within CPD's Risk Management Process for Hurricane Sandy Grants	03/29/2017

APPENDIX 2 - TABLES

TABLE B

Significant Audit Reports for Which Final Action Had Not Been Completed Within 12 Months After the Date of the Inspector General's Report

Report number	Report title	Issue date	Decision date	Final action
2005-AT-1013	Corporacion para el Fomento Economico de la Ciudad Capital, San Juan, Puerto Rico, Did Not Administer Its Independent Capital Fund in Accordance with HUD Requirements	09/15/2005	01/11/2006	Note 1
2006-CH-1021	Housing Authority of the County of Cook, Chicago, Illinois, Had Weak Controls over Its Section 8 Housing Choice Voucher Program	09/30/2006	01/26/2007	09/30/2037
2009-AT-0001	HUD Lacked Adequate Controls To Ensure the Timely Commitment and Expenditure of HOME Funds	09/28/2009	03/18/2011	Note 1
2010-AT-1003	The Housing Authority of Whitesburg Mismanaged Its Operations, Whitesburg, KY	04/28/2010	08/26/2010	11/29/2035
2011-FO-0003	Additional Details To Supplement Our Report on HUD's Fiscal Years 2010 and 2009 Financial Statements	11/15/2010	08/08/2011	Note 1

Report number	Report title	Issue date	Decision date	Final action
2011-PH-1005	The District of Columbia Did Not Administer Its HOME Program in Accordance With Federal Requirements, Washington, DC	12/23/2010	04/22/2011	Note 1
2011-NY-1010	The City of Buffalo Did Not Always Administer Its CDBG Program in Accordance With HUD Requirements, Buffalo, NY	04/15/2011	01/25/2012	Note 1
2011-AT-1018	The Municipality of San Juan Did Not Properly Manage Its HOME Investment Partnerships Program, San Juan, PR	09/28/2011	01/12/2012	Note 1
2012-NY-1002	The City of New York Charged Questionable Expenditures to Its HPRP, New York, NY	10/18/2011	02/16/2012	Note 1
2012-PH-0001	HUD Needed To Improve Its Use of Its Integrated Disbursement and Information System To Oversee Its CDBG Program	10/31/2011	02/28/2012	Note 1
2012-LA-0001	HUD Did Not Adequately Support the Reasonableness of the Fee-for-Service Amounts or Monitor the Amounts Charged	11/16/2011	03/27/2012	05/29/2020
2012-AT-1009	The Municipality of Bayamón Did Not Always Ensure Compliance With HOME Investment Partnerships Program Requirements, Bayamon, PR	05/23/2012	09/18/2012	Note 1

Report number	Report title	Issue date	Decision date	Final action
2012-PH-1011	Prince George's County Generally Did Not Administer Its HOME Program in Accordance With Federal Requirements, Largo, MD	08/03/2012	11/30/2012	Note 1
2012-CH-1012	The Saginaw Housing Commission Did Not Always Administer Its Section 8 Housing Choice Voucher Program in Accordance With HUD's and Its Own Requirements, Saginaw, MI	09/27/2012	01/07/2013	01/01/2023
2013-PH-1001	Luzerne County Did Not Properly Evaluate, Underwrite, and Monitor a High-Risk Loan, Wilkes-Barre, PA	10/31/2012	01/31/2013	Note 1
2013-FO-0003	Additional Details To Supplement Our Report on HUD's Fiscal Years 2012 and 2011 Financial Statements	11/15/2012	05/15/2013	Note 1
2013-LA-1003	Bay Vista Methodist Heights Violated Its Agreement With HUD When Administering Its Trust Funds, San Diego, CA	03/14/2013	05/15/2013	Note 2
2013-AT-1003	The Municipality of Arecibo Did Not Always Ensure Compliance With CDBG Program Requirements, Arecibo, PR	03/22/2013	06/14/2013	Note 1
2013-NY-1006	Nassau County Did Not Administer Its HOME Investment Partnerships Program in Accordance With HUD Requirements, Nassau County, NY	05/13/2013	09/06/2013	Note 1

Report number	Report title	Issue date	Decision date	Final action
2013-KC-0002	HUD Did Not Enforce the Reporting Requirements of Section 3 of the Housing and Urban Development Act of 1968 for Public Housing Authorities	06/26/2013	10/24/2013	Note 1
2013-LA-1009	The City of Hawthorne Inappropriately Used Nearly \$1.6 Million in HOME Funds for Section 8 Tenants, Hawthorne, CA	09/13/2013	01/06/2014	Note 1
2013-LA-1010	The City of Hawthorne Did Not Administer Its CDBG Program Cost Allocations in Accordance With HUD Rules and Requirements, Hawthorne, CA	09/20/2013	01/06/2014	Note 1
2013-NY-1010	The City of Auburn Did Not Always Administer Its CDBG Program in Accordance With HUD Requirements, Auburn, NY	09/26/2013	01/24/2014	Note 1
2013-CH-1011	The Michigan State Housing Development Authority Did Not Follow HUD's Requirements Regarding the Administration of Its Program, Lansing, MI	09/30/2013	01/15/2014	07/31/2029
2013-CH-1012	The Hamtramck Housing Commission Did Not Administer Its Grant in Accordance With Recovery Act, HUD's, and Its Own Requirements, Hamtramck, MI	09/30/2013	01/21/2014	05/31/2020
2014-AT-1001	The Municipality of Arecibo Did Not Properly Administer Its HOME Program	12/03/2013	01/24/2014	Note 1

Report number	Report title	Issue date	Decision date	Final action
2014-FO-0001	Government National Mortgage Association Fiscal Years 2013 and 2012 Financial Statements Audit	12/06/2013	05/02/2014	Note 1
2014-FO-0003	Additional Details To Supplement Our Report on HUD's Fiscal Years 2013 and 2012 (Restated) Financial Statements	12/16/2013	07/09/2014	Note 3
2014-AT-1004	The State of Mississippi Did Not Ensure That Its Subrecipient and Appraisers Complied With Requirements, and It Did Not Fully Implement Adequate Procedures for Its Disaster Infrastructure Program, Jackson, MS	12/30/2013	04/15/2014	Note 1
2014-FW-0001	The Boston Office of Public Housing Did Not Provide Adequate Oversight of Environmental Reviews of Three Housing Agencies, Including Reviews Involving Recovery Act Funds	02/07/2014	03/17/2015	Note 2
2014-NY-0001	HUD Did Not Provide Effective Oversight of Section 202 Multifamily Project Refinances	02/19/2014	06/10/2014	Note 1
2014-AT-0001	Violations Increased the Cost of Housing's Administration of Its Bond Refund Program	03/14/2014	07/11/2014	Note 1
2014-FO-0004	HUD's Fiscal Year 2013 Compliance With the Improper Payments Elimination and Recovery Act of 2010	04/15/2014	01/07/2015	12/31/2020

Report number	Report title	Issue date	Decision date	Final action
2014-CH-1003	The Hamtramck Housing Commission Did Not Always Administer Its Grant in Accordance With Recovery Act, HUD's, or Its Own Requirements, Hamtramck, MI	04/30/2014	08/08/2014	05/31/2020
2014-FW-0002	Improvements Are Needed Over Environmental Reviews of Public Housing and Recovery Act Funds in the Kansas City Office	05/12/2014	03/17/2015	Note 2
2014-AT-1005	The City of Huntsville, Community Development Department, Did Not Adequately Account for and Administer the Mirabeau Apartments Project, Huntsville, AL	05/29/2014	09/23/2014	Note 1
2014-LA-0004	HUD Could Not Support the Reasonableness of the Operating and Capital Fund Programs' Fees and Did Not Adequately Monitor Central Office Cost Centers	06/30/2014	10/20/2014	05/29/2020
2014-KC-0002	The Data in CAIVRS Did Not Agree With the Data in FHA's Default and Claims Systems	07/02/2014	10/27/2014	Note 1
2014-NY-1008	Palladia, Inc., Did Not Administer Its Supportive Housing Program in Accordance With HUD Requirements, New York, NY	07/25/2014	11/21/2014	Note 1
2014-AT-1007	The Municipality of Carolina Did Not Properly Administer Its HOME Program, Carolina, PR	08/08/2014	12/05/2014	Note 1

