



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

SEMIANNUAL REPORT TO CONGRESS

For the period April 1, 2021, to September 30, 2021

★★ OFFICE *of* ★★
INSPECTOR GENERAL

UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

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PROFILE OF PERFORMANCE

For the period April 1, 2021, to
September 30, 2021

AUDIT RESULTS

	This Reporting Period	Fiscal Year 2021
Recommendations that funds be put to better use	\$9,760,886	\$448,452,193
Recommended questioned costs	\$1,767,427	\$14,632,094
Collections from audits	\$37,520,915	\$127,722,597
Administrative sanctions	0	0
Civil actions	0	1
Subpoenas	0	2
Personnel actions	0	0

INVESTIGATIVE RESULTS

Total restitutions and judgments	\$17,810,809	\$57,898,921
Total recoveries and receivables to HUD programs	\$6,636,890	\$25,182,931
Arrests	61	112
Indictments and informations	73	149
Convictions, pleas, and pretrial diversions	57	122
Civil actions	6	30
Total administrative sanctions	20	69
Suspensions	2	2
Debarments	1	14
Program or professional license/certification	9	39
Evictions	5	8
Other ¹	3	6
Systemic implication reports	0	0
Search warrants	19	31
Subpoenas	203	411

¹Includes employee actions (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) and limited denial of participation.



A MESSAGE FROM THE INSPECTOR GENERAL

I am proud 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 April 1 – September 30, 2021.

As I complete my third year as Inspector General, I am more impressed than ever by the oversight we do here at HUD OIG and by the dedication of our cross-cutting team of engaged professionals. Together, we have developed and implemented collaborative processes to help us focus on performing timely and quality oversight that improves HUD's program delivery. Our team works closely to support HUD's core mission, and together with our colleagues at HUD, our goal is to make HUD's programs and the administration of those programs the strongest and most efficient that they can be.

We strive to make a difference and ensure that our work has maximum positive impact. There are so many people who need us to get this right because safe, affordable, clean housing, available to all eligible individuals, is critical. As we engage in strategic planning for the next 4 years, we are committed to protecting the interests of our stakeholders – HUD, Congress, and the public.

I am also a member of the Pandemic Response Accountability Committee, with whom my office collaborates to protect pandemic relief funds governmentwide. Given the influx of Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan Act (ARP) funds intended to assist individuals impacted by the pandemic in a timely manner, our oversight is imperative.

I want to take this opportunity to welcome the new leadership team at HUD, under the direction of Secretary Marcia L. Fudge, and recognize HUD's career public servants, who work hard each day to efficiently administer HUD's programs and deliver critical housing to those in need. With an annual budget of nearly \$50 billion – plus more than \$10 billion in ARP funds in 2021, more than \$12 billion in CARES Act funds from 2020, and almost \$39 billion in disaster recovery funds from prior years to be spent – we understand that the challenges of administering these funds are significant. As we conduct our oversight, we strive to recognize the progress that has been made by HUD as well as the challenges that are ahead, particularly with the influx of pandemic relief funds.

Internally, we collaborate to develop ideas for how we can maximize our impact and do what we were created to do: perform timely impactful oversight to help HUD meet its critical mission of providing housing assistance to those in need. This includes identifying instances of fraud, waste, abuse, and mismanagement and providing recommendations that help HUD, its grantees, and subgrantees get assistance out as quickly as possible to address housing needs when they arise. It also includes ensuring proper stewardship of HUD funds and keeping them out of the hands of the fraudsters who seek to divert these funds for other purposes. We have invested in growing our Office of Information Technology to enhance our use of data, incorporating it throughout every component of our organization, so that we can make risk-based decisions for all of our oversight. We have also incorporated agile work into our portfolio to provide timely information to HUD and our stakeholders.

Toward these ends, our audit and evaluation teams have focused on areas we have identified as priorities, such as ensuring that housing is habitable and

hazard free; promoting integrity and efficiency in HUD operations; improving accountability and effectiveness in disaster response and recovery; managing risk in grant programs; and identifying, preventing, and investigating fraud against HUD programs. For example, during this reporting period, we conducted an evaluation and recommended the issuance of a departmentwide policy aimed at protecting residents in HUD-assisted housing from the hazardous health effects of radon exposure. We also conducted an audit focused on the underutilization of HUD's Housing Choice Voucher Program, making recommendations to help HUD maximize the number of eligible families who benefit from that program. This is especially important now that ARP has provided an additional \$5 billion to HUD to fund 70,000 more vouchers for individuals and families who are experiencing homelessness or are at risk of homelessness.

We have looked at challenges in administering disaster relief programs, which need to get funds out promptly to those impacted by emergencies. During this semiannual period, we issued two audit reports focusing on the untimely administration of disaster recovery funds related to Hurricane Harvey, both identifying concerns related to compliance with procurement controls, the maintenance of adequate documentation, and subrecipient oversight. As we have done previously, we continue to recommend that HUD's Community Development Block Grant Disaster and Mitigation programs be codified, which we believe is critical in helping HUD to administer disaster relief funds in a timely manner moving forward.

We also continue to perform work to help HUD address its top management challenges, to include ongoing staffing challenges at HUD, which impact the efficient operations of all of its programs. During this semiannual period, we conducted an evaluation of HUD's hiring process, identifying challenges and impediments to bringing qualified individuals on board in a timely manner. HUD accepted all 11 recommendations and is in the process implementing process improvement plans.

We take an agencywide approach to preventing and pursuing fraud. The efforts of our Office of Investigation have resulted in several indictments and convictions related to fraud across multiple HUD programs. For example, during this semiannual period alone, a former executive director of a public

housing agency pleaded guilty to embezzling more than \$500,000; a former manager of three housing complexes catering to elderly and disabled citizens pleaded guilty to diverting more than \$400,000 for personal expenses; and a former administrator and owner of an Alzheimer's assisted living facility was sentenced to almost 4 years in prison and ordered to pay \$2 million in restitution for equity skimming for taking money from his business to pay for personal expenses, rather than using it to repay a HUD-insured loan, as mandated. Our cases have also resulted in civil settlements involving allegations of false claims, to include a duplicate billing scheme by an individual who charged HUD and a local funding program for the same expenses, and a landlord who improperly used HUD funding for a relative's housing for 10 years and provided associated false certifications to HUD. Beyond investigations, our audit team is conducting substantial work related to identifying risks and improper payments, making recommendations to protect HUD's programs.

In closing, I would like to thank Congress for its continued support of our oversight efforts, which is so important to our ability to be impactful, as well as the many community stakeholders who partner with us to protect HUD's programs and help ensure that eligible individuals have safe and affordable housing without hazards. In addition, I want to recognize the commitment of our entire HUD OIG team, who work above and beyond to protect taxpayer funds and the individuals who need HUD's assistance in meeting their critical housing needs. I am honored to lead this team, to enhance our oversight capabilities and maximize impact, and to continue to help effect positive change for HUD programs and those served by them.

Inspector General
Rae Oliver Davis



SNAPSHOT

Spotlight

Our fiscal year 2021 performance has helped us deliver for the U.S. Department of Housing and Urban Development (HUD), Congress, and our other stakeholders, including HUD communities nationwide. Our work has helped the Department achieve its mission to create strong, sustainable, inclusive communities and quality, affordable homes for all. Our scale, reach, and activities range from efforts to identify and mitigate health risks to residents living in HUD-funded properties to providing oversight of relief efforts provided by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), as well as providing oversight to more than 300 of HUD's programs and operations. This section draws attention to our reports and performance since April 1, 2021.

HUD Remains Challenged To Serve the Maximum Number of Eligible Families Due to Decreasing Utilization in the Housing Choice Voucher Program

HUD's Office of Inspector General (OIG) audited HUD's oversight of voucher utilization and reallocation in the Housing Choice Voucher Program based on the OIG report on HUD's top management challenges for fiscal year 2020 and HUD's strategic goals and objectives reported in its 2018-2022 strategic plan.

In addition, while responding to a congressional inquiry from Senator Chuck Grassley's office, regarding portability in the Program (audit report number 2020-CH-0006, issued September 9, 2020), OIG identified that as

of September 2019, HUD had more than 300,000 unused vouchers that could potentially be used to house families in need of affordable housing. The audit objective was to assess HUD's oversight of voucher utilization and reallocation in the Housing Choice Voucher Program. HUD remains challenged to ensure that the maximum number of eligible families benefits from its Housing Choice Voucher Program.

Specifically, while HUD's voucher utilization rate had decreased, it estimated that as of November 2020, more than 62 percent of public housing agencies in the Program had leasing potential and that leasing potential could increase in 2021.

In addition, HUD had not exercised its regulatory authority to reallocate housing choice vouchers and associated funding when public housing agencies underutilized their vouchers. HUD remains challenged with voucher utilization because some public housing agencies continue to encounter difficulties that are not within their control to overcome and which negatively impact the agencies' ability to increase leasing in their service areas. In addition, HUD believed that it could not implement its reallocation regulation because of legislative changes dating back to 2003. As a result, nearly 81,000 available housing choice vouchers could potentially be used to provide additional subsidized housing for eligible families. Further, more than 191,000 authorized vouchers were unused and unfunded, meaning that more than 191,000 additional low- to moderate-income families could possibly benefit from subsidized housing by using these vouchers. However, HUD would need an additional appropriation of nearly \$1.8 billion to fund these vouchers.

OIG recommended that HUD's Office of Field Operations establish and implement a plan to assist public housing agencies in optimizing leasing

potential to maximize the number of assisted families and prevent additional vouchers from becoming unfunded. OIG also recommended that HUD's Office of Public Housing and Voucher Programs establish and implement a plan for the unused and unfunded vouchers to mitigate or prevent additional vouchers from becoming unused and unfunded.

(Agencywide, Audit Report: 2021-CH-0001)

HUD's Office of Multifamily Housing Programs' Complaint Process Did Not Ensure That Health and Safety Complaints Were Resolved in a Timely Manner

OIG audited HUD's Office of Multifamily Housing Programs' health and safety complaint process. OIG conducted this audit due to a July 2019 explosion that occurred at the Calloway Cove Apartments, a Multifamily Housing property in Jacksonville, FL, which resulted in a fire that injured several people. HUD's Real Estate Assessment Center had identified life-threatening health and safety deficiencies at the property for several years, and there had been separate concerns related to health and safety issues at this complex, which appear to have gone unaddressed and may have led to the fire. The audit objective was to determine whether HUD ensured that health and safety complaints associated with Multifamily Housing-Section 8-assisted housing were resolved in a timely manner.

HUD's complaint process did not ensure that health and safety complaints were resolved in a timely manner.

On average, it took 2.5 days to resolve the life-threatening health and safety issues reviewed, including 3 days to resolve a gas leak issue.

It took an average of 17 days to resolve the non-life-threatening health and safety issues, including 175 days to resolve an infestation problem. For the purpose of this audit, OIG determined reasonable benchmark resolution

times to be 24 hours for resolving life-threatening health and safety issues and 72 hours for non-life-threatening health and safety issues. This condition occurred because HUD did not have a standardized, effective process for monitoring, tracking, and resolving complaints in a timely manner. As a result, Multifamily Housing tenants were, in some instances, faced with unhealthy and dangerous living environments for extended periods.

OIG recommended that the Deputy Assistant Secretary for Multifamily Housing Programs (1) develop a comprehensive process to ensure that complaints received by the Multifamily Housing Clearinghouse are resolved in a timely manner; (2) develop agencywide policies and procedures for the intake, monitoring, and tracking of health and safety complaints; (3) develop an automated real-time system for receiving, tracking, and resolving health and safety issues; and (4) revise the annual contributions contract to more clearly define contractor and property management responsibilities and deadlines for resolving health and safety issues. **(Agencywide, Audit Report: 2021-KC-0004)**

HUD's Use of, Accounting for, and Reporting on CARES Act Funding

As of March 31, 2021, HUD had disbursed \$3.4 billion and obligated \$7.4 billion of its \$12.4 billion in CARES Act funds. Meanwhile, HUD had more than \$1.6 billion in CARES Act funds unobligated. These funds had various expiration dates. For example, HUD had until September 30, 2021, to obligate \$28 million of the remaining management and administration CARES Act funds and until September 30, 2022, to obligate more than \$1.3 billion of the remaining Office of Community Planning and Development CARES Act funds. If HUD is unable to obligate funds properly before its appropriations expire, it may have balances canceled and returned to the General Fund when the expired account(s) closes.

HUD tracks all CARES Act funding in its financial systems using disaster emergency fund codes (DEFC) “N” and “O” assigned by the Office of Management and Budget and the U.S. Department of the Treasury. HUD incorporates these DEFCs into the fund code for each program, which allows HUD to track the status of each program’s CARES Act funds. Regarding the CARES Act requirement for preventing duplication of benefits, the Act does not specify a structure for meeting this requirement. According to HUD, it passed on the responsibility to prevent the duplication of benefits to Community Development Block Grant-CARES Act grantees.

HUD’s reporting process generally supports CARES Act reporting requirements, which are outlined in Section 15011 of the CARES Act.

By leveraging existing reporting mechanisms, HUD has established a process to meet portions of its Pandemic Response Accountability Committee (PRAC) quarterly reporting requirement on behalf of covered recipients.

However, HUD’s process does not support reporting quarterly on the estimated number of jobs created or retained or on subrecipient data as required for covered recipients in the CARES Act. Further, unclear reporting requirements and the required reporting schedule pose challenges to HUD’s quarterly reporting to the PRAC. As of March 31, 2021, OIG had undertaken 26 reviews related to the CARES Act, of which 1 report offers a recommendation on CARES Act-related accounting. OIG has published two other reports highlighting the need for customer service-related improvements. OIG has several ongoing reviews and continues to perform oversight work related to the CARES Act. **(Agencywide, Evaluation Report: 2021-OE-0006)**

Opportunities Exist To Improve the U.S. Department of Housing and Urban Development’s Hiring Process

While some of HUD’s efforts to improve its hiring and human capital functions and reduce its average time-to-hire have been successful, HUD’s hiring process overall was not efficient. HUD’s Office of the Chief Human Capital Officer (OCHCO), which is responsible for developing and implementing policies and procedures associated with human capital management, set a goal to reduce the average time-to-hire but did not meet this goal. OCHCO must implement efforts to improve HUD’s hiring and human capital functions and increase hiring efficiency as defined in its own human capital operating plans.

Hiring process owners, including program office hiring managers and administrative staff, received limited and inconsistent training on the hiring process and were not aware of the roles or responsibilities in the hiring process. The unclear roles and responsibilities, along with the inconsistent training, impacted HUD’s ability to hire efficiently. Additionally, OCHCO had inconsistent and unreliable hiring data due to the manual nature of its data entry process and the lack of interaction among the various data-tracking tools. As a result, OCHCO may not fully understand how well HUD’s hiring process is operating or where its shortcomings exist. The unreliable hiring data impede OCHCO’s and the program offices’ ability to properly identify when to take actions for improvement.

OIG offered 11 recommendations to improve HUD’s hiring process. Six of the recommendations are aimed at process reform, and five recommendations are designed to support data improvement. The status of each recommendation is unresolved-open. **(Agencywide, Evaluation Report: 2020-OE-0002)**

Making an Impact

OIG's oversight work results in recommendations to encourage improvements in the conduct of government programs and operations. This section highlights connections between OIG's work and positive impact for HUD's programs, operations, mission, and beneficiaries. While there are many factors that may cause programmatic change, OIG's reviews and other work often play a role. This section draws attention to recommendations closed during this semiannual reporting period that have made a positive impact on HUD's mission and operations.

Office of Administration - Privacy Data and Records Management

The Office of Administration closed 10 recommendations associated with OIG evaluations of HUD's privacy and records programs. Five of these recommendations enabled HUD to address critical program leadership and governance issues and prioritize remediation of longstanding agency privacy and records management risks. Four recommendations established foundational requirements for improving HUD's identification and protection of personally identifiable information within its environment. Three of the ten recommendations had been open for more than 5 years, reflecting HUD's increased focus on improving its privacy and records programs. HUD's efforts to close OIG recommendations have positively impacted HUD's progress in improving its Privacy and Records Management programs.

Office of the Chief Information Officer - Modernizing Technology and the Management and Oversight of Information Technology

During this semiannual reporting period, HUD closed 37 recommendations associated with OIG Federal Information Security Modernization Act of 2014 (FISMA) evaluations and financial statement application audits. The Office of the Chief Information Officer (OCIO) made a concerted effort to resolve recommendations that impacted both cybersecurity and financial internal controls. A portion of the closures addressed HUD weaknesses that had existed for up to 5 years. OIG recommendations addressed a wide array of criteria measures for the eight FISMA domains and the Federal Information System Controls Audit Manual, but all impacted HUD's overall improvements in information technology (IT), cybersecurity, and financial reporting.

OCIO has resolved seven IT recommendations that directly contributed to improvements in the Information Security Continuous Monitoring FISMA domain, which is now assessed at the consistently implemented maturity level.

Overall, since 2013, OIG has made 220 FISMA-related recommendations, OCIO has closed 159 of that subgroup, and those changes continue to enhance HUD's security posture. HUD now has five of the eight FISMA domains at the consistently implemented maturity level. Further, during this semiannual reporting period, OCIO has resolved 15 recommendations associated with general and application controls audit work in support of the annual financial statements audits, which shows that HUD is making a concerted effort toward improving its financial management systems.

HOUSING

The Office of Housing plays a vital role for the Nation's home buyers, homeowners, renters, and communities through its nationally administered programs. It includes the Offices of Single Family Housing and Multifamily Housing Programs and the Federal Housing Administration (FHA), the largest mortgage insurer in the world. FHA single-family programs provide mortgage insurance to mortgage lenders that, in turn, provide financing that enables individuals and families to purchase, rehabilitate, or construct homes. The Office of Multifamily Housing's mortgage insurance programs facilitate the construction, substantial rehabilitation, purchase, and refinancing of multifamily properties. The office also administers subsidized housing programs that provide rental assistance to low-income families, the elderly, and those with disabilities, as well as the preservation of assisted affordable housing. The Office of Healthcare Programs administers FHA's mortgage insurance programs that help finance the construction, renovation, acquisition, or refinancing of healthcare facilities -- including hospitals, nursing homes, and assisted living facilities.

AUDIT



3

KEY PROGRAM RESULTS



0

RECOMMENDED FUNDS PUT TO BETTER USE



0

RECOMMENDED QUESTIONED COSTS

INVESTIGATION



\$8,358,509

INVESTIGATIVE RECOVERIES



26

CONVICTIONS - PLEAS - PRETRIAL DIVERSIONS



6

ADMINISTRATIVE - CIVIL ACTIONS

OFFICE OF AUDIT

Promoting a Homeless Waitlist Preference at Multifamily-Assisted Rental Unit Properties

HUD's Office of Inspector General (OIG) provided HUD's Office of Housing with an informative memorandum on promoting a homeless waitlist preference at Multifamily Housing rental assistance properties. OIG found that homeless move-in rates were significantly higher at properties that had waitlist preferences for previously homeless applicants. HUD should revisit the promotion and marketing of its homeless waitlist preference and consider partnering with a homeless service provider. Additionally, HUD can take this opportunity to make changes to the program and adopt additional incentives to increase the likelihood of owner and agent participation. Lastly, HUD should consider updating its public website to make it more likely that someone with limited resources and knowledge of its site can successfully identify Multifamily Housing rental assistance properties in his or her area.

Agencywide, Audit Memorandum: 2021-KC-0802

HUD's Office of Multifamily Housing Programs' Complaint Process Did Not Ensure That Health and Safety Complaints Were Resolved in a Timely Manner

OIG audited HUD's Office of Multifamily Housing Programs' health and safety complaint process to determine whether HUD ensured that health and safety complaints associated with Multifamily Section 8-assisted housing were resolved in a timely manner. OIG found that HUD's complaint process did not ensure that health and safety complaints were

resolved in a timely manner because HUD did not have a standardized, effective process for monitoring, tracking, and resolving complaints in a timely manner. OIG made four recommendations to HUD focused on developing policies and processes to improve the intake, tracking, and resolution of complaints, as well as revising the annual contributions contract to clearly define contractor and property management responsibilities for resolving health and safety issues.

Agencywide, Audit Report: 2021-KC-0004

COVID-19 Forbearance Data in HUD's Single Family Default Monitoring System Generally Agreed With Information Maintained by Loan Servicers

OIG audited the lender reporting of COVID-19 forbearances for FHA-insured loans in the Single Family Default Monitoring System (SFDMS). OIG compared default reporting data from SFDMS to loan data provided by five sampled servicing lenders that serviced a third of the FHA single-family portfolio. The audit objective was to determine whether COVID-19 forbearance data available in SFDMS were consistent with the information maintained by loan servicers. OIG found that COVID-19 forbearance data available in SFDMS were generally consistent with the information maintained by the loan servicers reviewed and that key metrics showed that servicers generally complied with HUD's forbearance reporting requirements. OIG made no recommendations.

Agencywide, Audit Report: 2021-KC-0005

OFFICE OF INVESTIGATION

HUD-Approved Direct Endorsement Lender Agrees To Pay \$2 Million

DHI Mortgage Company, LTD, a HUD-approved direct endorsement lender, entered into an indemnification agreement with HUD and agreed to pay \$2 million to HUD to indemnify HUD from its losses in connection with violations of FHA underwriting guidelines by DHI during the origination of 31 FHA-insured mortgages. The agreement does not constitute an admission of liability or fault on the part of the parties.

Washington, DC

Father and Son Collectively Sentenced to 58 Months Incarceration

Dr. Rafael Otero, former majority owner of the Magnolia Alzheimer's Assisted Living facility, and Antonio Otero, facility administrator for Magnolia, were collectively sentenced in U.S. District Court to 58 months incarceration and 4 years supervised release. Magnolia was financed with an FHA Section 232-insured loan, which provided a favorable interest rate and did not require the owners of Magnolia to take personal responsibility for the loan when it went into default. HUD suffered the financial loss when Magnolia defaulted on the loan and the property went into foreclosure. Magnolia agreed to be bound by a regulatory agreement with HUD that prohibited the owners from receiving money from Magnolia unless the loan was being paid and Magnolia had surplus cash. Instead of paying the loan

and in violation of the regulatory agreement, the Oteros took hundreds of thousands of dollars from Magnolia. Antonio was sentenced in connection with his earlier guilty plea to equity skimming and was ordered to pay \$2 million in restitution to HUD. Rafael was sentenced in connection with his earlier guilty plea to fraud against HUD and was ordered to pay jointly and severally with Antonio more than \$3.6 million in restitution to HUD.

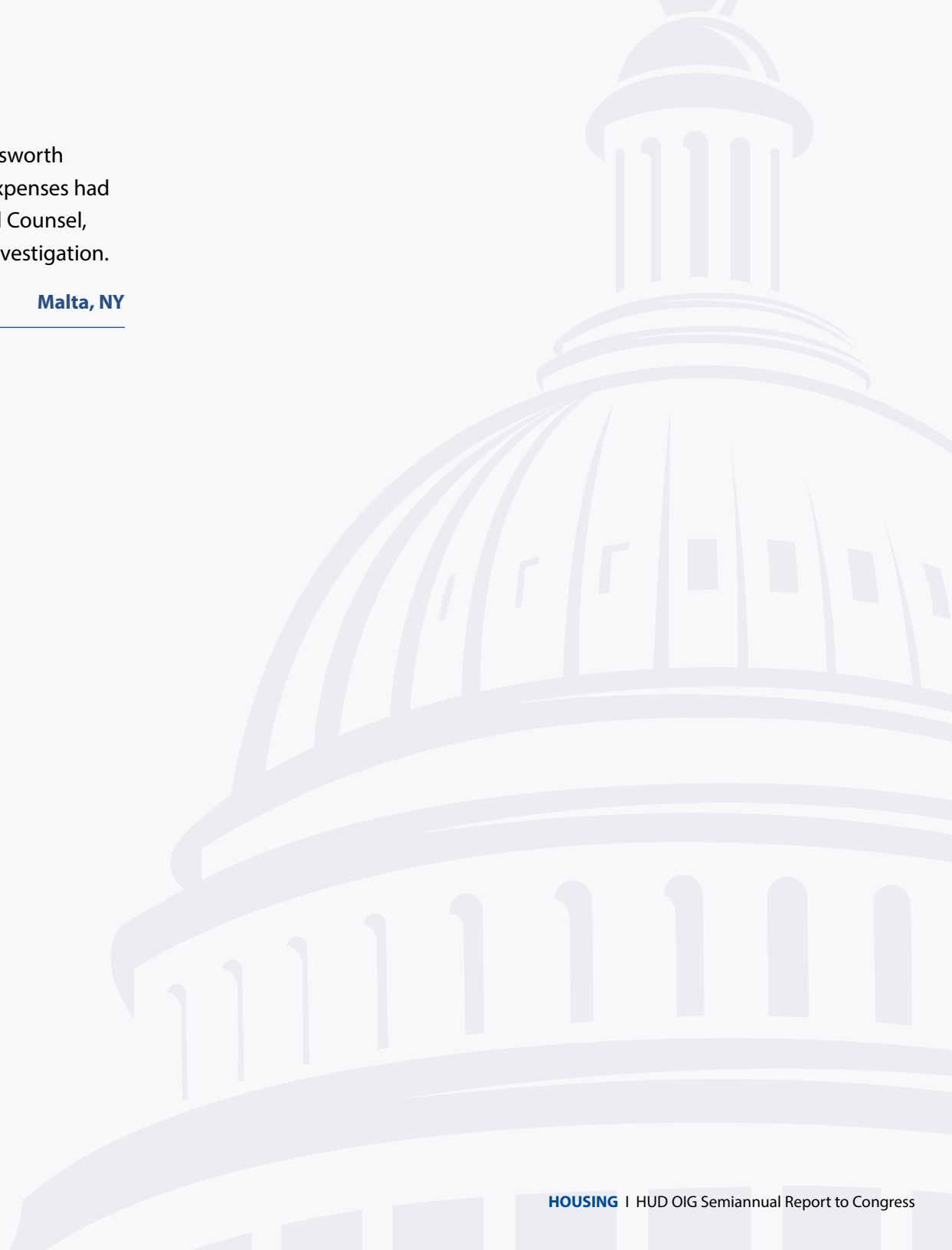
Texarkana, TX

Landlord Enters Into \$805,000 Settlement Agreement With HUD

Eugene Rosen, owner of Ellsworth Partners, LLC, the owner of Ellsworth Commons, a mixed-use residential and commercial property, entered into a settlement agreement and agreed to pay \$805,000 to HUD to resolve allegations that he made improper payments to his family trusts while disregarding his obligation to make payments on Ellsworth Commons' FHA-insured mortgage. Rosen also submitted a false statement to FHA related to those payments, which violated the civil equity skimming statute and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. In 2010, Ellsworth Partners obtained an FHA-insured mortgage to finance the construction of Ellsworth Commons. FHA agreed that if Ellsworth Partners defaulted on the mortgage, FHA would pay the outstanding balance to the lender. In exchange, Ellsworth Partners agreed to use project revenue only for FHA-authorized purposes. However, for more than 2 years, Ellsworth Partners stopped paying its mortgage but continued to transfer money to family trusts, causing the mortgage to go into default. To prevent foreclosure, FHA agreed to pay down a substantial portion of the mortgage

after Rosen certified that, while the mortgage was in default, Ellsworth Partners paid to its lender all net cash remaining after project expenses had been paid, which was untrue. HUD OIG, HUD's Office of General Counsel, and HUD's Departmental Enforcement Center conducted this investigation.

Malta, NY



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 direct assistance 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 noted in this chapter.

AUDIT



2

KEY PROGRAM RESULTS



\$24,250

RECOMMENDED FUNDS PUT TO BETTER USE



\$44,256

RECOMMENDED QUESTIONED COSTS

INVESTIGATION



\$6,934,938

INVESTIGATIVE RECOVERIES



21

CONVICTIONS - PLEAS - PRETRIAL DIVERSIONS



13

ADMINISTRATIVE - CIVIL ACTIONS

OFFICE OF AUDIT

HUD Remains Challenged To Serve the Maximum Number of Eligible Families Due to Decreasing Utilization in the Housing Choice Voucher Program

HUD's Office of Inspector General (OIG) conducted an audit to assess HUD's oversight of voucher utilization and reallocation in the Housing Choice Voucher Program. OIG found that while HUD's voucher utilization rate had decreased, it is estimated that as of November 2020, more than 62 percent of PHAs in the Program had leasing potential, which could increase in 2021. OIG recommended that HUD establish and implement a plan to assist PHAs in optimizing their leasing potential to maximize the number of families assisted and to prevent additional vouchers from being unfunded. OIG also recommended that HUD establish and implement a plan for the unused and unfunded vouchers to mitigate the situation or prevent additional vouchers from becoming unused and unfunded.

Agencywide, Audit Report: 2021-CH-0001

The Bay City Housing Authority, Bay City, TX, Did Not Follow Requirements for Its Legal Services, Contract, Administrative Costs, and Board Meetings

Based on a complaint and a request from the Office of Public and Indian Housing (PIH), OIG audited the Bay City Housing Authority, Bay City, TX. OIG audit objectives were to determine whether the Authority (1) followed Federal and its own procurement requirements for the board's legal services, (2) paid its administrative costs in accordance with Federal requirements, and (3) conducted its board meetings in accordance with

the State of Texas' requirements. OIG found that the Authority improperly procured its legal services contract, paid ineligible and unsupported administrative costs, and did not follow Texas' Open Meetings Act or its own bylaws when conducting board meetings. OIG recommended that the Director of the Houston Office of Public Housing require the Authority to (1) recover the remaining \$5,000 in ineligible legal service costs paid and ensure that additional invoiced legal service costs totaling \$24,250 are not paid; (2) support or repay questioned costs totaling \$39,256; (3) update its bylaws, policies, and procedures to reflect current Federal and State of Texas requirements; and (4) take action to address invalid or undocumented board decisions.