Report number	Report title	Issue date	Decision date	Final action
2014-LA-0005	HUD Did Not Always Recover FHA Single-Family Indemnification Losses and Ensure That Indemnification Agreements Were Extended	08/08/2014	12/03/2014	Note 3
2014-CH-1006	The Goshen Housing Authority Failed To Follow HUD's and Its Own Requirements Regarding the Administration of Its Program, Goshen, IN	08/14/2014	01/21/2015	06/30/2020
2014-PH-1008	The State of New Jersey Did Not Fully Comply With Federal Procurement and Cost Principle Requirements in Implementing Its Tourism Marketing Program	08/29/2014	09/02/2015	Note 1
2014-NY-0003	Asset Repositioning Fees for Public Housing Authorities With Units Approved for Demolition or Disposition Were Not Always Accurately Calculated	09/04/2014	12/29/2014	12/31/2020
2014-FW-0005	Improvements Are Needed Over Environmental Reviews of Public Housing and Recovery Act Funds in the Detroit Office	09/24/2014	03/17/2015	Note 2
2014-LA-1007	The City of Los Angeles Did Not Always Ensure That CDBG-Funded Projects Met National Program Objectives, Los Angeles, CA	09/29/2014	01/27/2015	Note 1
2015-FW-1801	The Management of the Housing Authority of the City of Taylor, Taylor, TX, Did Not Exercise Adequate Oversight of Its Programs	10/02/2014	01/21/2015	06/24/2020

Report number	Report title	Issue date	Decision date	Final action
2015-NY-1001	The City of New York Did Not Always Disburse CDBG Disaster Recovery Assistance Funds to Its Subrecipient in Accordance With Federal Regulations, New York, NY	11/24/2014	03/23/2015	Note 1
2015-FO-0002	Interim Report on HUD's Internal Controls Over Financial Reporting	12/08/2014	09/28/2015	Note 1
2015-FO-0003	Audit of the Government National Mortgage Association's Financial Statements for Fiscal Years 2014 and 2013	02/27/2015	06/25/2015	Note 3
2015-AT-0001	HUD's Office of Community Planning and Development Did Not Always Pursue Remedial Actions but Generally Implemented Sufficient Controls for Administering Its Neighborhood Stabilization Program	03/31/2015	08/28/2015	Note 1
2015-LA-1004	The Housing Authority of the County of San Bernardino, San Bernardino, CA, Used Shelter Plus Care Program Funds for Ineligible and Unsupported Participants	05/29/2015	09/16/2015	Note 1
2015-PH-1003	The State of New Jersey Did Not Comply With Federal Procurement and Cost Principle Requirements in Implementing Its Disaster Management System	06/04/2015	10/02/2015	Note 1
2015-FW-0001	HUD Did Not Adequately Implement or Provide Adequate Oversight To Ensure Compliance With Environmental Requirements	06/16/2015	10/07/2015	Note 1

Report number	Report title	Issue date	Decision date	Final action
2015-LA-0002	HUD Did Not Provide Adequate Oversight of the Section 184 Indian Home Loan Guarantee Program	07/06/2015	10/28/2015	12/31/2021
2015-LA-1005	NOVA Financial & Investment Corporation's FHA-Insured Loans With Downpayment Assistance Gifts Did Not Always Meet HUD Requirements	07/09/2015	09/11/2015	Note 1
2015-CH-0001	HUD Did Not Always Provide Adequate Oversight of Its Section 203(k) Rehabilitation Loan Mortgage Insurance Program	07/31/2015	11/27/2015	Note 1
2015-KC-0002	The Office of Community Planning and Development's Reviews of Matching Contributions Were Ineffective and Its Application of Match Reductions Was Not Always Correct	08/11/2015	12/09/2015	Note 1
2015-AT-0002	HUD's Office of Multifamily Asset Management and Portfolio Oversight Did Not Comply With Its Requirements for Monitoring Management Agents' Costs	08/21/2015	12/16/2015	Note 1
2015-NY-1010	New York State Did Not Always Administer Its Rising Home Enhanced Buyout Program in Accordance With Federal and State Regulations	09/17/2015	03/01/2016	Note 1
2015-NY-1011	Program Control Weaknesses Lessened Assurance That New York Rising Housing Recovery Program Funds Were Always Disbursed for Eligible Costs	09/17/2015	03/18/2016	Note 1

Report number	Report title	Issue date	Decision date	Final action
2015-CH-1009	The State of Illinois' Administrator Lacked Adequate Controls Over the State's Community Development Block Grant Disaster Recovery Program-Funded Projects	09/30/2015	01/28/2016	06/28/2021
2015-LA-1009	loanDepot's FHA-Insured Loans With Downpayment Assistance Funds Did Not Always Meet HUD Requirements	09/30/2015	01/12/2016	Note 1
2015-LA-1010	loanDepot's FHA-Insured Loans With Golden State Finance Authority Downpayment Assistance Gifts Did Not Always Meet HUD Requirements	09/30/2015	01/12/2016	Note 1
2016-FO-0001	Audit of Fiscal Years 2015 and 2014 (Restated) Financial Statements	11/13/2015	03/24/2016	Note 3
2016-FO-0003	Additional Details To Supplement Our Fiscal Years 2015 and 2014 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	11/18/2015	03/22/2016	Note 3
2016-DP-0801	Review of Information System Controls Over the Government National Mortgage Association	11/30/2015	03/30/2016	Note 1
2016-AT-1002	The Municipality of Toa Alta, PR, Did Not Properly Administer Its Section 108 Loan Guarantee Program	12/17/2015	04/12/2016	Note 1

Report number	Report title	Issue date	Decision date	Final action
2016-DP-0002	Single Family Insurance System and Single Family Insurance Claims Subsystem	12/21/2015	03/31/2016	Note 1
2016-NY-1003	The City of Rochester, NY, Did Not Always Administer Its Community Development Block Grant Program in Accordance With HUD Requirements	02/05/2016	06/17/2016	Note 1
2016-SE-1001	Homewood Terrace, Auburn, WA, Did Not Always Conduct Timely Reexaminations, Properly Request Assistance Payments, or Verify Income Information	03/09/2016	07/06/2016	Note 1
2016-NY-1006	New York State Did Not Always Disburse Community Development Block Grant Disaster Recovery Funds in Accordance With Federal and State Regulations	03/29/2016	07/27/2016	Note 1
2016-NY-1007	The City of Jersey City, NJ's Community Development Block Grant Program Had Administrative and Financial Control Weaknesses	03/30/2016	06/08/2016	Note 1
2016-FO-0005	Compliance With the Improper Payments Elimination and Recovery Act	05/13/2016	10/04/2016	12/31/2020
2016-AT-0001	HUD Did Not Enforce and Sufficiently Revise Its Underwriting Requirements for Multifamily Accelerated Processing Loans	05/20/2016	09/16/2016	Note 1

Report number	Report title	Issue date	Decision date	Final action
2016-BO-1003	The State of Connecticut Did Not Always Administer Its Neighborhood Stabilization Program in Compliance With HUD Regulations	06/28/2016	10/25/2016	Note 1
2016-PH-0001	HUD Did Not Always Provide Adequate Oversight of Property Acquisition and Disposition Activities	06/30/2016	02/16/2017	Note 3
2016-AT-1012	The Municipality of Bayamon, PR, Did Not Always Ensure Compliance With HUD Program Requirements	08/29/2016	12/15/2016	Note 1
2016-DP-0003	Additional Review of Information System Controls Over FHA Information Systems	08/31/2016	12/22/2016	Note 1
2016-FW-1006	The State of Louisiana's Subrecipient Did Not Always Comply With Its Agreement and HUD Requirements When Administering Its Disaster Assistance Programs	08/31/2016	12/16/2016	Note 1
2016-NY-0001	Operating Fund Calculations Were Not Always Adequately Verified	09/12/2016	12/22/2016	04/01/2025
2016-CH-1009	The Condominium Association and Management Agent Lacked Adequate Controls Over the Operation of West Park Place Condominium, Chicago, IL	09/30/2016	01/25/2017	Note 2