Bay City, TX, Audit Report: 2021-FW-1003

OFFICE OF INVESTIGATION

Former Public Housing Agency Executive Director Sentenced to 46 Months Incarceration

Monica Moneymaker, former executive director of a PHA, was sentenced in U.S. District Court in connection with her earlier guilty plea to conspiracy to embezzle from a federally funded program. For more than 3 years, Moneymaker embezzled the PHA's collected cash receipts from tenant rental payments. Moneymaker was sentenced to 46 months incarceration and 1 year supervised release and ordered to pay \$562,138 in restitution to HUD.

Amarillo, TX

Former Public Housing Agency Finance Officer Ordered To Pay Nearly \$5.3 Million in Restitution

Cova Campbell, a former finance officer for a PHA, was sentenced in U.S. District Court in connection with her earlier guilty plea to wire fraud. Campbell was sentenced to 51 months incarceration and 3 years supervised release and ordered to pay nearly \$5.3 million in restitution, of which more than \$4.2 million will be paid to the PHA. For more than 3 years, Campbell used a variety of schemes to embezzle \$6.9 million in public money. Campbell diverted PHA funds in connection with the purchase of land and prepared and submitted false invoices to the PHA by making them appear as if the purchases were from an outside vendor. HUD OIG, the Federal Bureau of Investigation (FBI), the U.S. Attorney's Office, and the Washington State Auditor's Office conducted this investigation.

Tacoma, WA

Businessman Sentenced to 14 Months in Prison for Paying Bribes to Former HUD and District of Columbia Employees

Charles Thomas, owner of a Maryland-based company that provided information technology services to Federal agencies and educational services to public school children in the Washington, DC, area; Kevin Jones and LaFonda Lewis, former HUD employees; and Shauntell Harley, a former employee of the District of Columbia Office of the State Superintendent of Education (OSSE), were collectively sentenced in U.S. District Court to 92 months and 1 day incarceration and 8 years supervised release and ordered to pay \$747,667 in restitution, of which \$668,310 is to be paid

to the OSSE and \$79,357 to the U.S. Department of the Treasury. For almost 5 years, Thomas provided Jones and Lewis with merchandise and cash payments valued at more than \$70,000 in exchange for nonpublic information about HUD-funded contracts. Additionally, for more than a year, Thomas made more than \$50,000 in cash payments to Harley in exchange for receiving the information needed to create fraudulent invoices for services that his company did not provide. HUD OIG, the FBI, and the District of Columbia OIG conducted this investigation.

Washington, DC

COMMUNITY PLANNING AND DEVELOPMENT

The Office of Community Planning and Development (CPD) works in conjunction with all levels of government and the private sector 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. Some of the highlights from this semiannual period are outlined in this chapter. Additionally, in response to disasters, Congress may appropriate additional funding to Community Development Block Grant Disaster Recovery (CDBG-DR) grants to rebuild the affected areas and provide crucial seed money to start the recovery process. Since fiscal year 2001, the U.S. Department of Housing and Urban Development (HUD) has allocated \$89.8 billion in CDBG-DR and CDBG Mitigation grants to help cities, counties, and States recover from presidentially declared disasters. Of the \$89.8 billion in disaster allocations nationwide, nearly \$84.8 billion has been obligated, and more than \$46.7 billion has been disbursed as of the end of the period.

AUDIT



3

KEY PROGRAM RESULTS



\$9,736,636

RECOMMENDED FUNDS PUT TO BETTER USE



\$1,260,680

RECOMMENDED QUESTIONED COSTS

INVESTIGATION



\$2,517,362

INVESTIGATIVE RECOVERIES



7

CONVICTIONS - PLEAS - PRETRIAL DIVERSIONS



4

ADMINISTRATIVE - CIVIL ACTIONS

OFFICE OF AUDIT

Harris County Community Services Department, Houston, TX, Was Inefficient and Ineffective in Operating Its Hurricane Harvey Program

HUD's Office of Inspector General (OIG) audited the Harris County Hurricane Harvey CDBG-DR program to assess its efficiency and effectiveness and whether the program was assisting disaster participants in a timely manner; specifically, to examine the status of its HUD-approved activities and challenges, if any, in implementing the activities. OIG found that Harris County had not efficiently or effectively operated its Hurricane Harvey CDBG-DR program. Specifically, 3 years after Hurricane Harvey, Harris County had assisted only 112 of 4,513 planned program participants and had spent less than 1 percent of its grant funds. Harris County's challenges included an inability to effectively assist applicants and inefficiencies in its reimbursement program. OIG recommended that HUD require the Texas General Land Office to (1) provide its plan to continuously monitor Harris County's pace and performance in its remaining program and take appropriate action to ensure that program goals are met; (2) set performance and financial milestones for all programs and activities funded under Harris County's subrecipient agreement; (3) monitor Harris County's capacity to manage its funds and address duplicative, inefficient, and cost-prohibitive processes or positions; and (4) review Harris County's priorities for providing assistance to program participants.

Houston, TX, Audit Report: 2021-FW-1001

The City of Houston's Housing and Community Development Department, Houston, TX, Did Not Always Ensure That Its Program Followed Procurement Requirements

OIG audited the City of Houston's CDBG-DR 2015 program, which made the Consolidated Appropriations Acts of 2016 and 2017 funds available for necessary expenses related to disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization. OIG's objective was to determine whether the City ensured that it maintained adequate supporting documentation for disbursements and its program complied with procurement requirements. OIG found that the City generally ensured that it maintained adequate supporting documentation for disbursements; however, it did not always ensure that its program complied with the necessary HUD procurement requirements, did not maintain the necessary documentation to support costs, and did not have adequate contract provisions. OIG recommended that HUD require the City to (1) support that it awarded contracts without restriction and in a manner advantageous to it and HUD or put the more than \$9.7 million in contract awards to better use, (2) support or repay more than \$1.2 million in contract disbursements, and (3) develop and implement written procedures and take actions to better ensure that it and its subrecipients meet all program procurement requirements.

Houston, TX, Audit Report: 2021-FW-1002

HUD's Major Program Offices Can Improve Their Preparedness To Respond to Upcoming Natural Disasters

OIG audited HUD's disaster preparedness from 2005 to 2018 to determine whether HUD's Offices of Multifamily Housing Programs, Single Family Housing, Community Planning and Development, Native American Programs, and Public Housing can improve their preparedness to respond to upcoming natural disasters. OIG found that each program office reviewed had weaknesses in its written policies and supervisory controls. The Offices of Multifamily and Single Family had control weaknesses in their postdisaster information-gathering activities. The Offices of Community Planning and Development and Native American Programs had weaknesses in their controls to ensure that all affected grantees and housing entities were contacted following a disaster. The Office of Public Housing did not track its outreach to public housing agencies (PHA). OIG made five recommendations, one for each program office, related to effective policies, procedures, and supervisory controls, including controls for contacting grantees and tracking outreach to PHAs.

Agencywide, Audit Report: 2021-KC-0003

OFFICE OF INVESTIGATION

11 Demolition Contractors and Government Officials Sentenced in Bribery Scheme

Demolition contractors Joseph Tucceri, Gwen Tucceri, Consuelo Brown, Paul Eadah, Martin Fano, Eric Whitherspoon, and Gani Xhoka, along with Ken Tyson, Vanessa Veals, Rufus Taylor, and Gary Norton, government

officials for local municipalities, were collectively sentenced in U.S. District Court to 6 years incarceration, 11 years probation, and 7 years supervised release and ordered to pay \$44,000 in fines. For more than 6 years, the conspirators devised and participated in a scheme to defraud local municipalities, which were recipients of more than \$19 million in HUD-funded CDBG grants. The conspirators paid cash bribes and things of value to Taylor in exchange for expedited service and favorable treatment for work performed on demolition contracts. HUD OIG; the Internal Revenue Service, Criminal Investigation; and the Federal Bureau of Investigation conducted this investigation.

Cleveland, OH

OTHER SIGNIFICANT AUDITS AND EVALUATIONS

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

OFFICE OF AUDIT

HUD Did Not Fully Comply With the Payment Integrity Information Act of 2019

OIG audited HUD's fiscal year 2020 compliance with the Payment Integrity Information Act of 2019 (PIIA) and the Office of Management and Budget guidance on improper payments reduction requirements. HUD did not fully comply with PIIA reporting and improper payments reduction requirements for fiscal year 2020. Of the six requirements, HUD did not comply with one requirement, and one requirement was not applicable. As a result, HUD's programs were vulnerable to the adverse effects of improper payments, and HUD will likely continue to miss opportunities to prevent, identify, reduce, and recover improper payments unless it fully complies with PIIA reporting and reduction requirements. However, OIG recognized that HUD was making progress in being fully compliant with PIIA and acknowledged its plan to execute a comprehensive sampling

and estimation methodology in the coming year. OIG recommended that HUD use a comprehensive sampling and estimation methodology for all reported programs and disclose in its reporting any limitations imposed or encountered.

Agencywide, Audit Report: 2021-AT-0002

Limited Review of HUD's Office of Chief Procurement Officer Pandemic-Related Procurement Accommodations and Challenges

OIG conducted a limited review of HUD's Office of the Chief Procurement Officer's (OCPO) administration of five procurement activities under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The CARES Act and related Office of Management and Budget memorandums gave HUD flexibility in modifying existing contracts and required rapid delivery of CARES Act funds. The audit's objective was to determine what HUD had done to accommodate contractors' pandemic-related issues while ensuring that HUD met its business objectives, as well as determining what challenges HUD encountered in procuring and administering its contracts during the pandemic. Based on a limited review of five COVID-19-related contract transactions and OIG's understanding of the prepandemic controls and policies that HUD had in place, OIG found that HUD was adequately prepared before the pandemic to accommodate contractors' pandemic-related issues while ensuring that HUD met its business objectives. Because HUD was adequately prepared, it did not encounter any substantial challenges in procuring and administering its contracts. OIG did not make any recommendations to HUD.

Agencywide, Audit Memorandum: 2021-FW-0801

OFFICE OF EVALUATION

HUD Program Offices' Policies and Approaches for Radon

HUD does not have a departmentwide policy for dealing with radon contamination but, rather, relies on each program office to develop radon policies that align with HUD's environmental regulations. OIG reviewed three program offices, the Offices of Multifamily Housing Programs, Public and Indian Housing, and Community Planning and Development, which were found to not have consistent radon policies. Without a departmentwide radon policy, each program office has independently developed a radon policy or approach with varying degrees of testing and mitigation requirements. This approach does not align with HUD's environmental regulations or support industry standards, which state that radon testing should occur every 2 years after a mitigation system is installed. Given that environmental reviews generally occur only for specific funding or approval actions and exposure to radon shows no immediate health effects or other warning signs, HUD cannot ensure that residents in HUD-assisted housing receive consistent and sufficient protection from the hazardous health effects of radon exposure. OIG has made seven recommendations to help HUD better protect residents from hazardous health risks of indoor radon exposure, to include that HUD develop and issue a departmentwide policy that notes that radon is a radioactive substance, ensures that radon testing and mitigation are consistent and sufficient for all HUD programs, and aligns with HUD's environmental regulations. The Office of Environment and Energy indicated it aimed to publish the department wide policy in the fourth quarter of FY 21. The recommendation remains open.

Agencywide, Evaluation Report: 2020-OE-0003

HUD's Use of, Accounting for, and Reporting on CARES Act Funding

As of March 31, 2021, HUD had disbursed \$3.4 billion and obligated \$7.4 billion of its \$12.4 billion in CARES Act funds. Meanwhile, HUD has more than \$1.6 billion in CARES Act funds unobligated. These funds have various expiration dates, and if HUD is unable to obligate funds properly before its appropriations expire, it may have balances canceled and returned to the General Fund when the expired accounts close. HUD's reporting process generally supports CARES Act reporting requirements by leveraging existing reporting mechanisms, which meet portions of its Pandemic Response Accountability Committee (PRAC) quarterly reporting requirement on behalf of covered recipients. However, HUD's process does not support quarterly reporting on the estimated number of jobs created or retained or on subrecipient data, as required for covered recipients in the CARES Act. Additionally, unclear reporting requirements and the required reporting schedule pose challenges to HUD's quarterly reporting to the PRAC.

Agencywide, Evaluation Report: 2021-OE-0006

2021 Persistent IT Challenges and Issues Facing HUD

OIG conducted a topic brief that highlights key challenges HUD faces managing and improving its IT program. The brief is not based on new work, but is a summary of 83 reports and 788 recommendations from past HUD OIG and GAO reports. It discusses the present IT environment at HUD, previously identified and new IT-related challenges, and HUD's efforts and progress in addressing these challenges. Based on our analysis of open IT recommendations, we concluded that HUD's IT program, including its modernization efforts, have improved.

Additionally, HUD's Office of the Chief Information Officer (OCIO) made notable progress. Nonetheless, OCIO will require continued support and resources to implement IT plans and projects to overcome identified challenges.

Agencywide, Evaluation Topic Brief: 2021-OE-0004

HUD IT Modernization Roadmap Evaluation Report

OIG reviewed HUD's information technology (IT) modernization roadmap to (1) determine the extent to which HUD has developed an IT modernization roadmap and to report on its current and future state, (2) gain an understanding of HUD's IT modernization strategy and priorities, and (3) assess the effectiveness of the roadmap and strategy. OIG found that a significant number of HUD's mission-essential applications have not been modernized, which presents multiple sources of risk. These applications are hosted on legacy information systems and mainframe platforms, which are operationally inefficient, increasingly difficult to secure, and costly to maintain. As a result, hundreds of millions of dollars in potential savings from modernization have not been realized, and security risks have remained. This evaluation report contains two recommendations and five opportunities for improvement to assist in continued successes for future modernization efforts.