Report number	Report title	Issue date	Decision date	Final action
2016-FW-1010	The State of Oklahoma Did Not Obligate and Spend Its Community Development Block Grant Disaster Recovery Funds in Accordance With Requirements	09/30/2016	01/17/2017	Note 1
2016-PH-1009	The State of New Jersey Did Not Disburse Disaster Funds to Its Contractor in Accordance With HUD, Federal, and Other Applicable Requirements	09/30/2016	01/27/2017	Note 1
2017-BO-1001	The State of Connecticut Did Not Always Comply With CDBG Disaster Recovery Assistance Requirements	10/12/2016	02/01/2017	Note 1
2017-KC-0001	FHA Paid Claims for an Estimated 239,000 Properties That Servicers Did Not Foreclose Upon or Convey on Time	10/14/2016	02/28/2017	Note 1
2017-NY-1001	The City of New York, NY, Implemented Policies That Did Not Always Ensure That CDBG Disaster Recovery Funds Were Disbursed in Accordance With Its Action Plan and Federal Requirements	11/02/2016	05/08/2017	Note 1
2017-FO-0001	Audit of Fiscal Years 2016 and 2015 (Restated) Financial Statements	11/14/2016	04/06/2017	Note 3
2017-FO-0003	Additional Details To Supplement Our Fiscal Years 2016 and 2015 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	11/15/2016	09/13/2017	Note 3

Report number	Report title	Issue date	Decision date	Final action
2017-NY-1004	The City of New York, NY, Lacked Adequate Controls To Ensure That the Use of CDBG-DR Funds Was Always Consistent With the Action Plan and Applicable Federal and State Requirements	12/21/2016	04/17/2017	Note 1
2017-NY-1005	Union County, NJ'S HOME Investment Partnerships Program Was Not Always Administered in Compliance With Program Requirements	01/13/2017	05/11/2017	Note 2
2017-LA-0002	HUD Failed To Follow Departmental Clearance Protocols for FHA Programs, Policies, and Operations	01/25/2017	09/22/2017	Note 1
2017-DP-0001	HUD's Transition to a Federal Shared Service Provider Failed To Meet Expectations	02/01/2017	05/25/2017	Note 3
2017-DP-0002	Review of Information Systems Controls Over FHA's Single Family Premiums Collection Subsystem – Periodic and the Single Family Acquired Asset Management System	02/09/2017	06/12/2017	Note 1
2017-KC-1801	Final Action Memorandum: Purchaser of HUD-Insured Single-Family Property Settled Allegations of Causing the Submission of a False Claim	02/23/2017	02/23/2017	06/15/2021
2017-LA-0003	HUD Failed To Adequately Oversee FHA-Insured Loans With Borrower-Financed Downpayment Assistance	03/03/2017	06/22/2017	Note 2

Report number	Report title	Issue date	Decision date	Final action
2017-PH-1001	The City of Pittsburgh, PA, Did Not Always Administer Its CDBG Program in Accordance With HUD and Federal Requirements	03/22/2017	07/19/2017	Note 1
2017-CF-1803	United Shore Financial Services, LLC, Settled Allegations of Failing To Comply With HUD's Federal Housing Administration Loan Requirements	03/29/2017	03/29/2017	03/27/2022
2017-NY-0001	HUD PIH's Required Conversion Program Was Not Adequately Implemented	05/18/2017	09/15/2017	12/31/2023
2017-KC-0003	HUD Did Not Ensure That Lenders Properly Processed Voluntary Terminations of Insurance Coverage on FHA Loans and Disclosed All Implications of the Terminations to the Borrowers	05/22/2017	09/19/2017	Note 1
2017-PH-1003	The Yorkville Cooperative, Fairfax, VA, Did Not Administer Its HUD-Insured Property and Housing Assistance Contract According to Applicable Requirements	05/22/2017	09/19/2017	Note 1
2017-KC-0005	Owners of Cooperative Housing Properties Generally Charged More for Their Section 8 Units Than for Their Non-Section 8 Units	06/12/2017	10/06/2017	Note 1
2017-LA-1005	The City of Huntington Park, CA, Did Not Administer Its Community Development Block Grant Program in Accordance With Requirements	06/16/2017	10/17/2017	Note 1

Report number	Report title	Issue date	Decision date	Final action
2017-KC-0006	HUD Did Not Conduct Rulemaking or Develop Formal Procedures for Its Single-Family Note Sales Program	07/14/2017	10/19/2017	Note 2
2017-LA-1006	The City of Fresno, CA, Did Not Administer Its Community Development Block Grant in Accordance With HUD Requirements	08/09/2017	11/21/2017	Note 1
2017-PH-1005	The State of New Jersey Did Not Always Disburse Disaster Funds for Its Sandy Homebuyer Assistance Program To Assist Eligible Home Buyers	08/14/2017	11/15/2017	Note 1
2017-AT-1011	The Lexington Housing Authority, Lexington, NC, Did Not Administer Its RAD Conversion in Accordance With HUD Requirements	08/21/2017	12/11/2017	Note 2
2017-FW-1011	BLM Companies LLC Failed To Ensure That It Protected and Preserved HUD Properties Under Its Field Service Manager Contract for Area 1D	08/29/2017	12/26/2017	Note 1
2017-FW-1012	The City of New Orleans, New Orleans, LA, Did Not Always Properly Administer Its HOME Program	09/06/2017	12/19/2017	Note 2
2017-KC-0007	HUD Subsidized 10,119 Units for Tenants Who Were Undercharged Flat Rents	09/12/2017	12/01/2017	Note 2

Report number	Report title	Issue date	Decision date	Final action
2017-LA-0004	HUD Did Not Have Adequate Controls To Ensure That Servicers Properly Engaged in Loss Mitigation	09/14/2017	01/11/2018	Note 1
2017-NY-1010	The State of New York Did Not Show That Disaster Recovery Funds Under Its Non-Federal Share Match Program Were Used for Eligible and Supported Costs	09/15/2017	01/12/2018	Note 1
2017-LA-0005	HUD Did Not Always Follow Applicable Requirements When Forgiving Debts and Terminating Debt Collections	09/21/2017	01/17/2018	Note 1
2017-PH-1006	The Owner of Schwenckfeld Manor, Lansdale, PA, Did Not Always Manage Its HUD-Insured Property in Accordance With Applicable HUD Requirements	09/25/2017	01/23/2018	Note 2
2017-CF-1807	Residential Home Funding Corp. Settled Allegations of Failing To Comply With HUD's Federal Housing Administration Loan Requirements	09/28/2017	09/28/2017	09/30/2021
2017-DP-0003	New Core Project: Although Transaction Processing Had Improved Weaknesses Remained	09/28/2017	01/25/2018	Note 1
2017-NY-0002	HUD Could Improve Its Controls Over the Disposition of Real Properties Assisted With Community Development Block Grant Funds	09/29/2017	01/26/2018	Note 3

Report number	Report title	Issue date	Decision date	Final action
2017-CH-1009	The Owner and Management Agents Lacked Adequate Controls Over the Operation of Mary Scott Nursing Center, Dayton, OH	09/30/2017	01/26/2018	Note 2
2017-CH-1011	BLM Companies LLC, Hurricane, UT, Did Not Provide Property Preservation and Protection Services in Accordance With Its Contract With HUD and Its Own Requirements	09/30/2017	01/25/2018	Note 1
2018-FO-0003	Fiscal Years 2017 and 2016 (Restated) Financial Statements Audit	11/15/2017	04/03/2018	Note 1
2018-FO-0004	Additional Details To Supplement Our Fiscal Years 2017 and 2016 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	11/15/2017	07/02/2018	Note 3
2018-AT-1802	Yabucoa Housing Project, Yabucoa Volunteers of America Elderly Housing, Inc., Yabucoa, PR, Section 202 Supportive Housing for the Elderly Program	12/29/2017	04/20/2018	Note 1
2018-CF-0801	Management Alert: HUD Did Not Provide Acceptable Oversight of the Physical Condition of Residential Care Facilities	01/05/2018	08/14/2018	Note 2
2018-FW-1001	Jefferson Parish, Jefferson, LA, Did Not Always Properly Administer Its Rehabilitation Program	01/29/2018	05/22/2018	Note 2