Agencywide, Evaluation Report: 2021-OE-0003

Opportunities Exist To Improve the U.S. Department of Housing and Urban Development's Hiring Process

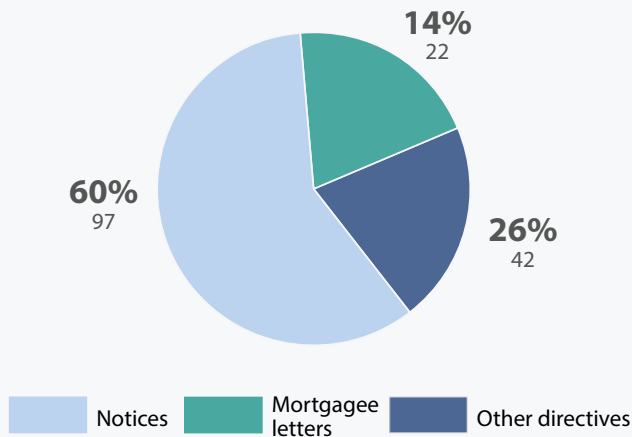
While some of HUD's efforts to improve its hiring and human capital functions and reduce its average time-to-hire have been successful, HUD's hiring process overall was not efficient. HUD's Office of the Chief Human Capital Officer (OCHCO), which is responsible for developing and implementing policies and procedures associated with human capital management, has not met its goal to reduce the average time-to-hire. Hiring process owners, including program office hiring managers and administrative staff, received limited and inconsistent training and were not aware of their roles or responsibilities in the hiring process, which has impacted HUD's ability to hire efficiently. Additionally, OCHCO had inconsistent and unreliable hiring data due to the manual nature of the data input and the lack of interaction among the various data-tracking tools. The unreliable hiring data impede OCHCO's and the program offices' ability to properly identify when to take actions for improvement. OIG has 11 recommendations to improve HUD's hiring process. Six of the recommendations are aimed at process reform, and five recommendations are designed to support data improvement. In response to the report, OCHCO accepted all eleven recommendations and offered a number of promising initiatives and updates. The status of each recommendation is unresolved-open.

Agencywide, Evaluation Report: 2020-OE-0002

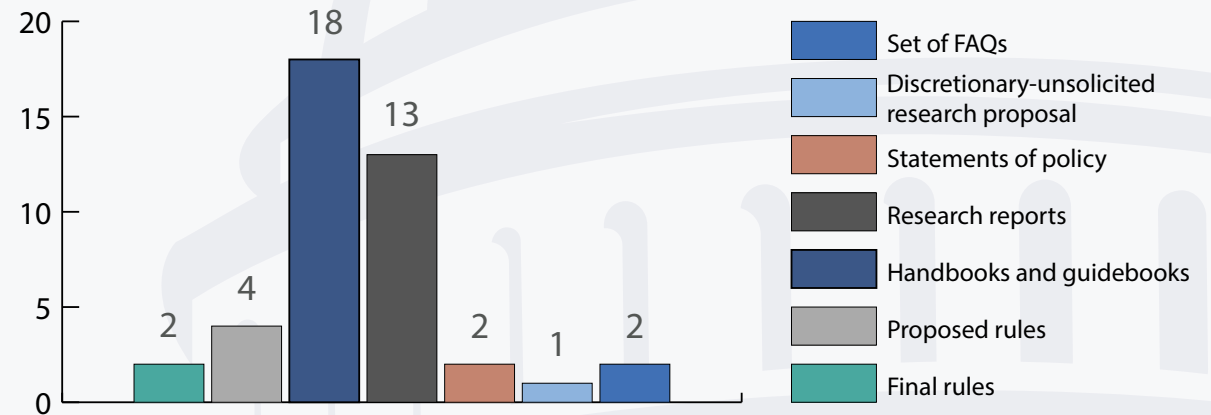
LEGISLATION, REGULATIONS, AND OTHER DIRECTIVES

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 1,400 hours to reviewing 161 issuances. The draft directives consisted of 97 notices, 22 mortgagee letters (ML), and 42 other directives. OIG provided comments on 50 (or 31 percent) of the issuances and nonconcurred on 9 (or 6 percent) but lifted 8 nonconcurrences. Of the 42 other directives, we reviewed two final rules and four proposed rules, taking no position on three, and commented on three; 18 handbooks and guidebooks; 13 research reports; two statements of policy; one discretionary-unsolicited research proposal; and two sets of frequently asked questions (FAQ) on the U.S. Department of Housing and Urban Development's (HUD) plan of actions to implement Executive Order 13175 and regarding the Indian Community Development Block Grant – Imminent Threat funding under the American Rescue Plan Act. A summary of selected reviews for this 6-month period as follows.

161 TOTAL ISSUANCES



OF THE 42 OTHER DIRECTIVES



NOTICES, MORTGAGEE LETTERS, AND OTHER DIRECTIVES

SINGLE FAMILY HOUSING

Handbook 4000.1, FHA Single Family Housing Policy Handbook - On April 19 and July 21, 2021, HUD issued updates to the FHA [Federal Housing Administration] Single Family Housing Policy Handbook (Handbook 4000.1). Handbook changes incorporated previously issued MLs and other various policy updates. OIG provided a no position response to this issuance.

Amendments to HUD's nonborrowing spouse policy for all HECM loans - On May 6, 2021, HUD issued ML 2021-11, amending regulations for home equity conversion mortgages (HECM) regarding nonborrowing spouses that apply to all HECM loans, regardless of case number assignment, that comprise a valid first lien security interest in real property under applicable State law. OIG provided a no position response to this ML.

Eligibility requirements for certain nonpermanent resident borrowers - On May 28, 2021, HUD issued ML 2021-12, clarifying the eligibility of FHA-insured financing for Deferred Action for Childhood Arrivals recipients, while amending the documentation requirements for citizens of the Freely Associated States and H-1B nonimmigrants. OIG provided editorial comments on this ML.

Student loan payment calculation of monthly obligation - On June 17, 2021, HUD issued ML 2021-13, informing lenders of new student loan calculation requirements of the monthly payment obligation, to align better with the current industry standards. OIG provided a no position response to this ML.

Extension of implementation date for the April 19, 2021, publication of the Single Family Housing Policy Handbook 4000.1 - On June 24, 2021, HUD issued ML 21-14, extending the implementation date for Section III - Servicing and Loss Mitigation, Appendix 4.0 - FHA-Home Affordable Modification Program Calculations, and Appendix 5.0 - HUD Schedule of Standard Possessory Action and Deed-in-Lieu of Foreclosure Attorney Fees, of the Single Family Housing Policy Handbook (Handbook 4000.1). OIG provided a no position response to this ML.

Extension of the end date for COVID-19 updated temporary guidance for verification of self-employment, rental income, and the 203(k) rehabilitation escrow account - On June 29, 2021, HUD issued ML 2021-16, announcing an extension of the effective period for ML 2020-24, published on July 29, 2020, and extended in ML 2021-07, dated February 23, 2021. This extension allows industry partners an additional opportunity to utilize flexible guidance related to verification of self-employment and verification of rental income for single-family Title II forward mortgage and HECM programs and 203(k) escrow administration for the 203(k) Rehabilitation Program, in response to impacts from the presidentially declared COVID-19 national emergency. OIG provided a no position response to this ML.

Extension of the foreclosure and eviction moratorium and expiration of the foreclosure moratorium in connection with the presidentially declared COVID-19 national emergency, further expansion of the COVID-19 forbearance and the COVID-19 HECM extensions, and establishment of the COVID-19 advance loan modification - On July 30, 2021, HUD issued ML 2021-19, informing lenders of the extension of the foreclosure-related eviction moratorium for an additional period through September 30, 2021, and reminding them of the expiration of the foreclosure moratorium. Earlier HUD issued ML 2021-15 on June

25, 2021, informing lenders of an extension to the foreclosure and eviction moratorium originally issued in ML 2020-04 and most recently extended in ML 2021-05 for borrowers with FHA-insured single-family mortgages for an additional period through July 31, 2021. ML 20-15 further extended the start dates of the initial COVID-19 forbearance and HECM extension, provided additional COVID-19 forbearance and HECM extensions for certain borrowers, and established the COVID-19 advance loan modification and an associated default status code. OIG provided no position responses to these MLs.

FHA Catalyst: Single Family Default Monitoring System Reporting Module - On September 13, 2021, HUD issued ML 2021-21, announcing the transition of the Single Family Default Monitoring System from FHA Connection to FHA Catalyst. This ML also updates and adds default reporting error codes and streamlines the data elements. OIG provided a no position response to this ML.

Mandatory transition to the FHA Catalyst: Electronic Appraisal Delivery Module for FHA single-family appraisals - On September 15, 2021, HUD issued ML 2021-23, announcing the mandatory use date for the FHA Catalyst: Electronic Appraisal Delivery Module for all single-family origination appraisal deliveries as well as the expanded availability for the delivery of HECM appraisals. OIG provided a no position response to this ML.

PUBLIC AND INDIAN HOUSING

Notice of continuation of demonstration to test proposed new method of assessing the physical conditions of voucher-assisted housing - On June 8, 2021, HUD published a notice (Federal Register (FR)-5928-N-03), which announces the continuation of HUD's demonstration

to test the new method of assessing the physical condition of housing assisted by HUD vouchers (voucher-assisted housing) through October 1, 2022, and renews its call for additional public housing agency (PHA) volunteers (eligible PHAs administering the Housing Choice Voucher Program). This continuation supports HUD's ability to align the Program with the National Standards for the Physical Inspection of Real Estate physical inspection model and to assess the Program's inspection protocol against this model. With this notice, HUD is also lifting the 3-year limitation to PHA participation in the program. Current PHA volunteers may continue to participate beyond the previous 3-year limitation and for the duration of the demonstration. HUD, therefore, extends this demonstration through October 1, 2022. OIG provided minor editorial-related comments regarding this notice.

Voucher Management System - On August 20, 2021, HUD issued a notice (FR-7040-N-09), which proposes the need for information using forms HUD-52681-B, 52672, 52681, 52663, and 52673. The Voucher Management System (VMS) supports the information management needs of the Housing Choice Voucher Program and management functions performed by the Financial Management Center and the Financial Management Division of the Office of Public and Indian Housing and the Real Estate Assessment Center. The automated form 52681-B is entered by the PHA into the VMS monthly during each calendar year to track leasing and housing assistance payments expenses by voucher category, as well as data concerning fraud recovery, Family Self-Sufficiency program escrow accounts, PHA-held equity, etc. The forms HUD-52672, 52681, 52663, and 52673 are used to identify the amount of annual contributions that are received and disbursed by the PHA, indicate requested funds and monthly amounts, and estimate PHAs' total required annual contributions. OIG commented on the warning and certification language on forms HUD-52663 and 52681. OIG recommended that HUD change the language

and explained that U.S. Department of Justice, State, or local prosecutorial offices prosecute false claims and statements, not HUD. OIG later noted that those forms were not attached in the Federal Register; however, when looking on HUD's website for the forms, OIG also noted that the forms had not been changed and still included the original language despite OIG's comments.

Rental Assistance Demonstration: postconversion replacement of units under a PBV housing assistance payments contract - On September 10, 2021, HUD published a notice (FR-6276-N-01), which establishes the process by which assisted units under a Project-Based Voucher Program (PBV) Section 8 housing assistance payments (HAP) contract originally executed through a conversion under the Rental Assistance Demonstration Program (RAD) can be replaced if the original units were unavailable for occupancy due to a proposed demolition and reconstruction of the units, as a result of natural disaster, or other causes. RAD already includes a provision permitting the transfer of assistance to a new site. By this notice, HUD is supplementing the provision to transfer assistance by providing a mechanism for PHAs to enter into a RAD interim agreement and, later, a new RAD PBV HAP contract when a direct transfer of the HAP contract to new, eligible units is not possible and there would be a temporary period when a HAP contract is not in effect. OIG provided a no position response to this clearance item.

MULTIFAMILY HOUSING

Prepayment of Section 202 or 208/8 direct loan project - On July 2, 2021, HUD issued a notice (FR-7038-N-11), which requests that the Office of Management and Budget (OMB) reinstate a previously approved collection for which approval has expired. Under this notice, the project

owner must execute the Section 202 prepayment use agreement, which will ensure the continued operation of the project until at least 20 years following the maturity date of the original loan, under terms at least as advantageous to existing and future tenants as the terms required by the original loan agreement. The use agreement must be executed by the owner and HUD and recorded upon HUD's approval of the prepayment transaction. OIG provided a no position response regarding this notice.

Forbearance relief and associated tenant protections for FHA-insured Section 202, HUD-held, and risk share multifamily loans - On July 30, 2021, HUD issued a housing notice, H 2021-03, which provides background and updated guidance on its policies and procedures regarding mortgage forbearance relief for HUD multifamily borrowers under the following programs: FHA mortgage insurance, 542(c) Risk Share, Section 202 loans, and HUD-held loans. In addition, this notice provides guidance on eviction relief and protections to tenants of multifamily properties subject to forbearance and guidance on tenant protections for multifamily properties not subject to forbearance and those with HUD-assisted units. Further, this notice updates and consolidates the guidance provided in ML 2020-09 and housing notice 2020-07. Specifically, this notice provides guidance on post-CARES Act forbearance relief and required tenant protections during forbearance. OIG provided a no position response regarding this notice.

HUD multifamily rental project closing documents - On August 13, 2021, HUD issued a notice (FR-7038-N-12), which provides many existing closing forms or documents used in FHA-insured multifamily rental project transactions. HUD is also adding to the collection of 12 closing documents, published or referenced in chapter 19 of the 2020 Multifamily Accelerated Processing Guide, 4430.G. OIG nonconcurred on this clearance item because the forms and documents have variances in either the warning statement, certification statement, or both. OIG

recommended that all forms and documents use the following language for both the warning and certification statements: “I/We, the undersigned, certify under penalty of perjury that the information provided above is true and correct. WARNING: Anyone who knowingly submits a false claim or makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties. (18 U.S.C. [United States Code] §§ 287, 1001, 1010, 1012; 31 U.S.C. §3729, 3802).” These forms and documents should be modified to include a statement like the one suggested above. Inclusions of certifications under penalty of perjury and fraud warnings help discourage fraud and help effectively prosecute those who commit fraud. Further, any language indicating that HUD will prosecute false claims and statements or similar language if it exists in any forms or documents should be removed because HUD does not prosecute. U.S. Department of Justice, State, or local prosecutorial offices prosecute criminal matters. HUD modified the language for both the warning and certification statements, and the nonconcurrency was lifted.

COVID-19 supplemental payment requests - On August 30, 2021, HUD issued a notice (FR-7038-N-16), which proposes the use of form HUD-52671-E, to be completed by owners of properties with Section 8 HAP contracts, Section 202 and Section 811 project rental assistance contracts, Section 202-162 project assistance contracts, and Section 202 senior preservation rental assistance contracts, who wish to receive a supplemental payment to offset operating cost increases to prevent, prepare, and respond to the effects of COVID-19. OIG nonconcurred on this clearance item because the form HUD-52671-E contains the following warning statement: “Warning: HUD will prosecute false claims & statements, which may result in criminal conviction and/or the imposition of criminal fines and/or civil penalties, to the full extent allowed by law.” HUD does not prosecute. U.S. Department of Justice, State, or

local prosecutorial offices prosecute these matters. OIG recommended that the language be changed to a statement like the following: “I/We, the undersigned, certify under penalty of perjury that the information provided above is true and correct. WARNING: Anyone who knowingly submits a false claim or makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties. (18 U.S.C. §§ 287, 1001, 1010, 1012; 31 U.S.C. §3729, 3802).” The form should be modified to include a statement like the one suggested above. Inclusions of certifications under penalty of perjury and fraud warnings help to discourage fraud and help to effectively prosecute those who commit fraud. HUD modified the language for the warning statement, and the nonconcurrency was lifted.

Annual indexing of basic statutory mortgage limits and substantial rehabilitation threshold - On September 9, 2021, HUD issued a notice (FR-6274-N-01), which provides the adjustment to the basic statutory mortgage limits for multifamily housing programs for calendar year 2021 in accordance with Section 206A of the National Housing Act. The percentage change in the Consumer Price Index for All Urban Consumers (CPI-U) used for the Homeownership and Equity Protection Act of 1994 (HOEPA) adjustment is a 0.3 percent increase, and the effective date of the HOEPA adjustment is January 1, 2021. The dollar amounts under Section 206A have been adjusted accordingly and have an effective date of January 1, 2021. These revised statutory limits may be applied to FHA multifamily mortgage insurance applications submitted or amended on or after January 1, 2021, so long as the loan has not been initially endorsed. To implement the Consumer Finance Protection Bureau’s (CFPB) adjustment, a one-time proration is required to the 0.3 percent figure, which was computed from April 2019 to April 2020. Because HUD’s previous dollar amounts utilized CPI-U data through December 2019, only interim CPI-U data from January 2020 through April 2020 are reflected

in the calculations. The overall impact of this adjustment resulted in no change for calendar year 2021, because CPI-U showed minor inflation of 1 percent in January and February 2020 but was fully offset by minor deflation of 1 percent in March and April 2020, associated with COVID-19 pandemic economic disruptions. Moving forward, HUD will continue to utilize the CFPB's period (April to April) used for the HOEPA CPI-U adjustment, which is typically published in the August preceding the following January effective date. OIG provided a no position response regarding this notice.

Annual revisions to base city high-cost percentage, high-cost area, and per-unit substantial rehabilitation threshold for 2021 - On September 14, 2021, HUD issued a housing notice (H 2021-04) and ML 2021-22, which provide the maximum mortgage amounts that were revised by the Consolidated Appropriations Act, 2008. Section 221 of the general provisions of Title II of Division K of the fiscal year 2008 Appropriations Act revises the statutory exceptions to maximum mortgage amounts for the FHA multifamily housing programs, listed in Section 221 of the fiscal year 2008 Appropriations Act, by substituting 170 percent for the 140 percent exception of any geographical area and substituting 215 percent for 170 percent as the maximum exception allowed for a specific project. Accordingly, the statutory revision allows the HUD Secretary to grant exceptions to maximum mortgage limits for certain multifamily housing programs by up to 170 percent (equivalent to a 270 percent multiplier) in geographical areas where cost levels so require or up to 215 percent in high-cost areas (equivalent to a 315 percent multiplier) where necessary on a project-by-project basis. OIG provided a no position response regarding this notice and the corresponding ML.

Continued availability of funds for COVID -19 supplemental payments for properties receiving project-based rental assistance under Section 8, Section 202, or Section 811 programs - On September 16, 2021, HUD issued a housing notice (H 2021-05), which announces the continued availability of supplemental operating funds for Section 8, Section 202, and Section 811 properties to prevent, prepare for, and respond to COVID-19 and establishes a revised process for owners of properties assisted under these programs to request funds for one or more of these purposes. Appropriations provided under the Coronavirus Aid, Relief, and Economic Security Act will continue to be provided via a special payment process that supplements the amounts currently provided under existing Section 8, Section 202, and Section 811 rental assistance contracts administered by the Office of Multifamily Housing Programs. This notice includes important updates to eligibility criteria and the process for awarding funds and provides the following changes: adding eligible expenses, including certain capitalized building costs recognized to have direct role in mitigating the spread and impact of COVID-19 within multifamily properties; updating the formula for standard COVID-19 supplemental payments (CSP) funding caps with increases to the base and per-unit amounts; establishing a new funding prioritization schedule that features a minimum expected funding level for all properties and categorizes certain expense categories as higher priorities; and relaxing financial-need criteria for smaller standard CSP requests to encourage owner support for vaccination efforts and other beneficial expenditures. OIG provided a no position response regarding this notice.

COMMUNITY PLANNING AND DEVELOPMENT

Notice of waivers and alternative requirements for the pilot Recovery Housing Program - On July 21, 2021, HUD issued an updated notice (FR-6265-N-01), describing program rules, waivers, and alternative requirements for the Recovery Housing Program (RHP). The notice made the alternative requirements applicable to the Community Development Block Grant (CDBG) program published on November 25, 2020, applicable to the RHP. The notice also extended the action plan submission date from August 16 to December 31, 2021. OIG took no position on this clearance item.

DISASTER FUNDING

Allocations, common application, waivers, and alternative requirements for CDBG Disaster Recovery grantees - On June 22, 2021, HUD published a notice (FR-6261-N-01) governing the use of \$2 billion it allocated to enhance or improve the power systems in Puerto Rico and the U.S. Virgin Islands. The notice establishes a waiver and alternative requirement that creates electrical power system improvements as a CDBG Disaster Recovery-eligible activity. The notice also requires the grantees to assess the unmet needs for the enhancement or improvement of its electrical systems in its action plans. OIG's noneditorial comments recommended that HUD consider (1) documenting in the notice whether HUD would evaluate whether the planned improvements were feasible and viable and (2) making it a requirement for grantees to facilitate receiving complaints via its websites. HUD did not address these comments.

Requirements for the use of funds in the HOME-American Rescue Plan program - On September 13, 2021, HUD issued Office of Community Planning and Development (CPD) notice CPD-21-10. The notice established requirements for the \$5 billion appropriated for the HOME-American Rescue Plan. The activities to be performed under the program must primarily benefit individuals and families who are homeless, at risk of homelessness, or in other vulnerable populations. Activities may include (1) development and support of affordable housing, (2) tenant-based rental assistance, (3) provision of supportive services, and (4) acquisition and development of noncongregate shelter units. OIG had no position on this notice.

ADMINISTRATIVE AND OTHER PROGRAM AREAS

Restoring Affirmatively Furthering Fair Housing Definitions and Certifications - On June 23, 2021, HUD issued an interim final notice (FR-6249-C-02) to correct errors in a published document. On July 10, 2021 (86-FR-30779), HUD published its Restoring Affirmatively Furthering Fair Housing Definitions and Certifications interim final rule. Following publication, the Federal Register alerted HUD to an error in the amendatory instruction for revisions to 24 CFR (Code of Federal Regulations) 92.508. Specifically, the amendatory instruction directed that paragraph (a)(7)(i)(C) be revised; however, the revision being made by the interim final rule is to paragraph (a)(7)(i)(B). This document corrects the amendatory instructions for 24 CFR 92.508 to reflect the correct paragraph being revised. OIG provided a no position response regarding this notice.

Reinstatement of HUD’s discriminatory effects standard - On June 25, 2020, HUD issued a proposed rule (FR-6251-P-01), seeking public comment. In 2020, HUD published a rule, entitled “HUD’s Implementation of the Fair Housing Act’s Disparate Impact Standard” (2020 Rule). Before the effective date of the 2020 rule, the U.S. District Court for the District of Massachusetts issued a preliminary injunction in *Massachusetts Fair Housing Center v. HUD*, staying HUD’s implementation and enforcement of the rule. Consequently, the 2020 Rule never took effect. On January 26, 2021, President Biden issued a memorandum ordering HUD to “take all steps necessary to examine the effects of the [2020 Rule], including the effect that amending the [2013 Rule] has had on HUD’s statutory duty to ensure compliance with the Fair Housing Act” and “take any necessary steps . . . to implement the Fair Housing Act’s requirements that HUD administer its programs in a manner that . . . furthers . . . HUD’s overall duty to administer the Act . . . including by preventing practices with an unjustified discriminatory effect.” Consistent with the President’s memorandum and after reconsidering the 2020 Rule, HUD is proposing to recodify its previously promulgated rule, entitled “Implementation of the Fair Housing Act’s Discriminatory Effects Standard” (2013 Rule), which, as of the date of publication of this proposed rule, remains in effect due to the preliminary injunction. HUD believes the 2013 Rule better states Fair Housing Act jurisprudence and is more consistent with the Fair Housing Act’s remedial purposes. Comments were due on August 24, 2021. OIG provided a no position response regarding this notice.

Implementing Executive Order 13992, Revocation of Certain Executive 24 CFR Part 11 Orders Concerning Federal Regulation - On July 6, 2021, in FR-6192-F-02, HUD published a final rule, removing regulations that were created in January. On November 10, 2020, HUD published an interim final rule that implemented Executive Order 13891, *Promoting the Rule of Law Through Improved Agency Guidance Documents*,

requiring Federal agencies to publish regulations to codify processes and procedures for issuing guidance documents. Therefore, it created new regulations that outlined HUD policy and procedures for issuing guidance documents. However, on January 20, 2021, President Biden issued Executive Order 13992, *Revocation of Certain Executive Orders Concerning Federal Regulation*, which, among other things, revoked Executive Order 13891. After considering the public comments HUD received in response to its interim final rule and given the revocation of Executive Order 13891, this final rule removes 24 CFR part 11, which it created in January. HUD concluded that the interim final rule deprives it of necessary flexibility to determine when and how to best issue guidance documents, based on particular facts and circumstances, and unduly restricts its ability to provide timely guidance on which the public can rely. In this final rule, HUD also took the opportunity to respond to public comments received in response to the interim final rule. This final rule was effective August 5, 2021. OIG provided minor editorial comments to this final rule.

HUD program evaluation policy - policy statement - On August 13, 2021, HUD issued a notice (FR-6278-N-01), reaffirming HUD’s commitment to conducting rigorous, relevant evaluations and to using evidence from evaluations to inform policy and practice. In July 2016, the U.S. Government Accountability Office (GAO) issued a report, entitled “Department of Housing and Urban Development: Actions Needed to Incorporate Key Practices into Management Functions and Program Oversight” (GAO 16–497), in which GAO presented a broad assessment of HUD’s management of its operations and programs. In the report, GAO examined HUD’s efforts to (1) meet Federal requirements and implement key practices for management functions, including performance planning and reporting and human capital, financial acquisition, and information technology management, and (2) oversee and evaluate programs. The Office of Policy Development and Research (PD&R) is the primary office

within HUD responsible for data analysis, research, program evaluations, and policy studies that inform the development and implementation of programs and policies across HUD offices. Although PD&R uses a process including convening expert panels, GAO found that PD&R had neither developed agencywide, written policies for its program evaluations nor documented the criteria used to select the expert panels and review the quality of program evaluations. On December 6, 2016, HUD issued a policy statement in the Federal Register (81-FR-87949) responding to the GAO report by setting out the core principles and practices of PD&R's evaluation and research activities. On January 14, 2019, the Foundations for Evidence-Based Policymaking Act of 2018 (Evidence Act), Public Law 115-435, was enacted. Section 101 of the Evidence Act created 5 U.S.C. 311–315 and mandated that the head of each agency appoint an Evaluation Officer, including at HUD. This officer must establish common standards for all HUD evaluations, whether performed by PD&R or another office. This issuance articulated departmentwide evaluation standards and stated other new principles based on PD&R's experience since the November 2016 publication. Since then, HUD has identified the following core principles and practices as fundamental to ensuring high-quality and consistent evaluation results: rigor, relevance, transparency, independence, ethics, and technical innovation. This policy applies to all HUD-sponsored evaluations and regulatory impact analyses. It also applies to the selection of projects, contractors, and HUD staff involved in evaluations. OIG provided a no position response regarding this notice.

HEALTHCARE

Comprehensive listing of transactional and FHA healthcare facility documents for borrowers, lenders, and contractors - On July 6, 2021, HUD issued a notice (FR-7038-N-10), which informs the public that it is seeking approval from OMB for a revision to an information collection. Specifically, HUD is revising the information collection to remove form HUD-90011t-ORCF, which was previously approved for use under the temporary Operating Loss Loan Section 232-223(d) - COVID program. The temporary Operating Loss Loan Section 232/223(d) - COVID program expires on August 31, 2021. All other forms currently approved in OMB collection 2502-0605 remain unchanged and remain under the current expiration cycle of June 31, 2022. The issuance of this notice is modeled on the public review and input process that HUD utilized in the establishment of the healthcare facility documents for Section 232 of the National Housing Act (Section 232) program. OIG provided editorial comments on this notice.

Reextension of interim procedures to address site access issues - On August 27, 2021, HUD issued ML 21-20, which informs lenders of an extension from July 31, 2021, of interim procedures detailed in ML 20-15, which addressed site access issues related to Section 232 mortgage insurance applications during the COVID-19 pandemic. OIG commented on this ML that it is more accurate to cite the United States Code as 44 U.S.C. 3501 et seq. (if the intent was to cite to the Act in full) unless the drafter intended to leave out Section 3521.

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 the actions and timeframes needed for resolving audit 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 audit and evaluation 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 SEPTEMBER 30, 2021

HUD Did Not Always Provide Adequate Oversight of Property Acquisition and Disposition Activities

Issue Date: June 30, 2016

OIG audited HUD's Community Development Block Grant (CDBG) program's property acquisition and disposition activities. OIG's 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.

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 proposed a management decision in December 2016. 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. 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 September 30, 2021, 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

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 and 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 2013.² 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 was closed by the Deputy Secretary in her decision regarding resolution of recommendations from

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

³2015-PH-1003, dated June 4, 2015

OIG's audit of New Jersey's Sandy Integrated Recovery Operations and Management System.³ 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. OIG disagreed with the Deputy Secretary's decision to resolve the recommendations from that audit. Further, the Deputy Secretary's decision did not address all of the issues 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 September 30, 2021, had not received a decision.

Audit Report: 2016-PH-0005

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

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. 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 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, and the issue of nonqualified aliens receiving assistance under HOPWA or other homeless assistance programs has not been clearly addressed in HUD regulations and guidance. There is a conflict as to whether “housing assistance” and “homeless assistance” are synonymous. OIG recommended that HUD’s Office of Community Planning and Development (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. CPD submitted management decisions for both recommendations on December 18, 2017, but the management decisions stated that CPD was not able to act on the recommendations, and OIG rejected them. This issue was referred to 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 September 30, 2021, 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

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,⁴ OIG has issued 17 audit reports on disaster grantees with questioned costs totaling nearly \$391.7 million related to procurement. In this audit, 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 stated that the matter of the applicability of the Federal procurement standards at 24 CFR (Code of Federal Regulations) 200.318 through 200.326⁵ (or 24 CFR 85.36(b) through (i)) and the requirements of the Federal Register notices

⁴Audit 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

⁵Before 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.