Report number	Report title	Issue date	Decision date	Final action
2018-NY-1003	The Housing Authority of the City of Asbury Park, NJ, Did Not Always Administer Its Operating and Capital Funds in Accordance With Requirements	02/08/2018	06/07/2018	01/28/2050
2018-PH-1001	The Fairmont-Morgantown Housing Authority, Fairmont, WV, Did Not Always Administer Its Housing Choice Voucher Program in Accordance With Applicable Program Requirements	02/12/2018	06/11/2018	Note 2
2018-DP-0002	Review of Selected FHA Information Systems and Credit Reform Estimation and Reestimation Process Applications	02/13/2018	05/07/2018	Note 2
2018-PH-1002	The Fairmont-Morgantown Housing Authority, Fairmont, WV, Did Not Always Ensure That Its Program Units Met Housing Quality Standards and That It Accurately Calculated Housing Assistance Payment Abatements	02/16/2018	06/12/2018	Note 2
2018-KC-1001	CitiMortgage, Inc., O'Fallon, MO, Improperly Filed for FHA-HAMP Partial Claims Before Completing the Loan Modifications and Reinstating the Loans	03/05/2018	06/13/2018	Note 2
2018-DP-0003	Fiscal Year 2017 Review of Information Systems Controls in Support of the Financial Statements Audit	03/09/2018	06/07/2018	Note 2
2018-KC-0802	Limited Review of HUD Multifamily Waiting List Administration	03/22/2018	07/25/2018	Note 1

Report number	Report title	Issue date	Decision date	Final action
2018-CF-1801	MetLife Home Loans, LLC, and a Borrower's Son Settled Allegations of Failing To Comply With HUD's Federal Housing Administration HECM Loan Requirements	03/23/2018	08/09/2018	Note 1
2018-KC-0001	FHA Insured \$1.9 Billion in Loans to Borrowers Barred by Federal Requirements	03/26/2018	07/11/2018	Note 2
2018-LA-1003	The City of South Gate, CA, Did Not Administer Its Community Development Block Grant Program in Accordance With HUD Requirements	03/29/2018	07/25/2018	Note 2
2018-KC-1002	The Kansas City, MO, Health Department Did Not Spend Funds in Accordance With HUD Requirements	04/06/2018	08/02/2018	Note 2
2018-SE-1001	The Spokane, WA, Housing Authority Did Not Follow Permanent Relocation Requirements for Its RAD Conversion of the Parsons Apartments	04/24/2018	05/15/2018	Note 2
2018-FW-1003	The Texas General Land Office, Austin, TX, Should Strengthen Its Capacity To Administer Its Hurricane Harvey Disaster Grants	05/07/2018	08/16/2018	Note 2
2018-LA-0002	HUD Did Not Have Adequate Controls To Ensure That Grantees Submitted Accurate Tribal Enrollment Numbers for Program Funding	05/07/2018	08/23/2018	12/31/2020

Report number	Report title	Issue date	Decision date	Final action
2018-FW-1004	The City of Dallas, TX, HOME Investment Partnerships Program Was Not Always Administered in Accordance With Requirements	05/08/2018	08/30/2018	06/08/2020
2018-FW-0802	Interim Report - Potential Antideficiency Act and Generally Accepted Accounting Principle Violations Occurred With Disaster Relief Appropriation Act, 2013, Funds	05/15/2018	09/12/2018	Note 2
2018-CH-0002	HUD Lacked Adequate Oversight of Lead-Based Paint Reporting and Remediation in Its Public Housing and Housing Choice Voucher Programs	06/14/2018	12/06/2018	12/31/2021
2018-BO-1003	The City of Providence, RI, Did Not Properly Administer Its HOME Program	06/20/2018	09/28/2018	Note 2
2018-FW-0001	CPD's Risk Assessment and Monitoring Program Did Not Provide Effective Oversight of Federal Funds	06/26/2018	10/16/2018	Note 2
2018-AT-1006	The Lexington-Fayette Urban County Housing Authority, Lexington, KY, Did Not Always Comply With HUD's and Its Own Section 8 Housing Choice Voucher Program Requirements	07/13/2018	11/09/2018	Note 2
2018-AT-1008	The Lexington-Fayette Urban County Housing Authority, Lexington, KY, Did Not Fully Comply With HUD's Program Requirements After the Completion of Its Rental Assistance Demonstration Program Conversion	07/13/2018	11/09/2018	Note 2

Report number	Report title	Issue date	Decision date	Final action
2018-FW-1005	Eastwood Terrace Apartments, Nacogdoches, TX, Multifamily Section 8, Subsidized Questionable Tenants, Overhoused Tenants and Uninspected Units	08/02/2018	11/26/2018	Note 2
2018-KC-0002	HUD's Office of the Chief Financial Officer Did Not Locate or Recover Its Funds Held by State Unclaimed Property Administrators	08/07/2018	08/07/2018	Note 2
2018-FW-1802	Final Civil Action: The Former Executive Director of the Housing Authority of the City of Beeville, TX, Et Al, Settled False Claims Allegations in the Housing Choice Voucher Program	08/21/2018	08/21/2018	12/31/2022
2018-LA-0801	The Office of Native American Programs Section 184 Program Continues To Operate Without Adequate Oversight 3 Years After the Prior OIG Audit	08/27/2018	12/21/2018	12/31/2021
2018-DE-1001	Meeker Housing Authority, Meeker, CO, Improperly Used Project Operating Funds for Its 221(d)(3) Multifamily Housing Insurance Program	09/06/2018	04/05/2019	04/05/2020
2018-BO-0001	HUD's Office of Residential Care Facilities Did Not Always Have and Use Financial Information to Adequately Assess and Monitor Nursing Homes	09/17/2018	03/07/2019	Note 2
2018-BO-1005	The State of Connecticut Did Not Ensure That Its Grantees Properly Administered Their Housing Rehabilitation Programs	09/19/2018	03/27/2019	07/31/2020

Report number	Report title	Issue date	Decision date	Final action
2018-KC-0004	HUD Did Not Always Identify and Collect Partial Claims Out of Surplus Foreclosure Proceeds	09/20/2018	04/18/2019	12/31/2021
2018-LA-0005	HUD Did Not Have Adequate Controls To Ensure That Partial Claim Notes for FHA Loans Were Properly Tracked for Future Collection	09/21/2018	03/08/2019	Note 2
2018-PH-1006	The Owner of Luther Towers II, Wilmington, DE, Did Not Manage Its HUD-Insured Project in Accordance With Its Regulatory Agreement and HUD Requirements	09/21/2018	02/22/2019	Note 2
2018-NY-0001	HUD Did Not Adequately Administer Its Housing Counseling Program	09/24/2018	02/26/2019	03/31/2021
2018-PH-1007	The Crisfield Housing Authority, Crisfield, MD, Did Not Properly Administer Its Public Housing Program Operating and Capital Funds	09/25/2018	03/01/2019	10/31/2020
2018-NY-1005	The Red Bank Housing Authority, Red Bank, NJ, Did Not Always Administer Its Operating and Capital Funds in Accordance With Requirements	09/26/2018	02/28/2019	10/01/2020
2018-NY-1006	The Buffalo Municipal Housing Authority, Buffalo, NY, Did Not Administer Its Operating Funds in Accordance With Requirements	09/26/2018	02/26/2019	10/01/2020

Report number	Report title	Issue date	Decision date	Final action
2018-PH-1008	The City of Erie, PA, Did Not Always Administer Its Code Enforcement and Community Policing Activities in Accordance With HUD and Federal Requirements	09/26/2018	03/07/2019	Note 2
2018-LA-0007	HUD Paid an Estimated \$413 Million for Unnecessary Preforeclosure Claim Interest and Other Costs Due to Lender Servicing Delays	09/27/2018	04/03/2019	04/02/2021
2018-NY-1007	The City of New York, NY, Did Not Always Use Disaster Recovery Funds Under Its Program for Eligible and Supported Costs	09/27/2018	02/28/2019	Note 2
2018-AT-0801	HUD's Improper Approvals Resulted in Invalid Exemptions and an Ineligible Capital Funds Expenditure for the Lexington-Fayette Urban County Housing Authority	09/28/2018	03/18/2019	Note 2
2018-AT-1011	The City of Hattiesburg, MS, Did Not Always Administer Its HOME Investment Partnerships Program in Accordance With HUD's and Its Own Requirements	09/28/2018	02/13/2019	Note 2
2018-CH-1009	The Owner and Management Agent for Rainbow Terrace Apartments, Cleveland, OH, Did Not Always Operate the Project in Accordance With the Regulatory Agreement and HUD's Requirements	09/28/2018	03/25/2019	07/01/2020
2018-FW-1007	The State of Louisiana, Baton Rouge, LA, Did Not Always Maintain Adequate Documentation or Comply With Website Reporting Requirements	09/28/2018	03/29/2019	Note 2