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.⁶ 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 Assistant Secretary for Grant Programs also noted that the Senate Appropriations Committee report on fiscal year 2018 U.S. Department of Transportation-HUD appropriations legislation⁷ addressed this issue. In addition, the Deputy Assistant Secretary stated that HUD clarified its definition of proficient procurement processes and policies in subsequent Federal Register notices that it published for later disasters. Based on this information, the Deputy Assistant Secretary believed it was appropriate to close these two recommendations. OIG disagreed 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 and rejected the Deputy Assistant Secretary's request to close the recommendations. OIG also rejected the proposed management decisions for the other two recommendations because the proposed actions did not address States 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 September 30, 2021, 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

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, and HUD did not fully implement guidance related to the applicability of change of use requirements after voluntary grant reductions. 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 HUD's Integrated Disbursement and Information System and properly calculate and report program income from the disposition

⁶2015-PH-1003, dated June 4, 2015

⁷Senate Report 1115-138, dated July 27, 2017

of these properties regularly. The Deputy Assistant Secretary 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 and March 8, 2018. On March 28, 2018, the Deputy Assistant Secretary for Grant Programs submitted a revised proposal; however, OIG rejected HUD's proposal. In January 2021, OIG met with HUD to discuss a possible management decision. On March 8, 2021, CPD indicated that it was working on an updated proposal that would address the concerns discussed. As of September 30, 2021, OIG was awaiting an updated proposal from CPD.

Audit Report: 2017-NY-0002

HUD's Office of Block Grant Assistance Had Not Codified the Community Development Block Grant Disaster Recovery Program

Issue Date: July 23, 2018

OIG audited the HUD Office of Block Grant Assistance's (OBGA) CDBG Disaster Recovery program (CDBG-DR) and found that although OBGA had managed billions in CDBG-DR funds since 2002, it had not codified the program, because it did not believe it had the authority to do so. However, OBGA's use of multiple Federal Register notices to operate the program presented challenges to the grantees. For example, 59 grantees with 112 active CDBG-DR 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. In April 2019, OBGA acknowledged that issuance of multiple Federal Register notices

created a compliance burden for CDBG-DR grantees, but it disagreed that codification was necessary. 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 September 30, 2021, 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

OIG audited the State of New York's CDBG-DR-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. 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 CDBG-DR 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. The Principal Deputy Assistant Secretary for Community Planning and Development proposed management decisions on October 8, 2019. OIG rejected the proposed actions and referred the recommendations to the Assistant Secretary for Community Planning and Development on September 30, 2020. As of September 30, 2021, CPD was working to update its proposed management decisions in conjunction with its work related to audit report 2019-NY-1002. OIG will continue to communicate with CPD to attempt to reach an agreement. If OIG is unable to reach an agreement with CPD, OIG will refer the recommendations to the Deputy Secretary for a decision.

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

OIG audited the State of New York's CDBG-DR-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 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. OIG provided 10 recommendations to the State to provide support for appraised fair market values, appraisal prices, and other expenses related to more than \$370 million in unsupported costs and to improve controls over its program, which can ensure that up to \$93.4 million not yet disbursed is put to better use. The Deputy Assistant Secretary for Grant Programs did not propose management decisions to address the 10 recommendations contained in the audit report. OIG held discussions with CPD officials on June 17, September 10, and September 24, 2019, but did not reach an agreement. As a result, OIG referred the 10 recommendations to the Assistant Secretary for Community Planning and Development on October 3, 2019, and 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. In June 2021, OIG provided CPD with requested documentation to assist with preparation of the management decisions. As of September 30, 2021, OIG was awaiting a decision while continuing to work with CPD.

Audit Report: 2019-NY-1002

HUD Paid Rental Subsidies To Benefit Public Housing and Voucher Tenants Reported as Excluded From Federal Programs or Deceased

Issue Date: June 25, 2019

OIG performed an audit to determine whether HUD provided public housing agencies (PHA) with access to the information contained in the Do Not Pay system. 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 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, the Office of Public and Indian Housing (PIH) disagreed with this recommendation and submitted a legal opinion from HUD's Office of General Counsel (OGC) in support of its position. OIG rejected this management decision because it does not resolve the recommendation, and 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 on the corrective actions identified in the report. Therefore, OIG referred the recommendation to

the official serving as Deputy Secretary on March 31, 2020, for his final decision as the Departmental Audit Resolution Official. HUD began scheduling regular meetings with OIG during 2021 to attempt to reach a resolution; however, OIG had not met with HUD on this topic since February 2021. As of September 30, 2021, OIG had not received a decision from the Deputy Secretary.

Audit Report: 2019-KC-0002

EVALUATION REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AS OF SEPTEMBER 30, 2021

Risk-Based Enforcement Could Improve Program Effectiveness

Issue Date: February 12, 2016

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 noncompliances 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 OGC. DEC lost control of funding and staffing levels and contended with inadequate information technology (IT) systems and support. Although program offices asked for more DEC financial analyses, they did not consistently use enforcement actions to remedy noncompliances. Further, managers' reluctance to enforce program requirements limited DEC's effectiveness in most programs. OIG concluded that 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, one of which remains open. OIG has not reached an agreed-upon management decision for this recommendation. The remaining open recommendation states that 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 (GAO) report. However, after reviewing the protocols developed between the 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 and was awaiting a response from the Deputy Secretary on the 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

OIG evaluated the risk analysis process for Hurricane Sandy grants performed by 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, one of which remained open. OIG had not reached an agreed-upon management decision for this recommendation. To address this recommendation, CPD must update the risk analysis guidance for CDBG-DR grants, to include the assessment of the likelihood of risk occurrence. On March 9, 2021, CPD provided an updated risk analysis tool and accompanying instructions. On April 21, 2021, OIG held a meeting with CPD officials to learn more about the tool and instructions and determined that the tool did not consider the likelihood of risk occurrence. The Deputy Secretary for Community Planning and Development questioned the necessity of including the likelihood of risk occurrence in the risk analysis tool and said that the requirements for the risk analysis should be limited to the requirements outlined in 2 CFR part 200. As discussed in OIG's report, HUD's Departmental Management Control Handbook 1840.1 – chapter 2 (revision 3) and Office of Management and Budget (OMB) Circular A-123 both require that likelihood be considered when assessing risk. Therefore, the risk analysis tool remained out of compliance with the Handbook and OMB Circular A-123. On August 13, 2021, OIG referred the recommendation to the Deputy Secretary for final action. OIG was awaiting a response from the Deputy Secretary on the final action.

Evaluation Report: 2016-OE-0004S

HUD Web Application Security Evaluation

Issue Date: June 6, 2018

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 HUD. OIG assessed HUD's capability to identify and mitigate critical IT vulnerabilities in its publicly accessible web applications. OIG identified key deficiencies in HUD's practices that put its 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 the Office of the Chief Information Officer (OCIO). On June 2, 2017, HUD concurred with all recommendations and agreed to work with OIG to assign responsibility and complete resolution. OIG agreed to close five recommendations based on HUD OCIO closure requests and associated evidence during the previous semiannual period, leaving four open recommendations. HUD lacked management decisions for these four recommendations.

Evaluation Report: 2016-OE-0002

HUD Has Not Referred Troubled Public Housing Agencies as the Law and Regulations Require

Issue Date: February 4, 2020

OIG evaluated whether PIH refers troubled PHAs as the law and regulations require. PIH is responsible for monitoring the performance of PHAs, including those that are troubled. A troubled PHA should be given a

maximum of 2 years to cure its negative conditions. If the PHA does not meet the 1- or 2-year recovery requirements, law and regulations require PIH to refer the PHA to the Assistant Secretary for Public and Indian Housing for action. PIH had not referred troubled PHAs to the Assistant Secretary 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. 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 had 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 made five recommendations, three of which remain open. OIG had not reached an agreed-upon management decision for these three recommendations. For one of these recommendations, PIH should ensure that referrals of troubled PHAs to the Assistant Secretary for Public and Indian Housing recommend only the recovery options allowed by the law and regulations, specifically with those outlined in 42

U.S.C. 1437d(j)(3)(B)(ii)(III). For the other two, PIH should use the referral protocol to update and provide training to staff on these recovery options. On September 15, 2020, PIH provided proposed management decisions for these recommendations and a legal opinion that program counsel issued after OIG issued its report. After reviewing these documents, OIG determined that PIH's referral procedures and their implementing training meant to satisfy the recommendation allow more recovery options than specified in law. Specifically, they do not recommend that the Assistant Secretary for Public and Indian Housing take the recovery options identified in 42 U.S.C. 1437d(j)(3)(B)(ii)(III) when a troubled PHA fails to meet the 1- or 2-year recovery requirements. Instead, PIH's Office of Field Operations' internal procedures allow the Assistant Secretary to take the recovery options identified in 42 U.S.C. 1437d(j)(3)(A) when a troubled PHA's substantial default status is not solely based on a failure to meet the 1- or 2-year recovery requirements. As a result of this interpretation, OIG remained concerned that troubled PHAs would remain troubled for an indefinite period, while living conditions for residents stagnated or deteriorated.

Evaluation Report: 2019-OE-0001

HUD IT System Management and Oversight of the Section 184 Program

Issue Date: August 13, 2018

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 processing, which were 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 did not satisfy all management and oversight objectives. OIG made five recommendations. HUD and ONAP concurred with all five recommendations in August 2018 with a suspense of November 26, 2018, to provide OIG with management decisions. In addition, two recommendations were closed during the previous semiannual period due to the progress of OCIO's implementing electronic document capabilities and resolving the lender access issue using the Federal Housing Administration (FHA) Catalyst IT system. Three recommendations remained open, with HUD providing closure requests for all three.

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 six audit reports with significantly revised management decisions.

OFFICE OF AUDIT

The Housing Authority of the City of Tupelo, Housing Programs Operations, Tupelo, MS

Issue Date: July 3, 2002

Due to HUD's concerns with the Housing Authority of the City of Tupelo's questionable financial condition and its involvement with a limited partnership, OIG completed an audit of the Authority's operations. OIG's objectives were to determine whether the Authority was operating its housing activities in accordance with HUD requirements and had established controls to ensure effective and efficient administration of program funds. OIG determined that the Authority (1) improperly advanced public housing program funds for non-Federal development activities, (2) did not maintain its conventional low-income housing in good repair and condition, (3) did not spend its Comprehensive Grant Program funds as approved, (4) inappropriately pledged its assets as collateral for loans, and (5) did not adequately control its appliance inventory. OIG issued 16 recommendations, 4 of which disallowed certain

costs. Upon the request of the HUD's Assistant Secretary for Public and Indian Housing, HUD's Deputy Secretary approved forgiveness of the disallowed cost in four recommendations, given the unique situation. Specifically, the entity responsible for repaying the Authority for the cost questioned filed for bankruptcy and was out of business with no assets available from which to recover any amounts due. OIG concurred with the Deputy Secretary's approval. Therefore, \$670,245 in outstanding balances was written off for recommendations 1A and 5C, and the recommendations were closed.

Audit Report: 2002-AT-1002

The Housing Authority of the City of Cuthbert, Public Housing Activities, Cuthbert, GA

Issue Date: January 15, 2004

In accordance with OIG's priority of providing oversight of PHA activities with related nonprofit entities, OIG completed a review of the Housing Authority of the City of Cuthbert's activities with its related nonprofit organization, Southwest Georgia Housing Development Corporation (SGHDC). OIG found that the Authority inappropriately advanced funds and pledged assets for non-Federal development activities. The Authority improperly advanced \$792,802 in low-income housing funds to SGHDC to pay its development expenses, which reduced program funds available for the Authority's operating expenses. The Authority also pledged assets inappropriately when it guaranteed repayment of two SGHDC loans totaling \$690,050. SGHDC had reimbursed the Authority all but \$327,326. In recommendation 1A, OIG recommended that the Authority collect the

outstanding \$327,326 from SGHDC. However, HUD informed OIG that after making some payments, the entity responsible for repaying the funds filed bankruptcy and the Authority did not have the non-Federal funds to repay the cost on its own. Therefore, HUD requested that the remaining outstanding cost totaling \$199,851 be recorded as uncollectable. OIG concurred with HUD, wrote off \$199,851 for recommendation 1A, and closed the recommendation accordingly.

Audit Report: 2004-AT-1001

Violations Increased the Cost of Housing's Administration of Its Bond Refund Program

Issue Date: March 14, 2014

OIG audited HUD's McKinney Act bond refund program with the objectives of determining whether HUD properly enforced requirements that regulated the application of automatic adjustment factors to Section 8 rents for projects that had bond refund savings to prevent excessive rents and whether adjustments to receivables due to HUD from bond refunds were properly supported. There were violations relative to HUD's calculation of rents using automatic annual adjustment factors for bond-refunded projects and justification and support for writeoffs of receivables due to HUD from bond refunds. Specifically, HUD paid more than \$2.6 million in excessive Section 8 rents due to a pattern of violations, which would indicate the existence of excess rents beyond those of the projects reviewed during the audit, similar to the violations reported in past reviews. More than \$2.7 million in questionable writeoffs of receivables due to HUD for bond refund savings were also identified. The amount

included more than \$2.6 million, which HUD wrote off without proper justification, and more than \$139,000, for which HUD could not locate or provide proper documentation to show whether the writeoff was justified and supported. OIG also identified the release of more than \$143,300 in trust fund balances to entities outside HUD without proper support. These conditions occurred primarily because the Office of Housing had not developed and implemented adequate monitoring of the bond refund program to ensure compliance with requirements. To fix these issues, OIG made eight recommendations (1A through 1H) to the Deputy Assistant Secretary for Multifamily Housing. Specifically, for recommendations 1A through 1G, OIG recommended that the Deputy Assistant Secretary develop and implement procedures for (1) monitoring the calculation of annual rent increases for Section 8 projects and the remittance of trust fund balances and (2) ensuring that requests made by Housing for adjustments to bond receivables are in accordance with requirements. In addition, OIG recommended that the Deputy Assistant Secretary initiate actions needed to ensure the enforcement of program requirements and the proper resolution of more than \$2.7 million in questioned costs. On April 15, 2021, the Office of Multifamily Housing Programs submitted revised management decisions and provided for its basis that there were only two active bond transactions, which are scheduled to end in 2024 and 2025. Both transactions are current and are being managed by the Accounting, Monitoring, and Analysis Division (AMAD) team within HUD's Office of the Chief Financial Officer (OCFO). Regular meetings are taking place to ensure that these two transactions are being managed and monitored in accordance with AMAD's standard operating procedures. After the two remaining active bond transactions are paid off, this program will no longer exist. In addition, the costs are uncollectable since the

statute of limitations has passed. Therefore, Multifamily requested that recommendations 1A through 1G to be closed. On April 19 and May 3, 2021, OIG agreed with the revised management decisions and closed these recommendations.