Report number	Report title	Issue date	Decision date	Final action
2018-PH-0003	HUD Did Not Have Adequate Oversight of Its Community Compass Technical Assistance and Capacity Building Program	09/28/2018	02/22/2019	07/31/2020
2018-CF-0802	HUD Failed To Enforce the Terms of a Settlement Agreement With Fifth Third Bank Because It Did Not Record Indemnified Loans in Its Tracking System	09/29/2018	12/21/2018	Note 2
2018-CH-1010	The City of Chicago's Department of Public Health, Chicago, IL, Did Not Administer Its Lead Hazard Reduction Demonstration Grant Program in Accordance With HUD's and Its Own Requirements	09/30/2018	03/14/2019	Note 2
2019-FO-0002	Audit of the Federal Housing Administration's Financial Statements for Fiscal Years 2018 and 2017 (Restated)	11/14/2018	05/30/2019	Note 2
2019-FO-0003	Additional Details To Supplement Our Fiscal Years 2018 and 2017 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	11/15/2018	07/11/2019	09/30/2021
2019-CH-1001	The Housing Authority of the City of North Chicago, North Chicago, IL, Did Not Always Comply With HUD's Requirements and Its Own Policies Regarding the Administration of Its Housing Choice Voucher Program	12/20/2018	03/28/2019	02/28/2024
2019-DP-0001	Information System Control Over Integrated Pool Management System	12/21/2018	04/11/2019	04/11/2020

Report number	Report title	Issue date	Decision date	Final action
2019-CH-1002	The Detroit Housing Commission, Detroit, MI, Did Not Always Administer Its Moderate Rehabilitation Program in Accordance With HUD's and Its Own Requirements	02/06/2019	06/05/2019	05/23/2020
2019-AT-1002	Louisville Metro, Louisville, KY, Did Not Always Administer the TBRA Activity in Its HOME and CoC Programs in Accordance With Program Requirements	03/18/2019	07/16/2019	07/16/2020
2019-DP-0004	Fiscal Year 2018 Review of Information Systems Controls in Support of the Financial Statements Audit	03/27/2019	06/20/2019	08/31/2020

Significant Audit Reports Issued Within the Past 12 Months That Were Described in Previous Semiannual Reports for Which Final Action Had Not Been Completed as of March 31, 2020

Report number	Report title	Issue date	Decision date	Final action
2019-KC-0001	FHA Improperly Paid Partial Claims That Did Not Reinstate Their Related Loans	04/11/2019	08/02/2019	07/31/2021
2019-FW-1001	The Little Rock Housing Authority, Little Rock, AR, Did Not Fully Meet Rental Assistance Demonstration Program Requirements	04/23/2019	09/20/2019	10/31/2022
2019-BO-1001	The City of Bridgeport, CT, Did Not Properly Administer Its HOME Program	04/25/2019	08/07/2019	07/29/2020
2019-BO-1002	The Housing Authority of the City of Woonsocket, RI, Did Not Always Comply With Capital Fund Program and Procurement Requirements	05/07/2019	10/22/2019	08/31/2020
2019-FW-0001	CPD Did Not Enforce the Disaster Appropriations Act, 2013, 24-Month Grantee Expenditure Requirement	05/17/2019	03/31/2020	Note 2
2019-FW-1003	Northline Point Apartments, Houston, TX, Multifamily Section 8 Program, Subsidized Unsupported Tenants and Uninspected Units	06/10/2019	09/18/2019	07/01/2020

Report number	Report title	Issue date	Decision date	Final action
2019-AT-1004	The North Carolina Department of Commerce Did Not Administer Its Neighborhood Stabilization Program Grants as Required by HUD	06/14/2019	01/14/2020	Note 3
2019-FW-1004	The City of Dallas, Dallas, TX, Did Not Follow Environmental Requirements or Effectively Manage Its Community Housing Development Organizations	06/17/2019	10/10/2019	09/15/2020
2019-KC-0002	HUD Paid Rental Subsidies To Benefit Public Housing and Voucher Tenants Reported as Excluded From Federal Programs or Deceased	06/25/2019	10/17/2019	Note 3
2019-FW-1005	Northlake Homeless Coalition, Mandeville, LA, Did Not Always Follow Continuum of Care Program Requirements	07/11/2019	10/23/2019	10/31/2020
2019-LA-1008	The Compton Housing Authority, Compton, CA, Did Not Administer Its Housing Choice Voucher Program in Accordance With HUD Requirements	07/11/2019	10/23/2019	07/31/2020
2019-LA-0801	HUD Completed the Agreed-Upon Corrective Actions for One of the Two Recommendations Reviewed From Prior OIG Audit Report 2015-LA-0001 on FHA-HAMP Partial Claims	07/15/2019	10/08/2019	10/07/2020
2019-NY-1003	New York City Department of Housing Preservation and Development, New York, NY, Did Not Always Ensure That Units Met Housing Quality Standards but Generally Abated Payments When Required	08/02/2019	11/25/2019	05/29/2020

Report number	Report title	Issue date	Decision date	Final action
2019-BO-1003	The Commonwealth of Massachusetts Did Not Always Ensure That Its Grantees Complied With Applicable State and Federal Laws and Requirements	08/05/2019	12/03/2019	09/22/2020
2019-AT-1005	The Municipality of Yauco, PR, Did Not Always Administer Its CDBG Program in Accordance With HUD Requirements	08/09/2019	12/10/2019	11/29/2020
2019-FW-1006	The Bogalusa Housing Authority, Bogalusa, LA, Did Not Always Administer Its Public Housing Programs in Accordance With Requirements	08/16/2019	11/26/2019	11/30/2020
2019-CH-1003	The Management Agent for Lake View Towers Apartments, Chicago, IL, Did Not Always Comply With HUD's Section 8 HAP Program Requirements	09/03/2019	12/18/2019	12/01/2020
2019-AT-1006	Palm Beach County Housing Authority, West Palm Beach, FL, Did Not Support and Spend HUD Funds According to Regulations	09/30/2019	12/13/2019	12/31/2020
2019-CF-1803	Pacific Horizon Bancorp, Inc., and Two Loan Officers Settled Allegations of Failing To Comply With HUD's Federal Housing Administration Loan Requirements	09/30/2019	09/30/2019	08/01/2024
2019-CH-1004	The Taylor Housing Commission, Taylor, MI, Did Not Always Comply With HUD's and Its Own Requirements for Its Program Household Files	09/30/2019	01/14/2020	10/31/2020

Report number	Report title	Issue date	Decision date	Final action
2019-KC-0003	FHA Insured at Least \$13 Billion in Loans To Ineligible Borrowers With Delinquent Federal Tax Debt	09/30/2019	01/15/2020	01/31/2022

AUDITS EXCLUDED:

88 audits under repayment plans

31 audits under debt claims collection processing, formal judicial review, investigation, or legislative solution

NOTES:

1 Management did not meet the target date. Target date is over 1 year old.

2 Management did not meet the target date. Target date is under 1 year old.

3 No Management decision

Significant Evaluation Reports for Which Final Action Had Not Been Completed Within 12 Months After the Date of the Inspector General's Report

Report number	Report title	Issue date	Decision date	Final action
2013-ITED-0001	FY 2013 Federal Information Security Management Act (FY13 FISMA)	11/29/2013	11/29/2013	Note 1
2014-ITED-0001	FY14 HUD Privacy Program Evaluation	04/30/2014	04/30/2014	Note 1
2014-OE-0003	FY 2014 Federal Information Security Modernization Act (FY14 FISMA)	11/15/2014	11/15/2014	Note 1
2015-OE-0001	FY 2015 Federal Information Security Modernization Act (FY15 FISMA)	11/15/2015	11/15/2015	Note 1
2015-OE-0002	HUD IT Modernization	09/28/2015	09/25/2015	Note 1
2016-OE-0002	HUD Web Application Security Evaluation	06/06/2018	NA	Note 3
2016-OE-0004S	Opportunities for Improvement within CPD's Risk Management Process for Hurricane Sandy Grants	03/29/2017	08/20/2019	Note 2

Report number	Report title	Issue date	Decision date	Final action
2016-OE-0006	FY 2016 Federal Information Security Modernization Act (FY16 FISMA)	11/10/2016	11/10/2016	Note 1
2017-OE-0007	FY 2017 Federal Information Security Modernization Act (FY17 FISMA)	10/31/2017	8/16/2018	Note 1
2018-OE-0001	HUD Privacy Program Evaluation Report	09/13/2018	11/27/2018	Note 1
2018-OE-0002	Fire Safety Planning for the Weaver Building Needs Improvement	06/12/2018	11/29/2018	Note 1
2018-OE-0003	FY 2018 Federal Information Security Modernization Act (FY18 FISMA)	10/31/2018	05/17/2019	Note 1
2018-OE-0004	HUD IT System Management and Oversight of the Section 184 Program	08/13/2018	NA	Note 2

NOTES:

1 Management did not meet the target date. Target date is more than 1 year old.

2 No management decision

APPENDIX 2 - TABLES

TABLE C

Inspector General-Issued Reports With Questioned and Unsupported Costs at March 31, 2020

(in Thousands)

Audit reports	Number of audit reports	Questioned costs	Unsupported costs
A1 For which no management decision had been made by the beginning of the reporting period	23	\$992,809	\$419,719
A2 For which litigation, legislation, or investigation was pending at the beginning of the reporting period	1	20,157	0
A3 For which additional costs were added to reports in beginning inventory	-	532	169
A4 For which costs were added to noncost reports	1	4	4
B1 Which were issued during the reporting period	8	5,284	4,703
B2 Which were reopened during the reporting period	0	0	0
Subtotals (A+B)	33	1,018,786	424,595

TABLE C CONTINUED...

Audit reports	Number of audit reports	Questioned costs	Unsupported costs
C For which a management decision was made during the reporting period	20 ¹⁹	\$548,834	\$16,053
(1) Dollar value of disallowed costs: Due HUD	5 ²⁰	7,124	6,969
Due program participants	15	14,463	8,466
(2) Dollar value of disallowed costs:	3 ²¹	527,247	618
D For which a management decision had been made not to determine costs until completion of litigation, legislation, or investigation	1	20,157	0
E For which no management decision had been made by the end of the reporting period	11 <33> ²²	449,795 <411,508> ²²	408,542 <392,789> ²²

¹⁹Nine audit reports also contain recommendations with funds to be put to better use.

²⁰One audit report also contains recommendations with funds due program participants.

²¹Two audit reports also contain recommendations with funds agreed to by management.

²²The figures in brackets represent data at the recommendation level as compared to the report level. See Explanations of Tables C and D.

APPENDIX 2 - TABLES

TABLE D

**Inspector General-Issued Reports With Recommendations
That Funds Be Put to Better Use at March 31, 2020**

(in Thousands)

Audit reports	Number of audit reports	Dollar value
A1 For which no management decision had been made by the beginning of the reporting period	20	\$15,294,662
A2 For which litigation, legislation, or investigation was pending at the beginning of the reporting period	0	0
A3 For which additional costs were added to reports in beginning inventory	-	806
A4 For which costs were added to noncost reports	0	0
B1 Which were issued during the reporting period	3	799
B2 Which were reopened during the reporting period	0	0
Subtotals (A+B)	23	15,296,267

TABLE D CONTINUED...

Audit reports	Number of audit reports	Dollar value
C For which a management decision was made during the reporting period	10 ²³	\$6,547,370
(1) Dollar value of recommendations that were agreed to by management: Due HUD Due program participants	2 9	6,130,812 416,558
(2) Dollar value of recommendations that were not agreed upon by management	0	0
D For which a management decision had been made not to determine costs until completion of litigation, legislation, or investigation	0	0
E For which no management decision had been made by the end of the reporting period	13 <7> ²⁴	8,748,897 <5,227,892> ²⁴

²³Nine audit reports also contain recommendations with questioned costs.

²⁴The figures in brackets represent data at the recommendation level as compared to the report level. See Explanations of Tables C and D.

EXPLANATIONS of TABLES C and D

The Inspector General Act Amendments of 1988 require inspectors general and agency heads to report cost data on management decisions and final actions on audit reports. The current method of reporting at the “report” level rather than at the individual audit “recommendation” level results in misleading reporting of cost data. Under the Act, an audit “report” does not have a management decision or final action until all questioned cost items or other recommendations have a management decision or final action. Under these circumstances, the use of the “report” based rather than the “recommendation” based method of reporting distorts the actual agency efforts to resolve and complete action on audit recommendations. For example, certain cost items or recommendations could have a management decision and repayment (final action) in a short period of time. Other cost items or nonmonetary recommendation issues in the same audit report may be more complex, requiring a longer period of time for management’s decision or final action. Although management may have taken timely action on all but one of many recommendations in an audit report, the current “all or nothing” reporting format does not recognize their efforts.

The closing inventory for items with no management decision in tables C and D (line E) reflects figures at the report level as well as the recommendation level.

APPENDIX 3

INSPECTOR GENERAL EMPOWERMENT ACT

SUMMARY OF REPORTS WITH NO ESTABLISHMENT COMMENT

The Inspector General Impowerment Act (IGEA) requires the Office of Inspector General (OIG) to report on each audit and evaluation report for which the U.S. Department of Housing and Urban Development (HUD) did not return comments within 60 days of HUD OIG's providing the report to the Department.

On February 22, 2019, HUD OIG's Office of Investigation delivered Systemic Implication Report (SIR) FY (fiscal year) 19-001, Systemic Implication Report Pertaining to the Housing Choice Voucher Program Initial Certification and Annual Recertifications, to HUD's Office of Public and Indian Housing. Specifically, the SIR recommended that HUD standardize the initial certification and annual recertification questionnaire for the Housing Choice Voucher Program. It specifically recommended that HUD standardize and require the use of a personal declaration form regarding a tenant's declaration of his or her income and assets. The Department did not respond within the requisite 60 days, and HUD OIG had not received a response as of March 31, 2020.

SUMMARY OF REPORTS WITH OPEN RECOMMENDATIONS

The IGEA requires OIGs to report on each audit and evaluation report for which there are any outstanding unimplemented recommendations, including the combined potential cost savings of these recommendations. Summaries for the Office of Audit and Office of Evaluation (OE) are presented below.

OFFICE OF AUDIT

The Department currently has 1,586 outstanding (open) unimplemented recommendations with a combined potential cost savings of nearly \$23 billion. The following table and charts reflect the reasons why they remain unimplemented.

1. 1,396 recommendations have active corrective action plans in place or valid repayment plans, but HUD has not finished implementing the recommendation.
2. 190 recommendations are currently without management decisions (agreement between the Department and OIG). Fifty-eight recommendations are beyond the 180-day statutory requirement due to disagreement and were reported in table A of OIG's Semiannual Report to Congress (SAR). The remainder are within the 180-day limit, during which time management and OIG can arrive at an agreed-upon corrective action plan.
3. 415 open recommendations have management decisions in place but are currently under investigative, legislative, or judicial action or under a valid repayment plan and are, therefore, suspended pending resolution.

Office of Audit Summary

Calendar year	Number of open recommendations	Cumulative estimated cost savings from open recommendations
Pre-2001	4	\$1,851,998
2001	1	200,000
2002	7	1,379,626
2003	14	1,813,658
2004	8	8,303,357
2005	5	3,006,373
2006	15	10,843,620
2007	16	5,081,749
2008	33	72,339,854
2009	27	78,907,224
2010	21	23,773,119
2011	40	100,074,028
2012	25	15,245,514
2013	79	378,486,540
2014	153	517,097,667
2015	138	855,372,119
2016	205	7,859,218,641
2017	188	1,038,294,638
2018	257	4,533,736,967
2019	219	7,115,521,980
2020	131	4,944,439
Total	1,586	22,625,493,111

OFFICE OF EVALUATION

OE conducts evaluations focused on improving departmental process and programs. As of the writing of this SAR, OE's recommendations have not focused on producing direct cost savings but, rather, improving program effectiveness, reducing the likelihood of negative outcomes, and addressing HUD's top management challenges.

The following table summarizes OE's open recommendations by calendar year.