Audit Report: 2014-AT-0001

HUD Did Not Always Recover FHA Single-Family Indemnification Losses and Ensure That Indemnification Agreements Were Extended

Issue Date: August 8, 2014

OIG audited HUD's controls over its 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. OIG determined 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 program or the Claims Without Conveyance of Title 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. As a result, HUD did not attempt to recover a loss of \$37.1 million for 486 loans that had enforceable indemnification agreements. During the audit, OIG made five recommendations, three of which were referred to the Deputy Secretary on March 31, 2015, because OIG could not agree on a management decision. The disagreement centered on OIG's determination that the Offices of Single Family Housing and Finance and

Budget did not follow the plain language explicitly stated in the signed indemnification agreements. The Offices of Single Family Housing and Finance and Budget disagreed 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. For two of the recommendations, a management decision was reached. HUD agreed with the OIG recommendations to review and initiate the billing process for the loans in question. In implementing these corrective actions, HUD determined that certain loans were not billable due to its position that it billed lenders in a manner consistent with a longstanding HUD policy that emphasized the definition of the "date of default." OIG disagreed and determined that HUD should have billed lenders for FHA loans that either were in default or went into default during the indemnification agreement period. Due to the lack of action from the office of the Deputy Secretary to render a decision, the 6-year statute of limitations (28 U.S.C. 2415) rendered every loan under disagreement as time barred and not billable, impacting all five recommendations. During this reporting period, HUD significantly revised its final open management decision as HUD completed billing actions for 237 questioned loans. Despite not reaching agreement on enforcement of the loans and indemnification agreements in question, OIG concurred with the revised management decision. HUD billed lenders for 210 loans that it determined to be billable. Further, 26 of the remaining 27 loans were deemed not billable. One loan remains active and is performing under a repayment plan that will satisfy the outstanding debt in October 2025. OIG's concurrence relied solely on the statute of limitations and does not constitute agreement with HUD's position regarding the date of default, enforcement of the indemnification agreements in question, or the billable loans. The revised management decision questioned more than \$22.4 million. To date, OIG has sustained

more than \$15.7 million, and more than \$6.4 million in collections was determined to be uncollectible. Recoveries for the final loan under repayment will be posted and reported as sustained as payments are received.

Audit Report: 2014-LA-0005

Berkadia Approved a Mortgage for the Temtor Project That Was Not Economically Sound

Issue Date: August 4, 2015

OIG audited Berkadia Mortgage, LLC's underwriting of the loan to fund the renovation of the Temtor project in St. Louis, MO. OIG found that Berkadia did not properly determine the maximum mortgage amount for the Temtor loan. It included ineligible and unsupported items, which increased the HUD-insured mortgage by more than \$6 million. Specifically, Berkadia included (1) projected commercial rents without establishing the market rate and (2) tax increment financing payments that were not guaranteed. The project's actual income was insufficient to pay the larger mortgage. The owners defaulted on the loan beginning with the first payment after final endorsement, leading to submission of a claim to HUD. OIG recommended that HUD refer Berkadia to the Mortgagee Review Board (MRB) for appropriate action for violations that caused a more than \$11 million loss to HUD's FHA insurance fund. In its original management decision, HUD requested that the decision be suspended due to actions taking place outside of HUD's control, with a plan to submit a revised management decision pending the results of these actions. On August 23, 2021, HUD submitted a revised recommendation, which stated that although there were underwriting deficiencies, no fraud or material acts of negligence were identified. Further, HUD's experience has shown

that it would not be successful in this case if it were to be referred to the MRB. On September 7, 2021, OIG agreed with the revised management decision.

Audit Report: 2015-KC-1005

HUD Did Not Adequately Administer Its Housing Counseling Program

Issue Date: September 24, 2018

OIG audited HUD's Housing Counseling Program, located within the Office of Housing Counseling, to determine whether HUD adequately administered its program. OIG determined that HUD did not adequately administer its program in accordance with Federal regulations and its requirements because HUD did not have adequate controls over its program due to weaknesses in its Housing Counseling System. One recommendation OIG made was for HUD to ensure that its new Housing Counseling Agency Management System (HCAMS) has the ability to adequately oversee the work of its staff and track important housing counseling agency milestones, including HUD's approval of expirations and required terminations. In its original management decision, HUD agreed with the recommendation and stated that it would implement version 1.0 of HCAMS with the ability to adequately oversee the work of its staff and track important housing counseling agency milestones by March 31, 2021. On March 10, 2021, HUD submitted a revised management decision, stating that the HCAMS project was approximately 66 percent complete and that due to funding restraints, it had not been able to complete development and implementation of the system. HUD planned to reevaluate whether to continue the development and implementation of HCAMS in fiscal year 2022. In the meantime, HUD implemented interim

controls within its existing systems to address OIG's concerns, including more involvement by management in tracking each performance review and creating spreadsheets to track its important milestone dates. On March 11, 2021, OIG agreed with the revised management decision. As it became evident that near future funding for the HCAMS project was unlikely, HUD discontinued its development of the system and focused on making the interim controls permanent and part of its regular processes to address the spirit of the recommendation. On September 16, 2021, HUD submitted another revised management decision to reflect this change and updated its standard operating procedures to include additional controls, such as management's maintaining a master tracking spreadsheet and increased communication among staff, management, and senior leadership. As a result of its newly implemented controls, HUD stated that it had cleared its backlog of performance reviews and met its performance review goals for fiscal years 2020 and 2021. On September 16, 2021, OIG agreed with the revised management decision and closed the recommendation.

Audit Report: 2018-NY-0001

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, there was one audit report in which OIG disagreed with the significant management decisions.

HUD Failed To Follow Departmental Clearance Protocols for FHA Programs, Policies, and Operations

Issue Date: January 25, 2017

OIG audited HUD FHA's process for making changes to its programs, policies, and operations based on an OIG preaudit analysis that noted potential violations of departmental clearance requirements. OIG determined that HUD failed to follow required departmental clearance procedures when implementing changes to FHA programs. Specifically, HUD's Office of Single Family Housing did not always pursue the required departmental clearance and posted draft documents or directives in final form before departmental clearance. When departmental clearance was pursued, HUD did not always ensure that key officials reviewed the documents before issuance. As a result, significant policy information was distributed without proper review and clearance, which undermined the intent and integrity of the process. This action effectively bypassed the required review by other HUD offices, including OIG, which had questioned or opposed document policies in some cases. As a result of the audit, OIG made 6 recommendations, 1 of which recommended that HUD pursue departmental clearance for the 13 documents and

policies identified that did not go through the required departmental clearance and recall any documents that cannot be appropriately cleared. HUD agreed with OIG and processed 7 of the 13 documents through the departmental clearance process. HUD found that 5 of the 13 documents had been superseded by another policy that had gone through departmental clearance and thereby negated the need to submit the original document through departmental clearance. HUD submitted a revised management decision on July 5, 2018; however, OIG rejected the revision due to disagreement regarding the final document that did not go through departmental clearance, a HUD OGC legal opinion letter on downpayment assistance. OGC stated that it is the chief legal officer of HUD and has full authority to interpret laws, regulations, and requirements applicable to HUD's programs and found that it was not appropriate for these opinions to be reviewed and concurred on by any individuals not specifically employed as counsel to HUD. OIG's Office of Legal Counsel generally agreed that legal opinions are generally not policy documents; they articulate legal interpretations on which policy decisions are based, or they assess the legality of particular fact situations. A possible exception was the 2015 HUD OGC legal opinion regarding downpayment assistance and housing finance agencies, as it was used not only to arrive at a legal conclusion but also to arguably publicize the resulting policy. HUD and OIG conducted several meetings to reach an agreement to close the recommendation. However, the disagreement was not resolved. OIG met with HUD OCFO's audit resolution team on May 27, 2021, to discuss the open audit recommendation. During the meeting, it was agreed to close the recommendation with OIG's disagreement because HUD's Office of Single Family Housing had adequately resolved the documents that were under its control. The recommendation was closed on June 11, 2021,

with disagreement. OIG's position has not changed. According to HUD's Directives Handbook, "...what constitutes a directive is not necessarily the title of a specific type of communication, but the content." Accordingly, although the formatting of the HUD OGC opinion on downpayment assistance was as a legal interpretation addressed to an internal HUD official, once it was publicly posted with intended precedential effect with general applicability for all lenders, it changed the nature of this document from an internal advisory document to a public communication. The handbook states that the content of a document, rather than the title, determines whether it constitutes a directive. It also states that public communications constitute directives when they relay guidance for the first time, beyond merely explaining provisions of existing policy or requirements. Existing statutory requirements in paragraph 203(b)(9)(c) of the National Housing Act prohibit gifts (to meet FHA's minimum required investment) that involve direct or indirect reimbursement from an entity that financially benefits from the transaction. Without departmental clearance in this case, there were no checks and balances in place to ensure that legal, regulatory, or policy concerns with the statements were addressed internally. Further, because OIG, a required reviewing office for departmental clearance, indicated disagreement with the subject policy, HUD should have pursued required resolution procedures for reviewing office nonconcurrence outlined in HUD's directives handbook before issuing this document.

Audit Report: 2017-LA-0002

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT OF 1996

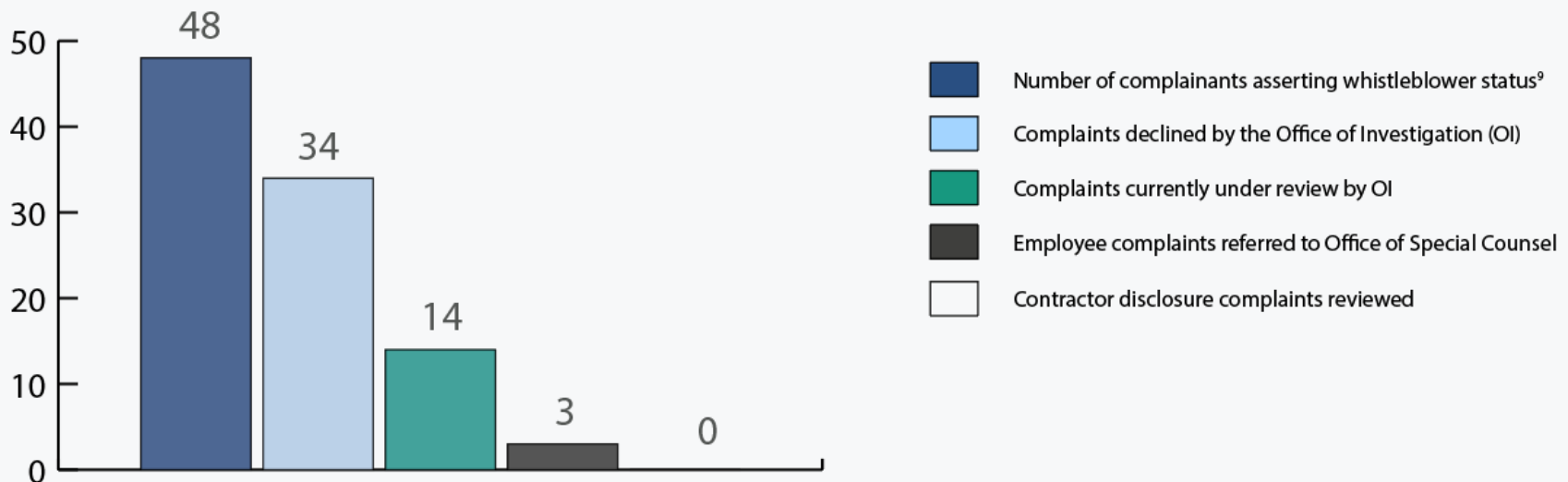
Section 803(a) of FFMIA requires that each agency establish and maintain financial management systems that comply with (1) Federal financial management system requirements, (2) Federal accounting standards, and (3) the United States Standard General Ledger at the transaction level. Section 803(c) of FFMIA requires an agency to establish a remediation plan if it is determined that the agency's financial management systems do not comply with the requirements of section 803(a). Section 804(b) of FFMIA 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.

As of September 30, 2021, OIG and HUD identified noncompliance with the three Section 803(a) elements of FFMIA. Specifically, there were two financial systems⁸ that were noncompliant with one or more of the three Section 803(a) requirements. Remediation activities for one of these systems are expected to be completed during fiscal year 2022. Remediation activities for the second system is dependent on receipt of an opinion from GAO, which is expected during fiscal year 2022. HUD was on track to meet the intermediate target dates in its remediation plans as of September 30, 2021.

⁸The two financial systems that were noncompliant with FFMIA as of September 30, 2021, were the Disaster Recovery Grant Reporting System and the Tenant Rental Assistance Certification System.

WHISTLEBLOWER PROTECTION COORDINATOR

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



⁹Not 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.

OIG's Whistleblower Protection Coordinator Program works with HUD and 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 under the Whistleblower Protection Act when an employee believes he or she has been retaliated against for making protected disclosures.

The 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 2020 training was presented on September 18, 2020, via a memorandum from the Inspector General, which explained employees' rights to make disclosures of wrongdoing, free from retaliation. The memorandum also provided information about other prohibited personnel practices.

In October 2017, Congress enacted the Dr. Chris Kirkpatrick Whistleblower Protection Act of 2017, which contains new training and performance standards for supervisors regarding handling of whistleblowers. HUD OIG is in the process of implementing these requirements.

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 received several complaints filed under 41 U.S.C (United States Code) 4712. In December 2016, Congress passed the Enhancement of Whistleblower Protection Act. It made the whistleblower protections under 41 U.S.C. 4712 permanent. Section 4712 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.

PEER REVIEW REPORTING

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 (CIGIE) and the Attorney General's guidelines.

Peer Review Conducted by HUD OIG on DHS OIG

HUD OIG conducted an external peer review of the DHS OIG, Office of Investigation, and issued a final report on June 5, 2020. HUD OIG determined that DHS OIG was in compliance with the quality standards established by CIGIE.

OFFICE OF EVALUATION

Peer Review Conducted on HUD OIG by CIGIE Team

A CIGIE external review team reviewed the HUD OIG, Office of Evaluation. The team concluded that the Office of Evaluation's policies and procedures generally complied with the Quality Standards for Inspection and Evaluation. The team also offered observations regarding four reports reviewed. The peer review team observed that all reviewed reports did not fully follow established quality control policies and procedures. HUD OIG did not agree with all team observations and offered a written rebuttal. However, the Office of Evaluation made changes to its policies and procedures and reporting approaches to address the team's observations.

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 on September 10, 2019.

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>

APPENDIX 1 - REPORTS ISSUED

Internal Audit Reports

Chief Financial Officer	
2021-AT-0002	HUD Did Not Fully Comply With the Payment Integrity Information Act of 2019, 05/17/2021.

Housing	
2021-KC-0003	HUD's Major Program Offices Can Improve Their Preparedness To Respond to Upcoming Natural Disasters, 07/26/2021.
2021-KC-0004	HUD's Office of Multifamily Housing Programs' Complaint Process Did Not Ensure That Health and Safety Complaints Were Resolved in a Timely Manner, 07/28/2021.
2021-KC-0005	COVID-19 Forbearance Data in HUD's Single Family Default Monitoring System Generally Agreed With Information Maintained by Loan Servicers, 08/16/2021.

Public and Indian Housing	
2021-CH-0001	HUD Remains Challenged To Serve the Maximum Number of Eligible Families Due to Decreasing Utilization in the Housing Choice Voucher Program, 09/15/2021.

Audit-Related Memorandums¹⁰

Chief Procurement Officer	
2021-FW-0801	Limited Review of HUD's Office of Chief Procurement Officer Pandemic-Related Procurement Accommodations and Challenges, 07/14/2021.