Calendar year	Number of open recommendations
2013	10
2014	21
2015	24
2016	6
2017	22
2018	59
2019	0
2020	5
Total	147

Statistical Table Showing Investigative Report Metrics

The data used in this statistical table were extracted from HUD OIG’s Case Management System. The Case Management System and its underlying infrastructure allow for data input and maintain data integrity during the complete investigative case cycle, while ensuring data privacy and confidentiality. The system was developed in .Net 4.5.1, and the database is SQL 2012. HUD OIG develops queries to extract data from the Case Management System to meet business requirements, such as the information used to create this statistical table. The footnotes referenced in the table provide additional guidance pertaining to each requested category of information.

Reporting Period: FY 2020, Period 1 (SAR 83) October 1, 2019, Through March 31, 2020

Measure	Total
A. Total number of investigative reports issued during the reporting period ²⁵	228
B. Total number of persons referred to the U.S. Department of Justice for criminal prosecution during the reporting period	157
C. Total number of persons referred to State and local prosecuting authorities for criminal prosecution during the reporting period	60
D. Total number of indictments and criminal informations during the reporting period that resulted from any prior referral to prosecuting authorities ²⁶	92

²⁵Includes approved reports of investigations

²⁶Includes all charging documents reported: criminal complaints, indictments, informations, and superseding indictments

INVESTIGATIONS OF SENIOR GOVERNMENT EMPLOYEES

The IGEA requires OIG to summarize in the SAR each investigation involving a senior government employee when allegations of misconduct were substantiated. Listed below are the cases for this reporting period.

HUD OIG initiated an investigation regarding allegations that a senior U.S. Department of Commerce (DOC) OIG official directed an OIG staff member to create an internal memorandum regarding a phone call his ex-wife made to his office to inquire about his salary. Additionally, the complainant alleged that the official reviewed and edited the memorandum and directed the employee to provide him with a copy. The official also improperly removed a copy of this document from DOC OIG without authorization and improperly presented it in court in connection with his personal divorce litigation. The allegations were substantiated, and the official resigned after a request to do so by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). The investigation was not referred for criminal prosecution.

INSTANCES OF WHISTLEBLOWER RETALIATION

The IGEA requires OIG to include in the SAR a detailed description of any instance of whistleblower retaliation, including information about the official found to have engaged in retaliation and what, if any, consequences the establishment imposed to hold that official accountable.

There are no instances of whistleblower retaliation to report in this SAR period.

OIG INDEPENDENCE

The IGEA requires OIG to include in the SAR a detailed description of any attempt by the establishment to interfere with the independence of OIG, including incidents in which the establishment has resisted or objected to oversight activities or restricted or significantly delayed access to information.

OIG has no instances of attempts to interfere with OIG independence to report in this SAR period.



REPORTS THAT WERE CLOSED DURING THE PERIOD THAT WERE NOT DISCLOSED TO THE PUBLIC

Section 5(a)(22) of the IGEA, as amended, requires that OIG report on each audit and investigation conducted by the office that is closed during the reporting period and was not disclosed to the public.

OFFICE OF AUDIT

The office of audit did not close any audits this semiannual period that were not disclosed to the public.

OFFICE OF INVESTIGATION

During the current reporting period, OIG has four investigative reports that were closed but not disclosed to the public. The allegations include the following:

1. HUD OIG initiated an investigation regarding allegations that a senior DOC OIG official directed an OIG staff member to create an internal memorandum regarding a phone call his ex-wife made to his office to inquire about his salary. Additionally, the complainant alleged that the official reviewed and edited the memorandum and directed the employee to provide him with a copy. The official also improperly removed a copy of this document from DOC OIG without authorization and improperly presented it in court in connection with his personal divorce litigation. The allegations were substantiated, and the official resigned after a request to do so by CIGIE. The investigation was not referred for criminal prosecution.
2. HUD OIG initiated an investigation regarding allegations that a senior HUD employee colluded with outside trade organizations to enact unnecessary Federal regulations for the benefit of some housing manufacturers over others and to implement billions of dollars in subsidies, which were not needed. The complainant also alleged that the employee may have participated in a blackmail attempt against the editor of a trade periodical, which was critical of HUD regulation. The investigation was referred to the U.S. Attorney's office for criminal prosecution but was declined. The allegations were not substantiated, and the investigation was closed. The employee retired before completion of the investigation.
3. HUD OIG initiated an investigation regarding allegations that a former HUD OIG supervisor committed prohibited personnel practices by hiring an employee. The complainant also alleged that the employee bragged to several people that she was going to be offered the job by the supervisor before the official selection was made. The allegations were not substantiated, and the investigation was closed. The investigation was not referred for criminal prosecution.
4. HUD OIG initiated an investigation regarding allegations that a senior HUD official misused her position to benefit a particular Federal Housing Administration lender. The allegations were not substantiated. HUD OIG closed this investigation with no referral to the Department for action. The investigation was not referred for criminal prosecution.

OFFICE OF EVALUATION

Open Information Technology and Privacy Program Recommendations Issued to the U.S. Department of Housing and Urban Development by the Office of Inspector General's Office of Evaluation

HUD OIG reviewed the status of all information technology (IT) and privacy program recommendations issued to HUD by OIG OE through fiscal year 2019. At the time of issuance of this report, of the 265 IT and privacy program recommendations OE had issued since fiscal year 2014, 113 have been closed, and 152 remain open. Four recommendations have overdue management decisions. The report analyzes the number of recommendations by functional area and the progress made toward closing recommendations. In addition, the report lists OIG's understanding of some of HUD's key challenges to closing recommendations and provides possible steps toward increasing HUD's effectiveness in addressing and resolving its open recommendations.

To ensure success in remediating these weaknesses and strengthening HUD's IT, cybersecurity, and privacy programs, it will be essential that adequate staff and resources are allocated to implement IT plans and projects. The Office of the Chief Information Officer and OE conduct at least quarterly working meetings to discuss and address all open IT and cybersecurity evaluation recommendations and are working closely together to improve the process for tracking and closing those recommendations. (Evaluation Topic Brief: **2019-OE-0006**)

APPENDIX 4

REPORTING REQUIREMENTS

The specific reporting requirements as prescribed by the Inspector General Act of 1978, as amended by the Inspector General Act of 1988, are listed below.

Source requirement	Pages
Section 4(a)(2)-review of existing and proposed legislation and regulations.	34-39
Section 5(a)(1)-description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of the Department.	11-27, 64-65
Section 5(a)(2)-description of recommendations for corrective action with respect to significant problems, abuses, and deficiencies.	40-63
Section 5(a)(3) ²⁷ -identification of each significant recommendation described in previous Semiannual Report on which corrective action has not been completed.	Appendix 3, table B, 79
Section 5(a)(4)-summary of matters referred to prosecutive authorities and the prosecutions and convictions that have resulted.	11-27
Section 5(a)(5)-summary of reports made on instances where information or assistance was unreasonably refused or not provided, as required by Section 6(b)(2) of the Act.	No instances

²⁷Unsupported costs are a subset of questioned costs that the Inspector General Act requires be identified separately from the cumulative questioned costs identified.

REPORTING REQUIREMENTS CONTINUED...

Source requirement	Pages
Section 5(a)(6)-listing of each audit report completed during the reporting period, and for each report, where applicable, the total dollar value of questioned and unsupported costs and the dollar value of recommendations that funds be put to better use.	Appendix 1, 69
Section 5(a)(7)-summary of each particularly significant report.	11-27
Section 5(a)(8)-statistical tables showing the total number of audit reports and the total dollar value of questioned and unsupported costs.	Appendix 2, table C, 111
Section 5(a)(9)-statistical tables showing the total number of audit reports and the dollar value of recommendations that funds be put to better use by management.	Appendix 2, table D, 113
Section 5(a)(10)-summary of each audit report issued before the commencement of the reporting period for which no management decision had been made by the end of the period.	Appendix 2, table A, 75
Section 5(a)(11)-a description and explanation of the reasons for any significant revised management decisions made during the reporting period.	62
Section 5(a)(12)-information concerning any significant management decision with which the Inspector General is in disagreement.	62
Section 5(a)(13)-the information described under section 05(b) of the Federal Financial Management Improvement Act of 1996.	63

APPENDIX 5

ACRONYMS AND ABBREVIATIONS

ACD	Accelerated Claims Disposition
ARC	Administrative Resource Center
ASC	Accounting Standards Codification
CDBG	Community Development Block Grant
CDBG-DR	Community Development Block Grant Disaster Recovery
CFR	Code of Federal Regulations
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CPD	Office of Community Planning and Development
CPI-U	Consumer Price Index for All Urban Consumers
CWCOT	Claims Without Conveyance of Title
DEC	Departmental Enforcement Center
DHS	U.S. Department of Homeland Security
DOC	U.S. Department of Commerce
DoD	U.S. Department of Defense
DOT	U.S. Department of Transportation
EFT	electronic funds transfer
eVMS	Enterprise Voucher Management System
FFMIA	Federal Financial Management Improvement Act
FHA	Federal Housing Administration
FHFA	Federal Housing Finance Agency
FISMA	Federal Information Security Modernization Act of 2014
FSSP	Federal shared service provider
FY	fiscal year
GAAP	generally accepted accounting principles
Ginnie Mae	Government National Mortgage Association
HAMP	Home Affordable Modification Program
HECM	home equity conversion mortgage
HOPWA	Housing Opportunities for Persons With AIDS
HUD	U.S. Department of Housing and Urban Development
IAA	interagency agreement
IBC	International Building Code

ICC	International Code Council
IDIS	Integrated Disbursement and Information System
IGEA	Inspector General Empowerment Act
IT	information technology
LOS	Loan Origination System
LTW	Louisiana, Texas, and West Virginia
MHI	mortgage held for investment
MIP	mortgage insurance premium
MSS	master servicer
NCIS	New Core Interface System
NSP	Neighborhood Stabilization Program
NSPIRE	National Standards for the Physical Inspection of Real Estate
OBGA	Office of Block Grant Assistance
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OCPO	Office of the Chief Procurement Officer
OE	Office of Evaluation
OI	Office of Investigation
OIG	Office of Inspector General
OMB	Office of Management and Budget
ONAP	Office of Native American Programs
PBV	Project-Based Voucher Program
PHA	public housing agency
PIH	Office of Public and Indian Housing
POA	PHAs, owners, and agents
PRDOH	Puerto Rico Department of Housing
PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act
RAD	Rental Assistance Demonstration Program
REAC	Real Estate Assessment Center
REO	real estate owned
SAM	System for Award Management
SAR	Semiannual Report to Congress
SIR	Systemic Implication Report
U.S.C.	United States Code
USDA	U.S. Department of Agriculture

APPENDIX 6

OIG TELEPHONE DIRECTORY

OFFICE OF AUDIT

Headquarters	Washington, DC	202-708-0364
Region 1	Boston, MA Hartford, CT	617-994-8380 860-240-9739
Region 2	New York, NY Buffalo, NY Newark, NJ	212-264-4174 716-551-5755 973-622-7900
Region 3	Philadelphia, PA Baltimore, MD Pittsburgh, PA Richmond, VA	215-656-0500 410-962-2520 412-644-6372 804-771-2100
Region 4	Atlanta, GA Greensboro, NC Miami, FL San Juan, PR	404-331-3369 336-547-4001 305-536-5387 787-766-5540
Region 5	Chicago, IL Columbus, OH Detroit, MI	312-913-8499 614-280-6138 313-226-6190

Region 6	Fort Worth, TX Baton Rouge, LA Houston, TX New Orleans, LA Albuquerque, NM Oklahoma City, OK San Antonio, TX	817-978-9309 225-448-3975 713-718-3199 504-671-3000 505-346-6463 405-609-8606 210-475-6800
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REGION 7-8-10	Kansas City, KS St. Louis, MO Denver, CO Seattle, WA	913-551-5870 314-539-6339 303-672-5452 206-220-5360
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REGION 9	Los Angeles, CA Las Vegas, NV Phoenix, AZ San Francisco, CA	213-894-8016 702-366-2100 602-379-7250 415-489-6400
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OFFICE OF EVALUATION

Headquarters	Washington, DC	202-708-0430
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OIG TELEPHONE DIRECTORY CONTINUED...

OFFICE OF INVESTIGATION

Headquarters Washington, DC 202-708-5998

Region 1-2 New York, NY 212-264-8062
Boston, MA 617-994-8450
Hartford, CT 860-240-4800
Manchester, NH 603-666-7988
Newark, NJ 973-776-7347

Region 3 Philadelphia, PA 215-430-6756
Baltimore, MD 410-209-6695
Pittsburgh, PA 412-644-2668
Richmond, VA 804-822-4890

Region 4 Atlanta, GA 404-331-5001
Greensboro, NC 336-547-4000
Miami, FL 305-536-3087
San Juan, PR 787-766-5868

Region 5 Chicago, IL 312-353-4196
Cleveland, OH 216-357-7800
Columbus, OH 614-469-5737
Detroit, MI 313-226-6280
Indianapolis, IN 317-957-7377
Minneapolis-
St. Paul, MN 612-370-3130

Region 6 Fort Worth, TX 817-978-5440
Baton Rouge, LA 225-448-3941
Houston, TX 713-718-3220
New Orleans, LA 504-671-3700
Oklahoma City, OK 405-609-8601
San Antonio, TX 210-475-6822

Region 7-8-10 Denver, CO 303-672-5350
Billings, MT 406-247-4080
Kansas City, KS 913-551-5566
Salt Lake City, UT 801-524-6091
St. Louis, MO 314-539-6559
Seattle, WA 206-220-5380

Region 9 Los Angeles, CA 213-534-2496
Las Vegas, NV 702-366-2144
Phoenix, AZ 602-379-7252
Sacramento, CA 916-930-5693
San Francisco, CA 415-489-6685

FRAUD ALERT

Every day, loan modification and foreclosure rescue scams rob vulnerable homeowners of their money and their homes. The U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), is the Department's law enforcement arm and is responsible for investigating complaints and allegations of mortgage fraud. Following are some of the more common scams.

Common Loan Modification Scams

- ➔ **Phony counseling scams:** The scam artist says that he or she can negotiate a deal with the lender to modify the mortgage — for an upfront fee.
- ➔ **Phony foreclosure rescue scams:** Some scammers advise homeowners to make their mortgage payments directly to the scammer while he or she negotiates with the lender. Once the homeowner has made a few mortgage payments, the scammer disappears with the homeowner's money.
- ➔ **Fake "government" modification programs:** Some scammers claim to be affiliated with or approved by the government. The scammer's company name and website may appear to be a real government agency, but the website address will end with .com or .net instead of .gov.
- ➔ **Forensic loan audit:** Because advance fees for loan counseling services are prohibited, scammers may sell their services as "forensic mortgage audits." The scammer will say that the audit report can be used to avoid foreclosure, force a mortgage modification, or even cancel a loan. The fraudster typically will request an upfront fee for this service.
- ➔ **Mass joinder lawsuit:** The scam artist, usually a lawyer, law firm, or marketing partner, will promise that he or she can force lenders to modify loans. The scammers will try to "sell" participation in a lawsuit against the mortgage lender, claiming that the homeowner cannot participate in the lawsuit until he or she pays some type of upfront fee.
- ➔ **Rent-to-own or leaseback scheme:** The homeowner surrenders the title or deed as part of a deal that will let the homeowner stay in the home as a renter and then buy it back in a few years. However, the scammer has no intention of selling the home back to the homeowner and, instead, takes the monthly "rent" payments and allows the home to go into foreclosure.

Remember, only work with a HUD-approved housing counselor to understand your options for assistance. HUD-approved housing counseling agencies are available to provide information and assistance. Call 888-995-HOPE to speak with an expert about your situation. HUD-approved counseling is free of charge. If you suspect fraud, call HUD OIG.

Diversity and Equal Opportunity

The promotion of high standards and equal employment opportunity for employees and job applicants at all levels. HUD OIG reaffirms its commitment to nondiscrimination in the workplace and the recruitment of qualified employees without prejudice regarding their gender, race, religion, color, national origin, sexual orientation, disability, or other classification protected by law. HUD OIG is committed and proactive in the prevention of discrimination and ensuring freedom from retaliation for participating in the equal employment opportunity process in accordance with departmental policies and procedures.

**Report fraud, waste, and mismanagement
in HUD programs and operations by**

Faxing the OIG hotline:
202-708-4829

Emailing the OIG hotline: hotline@hudoig.gov

Sending written information to
Department of Housing and Urban Development
Inspector General Hotline (GFI)
451 7th Street SW
Washington, DC 20410

Online at
<https://www.hudoig.gov/hotline>



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