Housing	
2021-KC-0802	Promoting a Homeless Waitlist Preference at Multifamily-Assisted Rental Unit Properties, 06/17/2021.

External Audit Reports

Community Planning and Development	
2021-FW-1001	Harris County Community Services Department, Houston, TX, Was Inefficient and Ineffective in Operating Its Hurricane Harvey Program, 06/02/2021.
2021-FW-1002	The City of Houston's Housing and Community Development Department, Houston, TX, Did Not Always Ensure That Its Program Followed Procurement Requirements, 06/21/2021. Questioned: \$1,260,680. Unsupported: \$1,260,680. Better use: \$9,736,636.

¹⁰The 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.

External Audit Reports Continued

Public and Indian Housing	
2021-FW-1003	The Bay City Housing Authority, Bay City, TX, Did Not Follow Requirements for Its Legal Services Contract, Administrative Costs, and Board Meetings, 09/29/2021. Questioned: \$44,256. Unsupported: \$31,911. Better use: \$24,250.

Internal Evaluation Reports

Human Capital Management	
2020-OE-0002	Opportunities Exist To Improve the U.S. Department of Housing and Urban Development's Hiring Process

Housing	
2020-OE-0003	HUD Program Offices' Policies and Approaches for Radon

Information Technology	
2020-OE-0006	HUD's Use of, Accounting for, and Reporting on CARES Act Funding
2021-OE-0003	HUD Information Technology Modernization Roadmap Evaluation
2021-OE-0004	Topic Brief - 2021 Persistent IT Challenges and Issues Facing HUD

APPENDIX 2 - TABLES

TABLE A

AUDIT REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AS OF 09/30/2021

***Significant Audit Reports Described in Previous Semiannual Reports**

Report number	Report 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-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
* 2017-NY-0002	HUD Could Improve Its Controls Over the Disposition of Real Properties Assisted With Community Development Block Grant Funds	09/29/2017

Report number	Report title	Issue date
* 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-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 09/30/2021

Report number	Report title	Issue date
2014-OE-0002	Risk Based Enforcement Could Improve Program Effectiveness	02/12/2016
2016-OE-0004S	Opportunities for Improvement within CPD's Risk Management Process for Hurricane Sandy Grants	03/29/2017
2016-OE-0002	HUD Web Application Security Evaluation	06/06/2018
2019-OE-0001	HUD Has Not Referred Troubled Public Housing Agencies as the Law and Regulations Require	02/04/2020
2018-OE-0004	HUD IT System Management and Oversight of the Section 184 Program	08/13/2018

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 target date
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	10/15/2021
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
2010-AT-1003	The Housing Authority of Whitesburg Mismanaged Its Operations, Whitesburg, KY	04/28/2010	08/26/2010	11/29/2035
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	10/15/2021
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	10/15/2021
2011-AT-1018	The Municipality of San Juan, PR, Did Not Properly Manage Its HOME Investment Partnerships Program	09/28/2011	01/12/2012	10/15/2021

Report number	Report title	Issue date	Decision date	Final action target date
2012-NY-1002	The City of New York Charged Questionable Expenditures to Its HPRP, New York, NY	10/18/2011	02/16/2012	10/15/2021
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	10/15/2021
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	10/15/2021
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-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	10/15/2021
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

Report number	Report title	Issue date	Decision date	Final action target date
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 2
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	10/15/2021
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
2014-AT-1001	The Municipality of Arecibo Did Not Properly Administer Its HOME Program	12/03/2013	01/24/2014	10/15/2021
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	09/30/2022
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	10/15/2021
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	10/15/2021

Report number	Report title	Issue date	Decision date	Final action target date
2014-NY-0001	HUD Did Not Provide Effective Oversight of Section 202 Multifamily Project Refinances	02/19/2014	06/10/2014	10/15/2021
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	10/15/2021
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	10/15/2021
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	10/15/2021
2014-CH-1006	The Goshen Housing Authority, Goshen, IN, Failed To Follow HUD's and Its Own Requirements Regarding the Administration of Its Program	08/14/2014	01/21/2015	03/16/2022
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

Report number	Report title	Issue date	Decision date	Final action target date
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	10/15/2021
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 2
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	10/15/2021
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	10/15/2021
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	10/15/2021
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

Report number	Report title	Issue date	Decision date	Final action target date
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	12/29/2021
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	10/15/2021
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	10/15/2021
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	10/15/2021
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

Report number	Report title	Issue date	Decision date	Final action target date
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	10/15/2021
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	09/30/2022
2016-DP-0801	Review of Information System Controls Over the Government National Mortgage Association	11/30/2015	03/30/2016	10/15/2021
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	10/15/2021
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	10/15/2021
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	10/15/2021

Report number	Report title	Issue date	Decision date	Final action target date
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-NY-0001	Operating Fund Calculations Were Not Always Adequately Verified	09/12/2016	12/22/2016	04/01/2025
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	10/15/2021
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	10/15/2021
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

Report number	Report title	Issue date	Decision date	Final action target date
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	04/01/2022
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	10/15/2021
2017-LA-0002	HUD Failed To Follow Departmental Clearance Protocols for FHA Programs, Policies, and Operations	01/25/2017	09/22/2017	10/15/2021
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	10/15/2021
2017-LA-0003	HUD Failed To Adequately Oversee FHA-Insured Loans With Borrower-Financed Downpayment Assistance	03/03/2017	06/22/2017	Note 1
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	10/15/2021

Report number	Report title	Issue date	Decision date	Final action target date
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-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	10/15/2021
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	10/15/2021
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	10/15/2021
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	10/15/2021
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

Report number	Report title	Issue date	Decision date	Final action target date
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	10/15/2021
2017-LA-0004	HUD Did Not Have Adequate Controls To Ensure That Servicers Properly Engaged in Loss Mitigation	09/14/2017	01/11/2018	10/15/2021
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	10/15/2021
2017-LA-0005	HUD Did Not Always Follow Applicable Requirements When Forgiving Debts and Terminating Debt Collections	09/21/2017	01/17/2018	10/15/2021
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	02/01/2030
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	10/15/2021
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 target date
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 1
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	10/15/2021
2018-FW-1001	Jefferson Parish, Jefferson, LA, Did Not Always Properly Administer Its Rehabilitation Program	01/29/2018	05/22/2018	12/31/2022
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-DP-0003	Fiscal Year 2017 Review of Information Systems Controls in Support of the Financial Statements Audit	03/09/2018	06/07/2018	10/15/2021
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 target date
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	10/15/2021
2018-KC-0001	FHA Insured \$1.9 Billion in Loans to Borrowers Barred by Federal Requirements	03/26/2018	07/11/2018	Note 1
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	10/15/2021
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	10/15/2021
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	10/15/2021
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

Report number	Report title	Issue date	Decision date	Final action target date
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	10/15/2021
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	10/15/2021
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	10/15/2021
2018-NY-0001	HUD Did Not Adequately Administer Its Housing Counseling Program	09/24/2018	02/26/2019	04/01/2023
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	10/15/2021
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	10/15/2021

Report number	Report title	Issue date	Decision date	Final action target date
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	10/15/2021
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	10/15/2021
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	10/15/2021
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	10/15/2021
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 1
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	10/15/2021
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	10/15/2021

Report number	Report title	Issue date	Decision date	Final action target date
2019-KC-0001	FHA Improperly Paid Partial Claims That Did Not Reinstate Their Related Loans	04/11/2019	08/02/2019	10/15/2021
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	10/15/2021
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	10/15/2021
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-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	10/15/2021
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	10/15/2021

Report number	Report title	Issue date	Decision date	Final action target date
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	10/15/2021
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	10/15/2021
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-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
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	01/31/2020	10/15/2021
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	02/11/2020	10/15/2021
2020-AT-0801	HUD Had Not Established Deadlines for Reporting FHA-HAMP Nonincentivized Loan Modifications and Filing Nonincentivized Partial Claims	02/04/2020	06/01/2020	05/31/2022

Report number	Report title	Issue date	Decision date	Final action target date
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	09/08/2020	Note 2
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	06/09/2020	12/31/2021
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	06/19/2020	10/15/2021
2020-AT-1002	The Puerto Rico Department of Housing, San Juan, PR, Should Strengthen Its Capacity To Administer Its Disaster Grants	03/16/2020	07/13/2020	Note 2
2020-CH-0003	HUD Lacked Adequate Oversight of Public Housing Agencies' Compliance With the Lead Safe Housing Rule	03/18/2020	09/03/2020	12/10/2022
2020-LA-1003	The City of Mesa, AZ, Did Not Administer Its Community Development Block Grant in Accordance With HUD Requirements	04/13/2020	08/11/2020	10/15/2021
2020-KC-1001	Englewood Apartments, Kansas City, MO, Did Not Comply With Tenant Eligibility and Recertification Requirements	06/08/2020	09/22/2020	01/01/2022

Report number	Report title	Issue date	Decision date	Final action target date
2020-CH-0004	HUD Needs To Improve Its Oversight of Lead in the Water of Housing Choice Voucher and Public Housing Program Units	08/21/2020	02/10/2021	12/31/2021
2020-CH-0005	HUD Needs To Improve Its Oversight of Lead in the Water of Multifamily Housing Units	08/21/2020	01/26/2021	12/31/2021
2020-LA-1005	Mid America Mortgage, dba 1st Tribal Lending, Pinole, CA, Did Not Always Follow HUD's Section 184 Program Requirements	09/03/2020	12/14/2020	12/31/2021
2020-LA-0002	HUD Had Implemented Most of the Required Responsibilities Stated in the Geospatial Data Act of 2018	09/24/2020	01/11/2021	10/15/2021

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 09/30/2021

Report number	Report title	Issue date	Decision date	Final action
2021-LA-1001	The City of Compton, Compton, CA, Did Not Always Administer Neighborhood Stabilization Program Funds in Compliance With Procedures and Regulations	10/27/2020	01/26/2021	01/26/2022
2021-DP-0001	Fiscal Year 2019 Review of Information Systems Controls in Support of the Financial Statements Audit	12/17/2020	04/08/2021	03/08/2022
2021-KC-0002	FHA Insured \$940 Million in Loans for Properties in Flood Zones Without the Required Flood Insurance	01/05/2021	04/26/2021	03/31/2022
2021-LA-1002	Neighborhood Housing Services of Los Angeles County, Los Angeles, CA, Did Not Always Follow Program Requirements in Administering Its NSP2	01/05/2021	04/29/2021	04/25/2022
2021-PH-0002	HUD Improperly Accounted for and Managed Reimbursements It Received Through Rent Credits From the General Services Administration	03/29/2021	05/28/2021	05/26/2022

Audits Excluded:

77 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 more than 1 year old.
- 2 Management did not meet the target date. Target date is less than 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	Federal Information Security Management Act (FISMA) Fiscal Year 2013 Evaluation Report	11/29/2013	11/29/2013	Note 1
2014-ITED-0001	HUD Privacy Program Evaluation Report	04/30/2014	04/30/2014	Note 1
2014-OE-0002	Risk Based Enforcement Could Improve Program Effectiveness	02/12/2016	n/a	Note 2
2014-OE-0003	Federal Information Security Management Act (FISMA) Fiscal Year 2014 Evaluation Report	11/15/2014	11/15/2014	Note 1
2015-OE-0001	Federal Information Security Modernization Act (FISMA) Fiscal Year 2015 Evaluation Report	11/15/2015	11/15/2015	Note 1
2015-OE-0002	HUD IT Modernization Evaluation Report	09/29/2015	09/29/2015	Note 1
2016-OE-0002	HUD Web Application Security Evaluation Report	06/07/2017	n/a	Note 2

Report number	Report title	Issue date	Decision date	Final action
2016-OE-0004S	Opportunities for Improvement Within CPD's Risk Management Process for Hurricane Sandy Grants	03/29/2017	n/a	Note 2
2016-OE-0006	HUD Fiscal Year 2016 Federal Information Security Modernization Act of 2014 (FISMA) Evaluation Report	11/10/2016	11/10/2016	Note 1
2017-OE-0007	HUD Fiscal Year 2017 Federal Information Security Modernization Act of 2014 (FISMA) Evaluation Report	10/31/2017	08/16/2018	Note 1
2018-OE-0001	HUD Privacy Program Evaluation Report	09/13/2018	11/27/2019	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	HUD Fiscal Year 2018 Federal Information Security Modernization Act of 2014 (FISMA) Evaluation Report	10/31/2018	05/27/2019	Note 1
2018-OE-0004	HUD IT System Management and Oversight of the Section 184 Program	08/13/2018	n/a	Note 2

Report number	Report title	Issue date	Decision date	Final action
2019-OE-0001	HUD Has Not Referred Troubled Public Housing Agencies as the Law and Regulations Require	02/04/2020	n/a	Note 2
2019-OE-0002	HUD Fiscal Year 2019 Federal Information Security Modernization Act of 2014 (FISMA) Evaluation Report	06/24/2020	01/19/2021	Note 1
2019-OE-0002a	HUD Personally Identifiable Information (PII) Records Protection and Management	06/25/2020	12/21/2020	Note 1

SIGNIFICANT EVALUATION REPORTS ISSUED WITHIN THE PAST 12 MONTHS THAT WERE DESCRIBED IN PREVIOUS SEMIANNUAL REPORTS FOR WHICH FINAL ACTION HAD NOT BEEN COMPLETED AS OF 09/30/2021

Report number	Report title	Issue date	Decision date	Final action
2019-OE-0003	Contaminated Sites Pose Potential Health Risks to Residents at HUD-Funded Properties	02/14/2021	09/07/2021	Note 3
2020-OE-0001	HUD Fiscal Year 2020 Federal Information Security Modernization Act of 2014 (FISMA) Evaluation Report	11/30/2020	03/30/2021	Note 3

Notes:

- 1** Management did not meet the target date. Target date is more than 1 year old.
- 2** No management decision (for one or more recommendations)
- 3** Management was working to meet target date. Target date is less than 1 year old.

APPENDIX 2 - TABLES

TABLE C

INSPECTOR GENERAL-ISSUED REPORTS WITH QUESTIONED AND UNSUPPORTED COSTS AS OF 09/30/2021 (DOLLARS 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	5	\$400,448	\$396,882
A2 For which litigation, legislation, or investigation was pending at the beginning of the reporting period	0	0	0
A3 For which additional costs were added to reports in beginning inventory	-	463	50
A4 For which costs were added to noncost reports	0	0	0
B1 Which were issued during the reporting period	2	1,305	1,293
B2 Which were reopened during the reporting period	0	0	0
Subtotals (A+B)	7	402,216	398,225

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	1 ¹¹	7,292	6,879
(1) Dollar value of disallowed costs:			
Due HUD	1	6,968	6,879
Due program participants	0	324	0
(2) Dollar value of disallowed costs:	0	0	0
D For which a management decision had been made not to determine costs until completion of litigation, legislation, or investigation	0	0	0
E For which no management decision had been made by the end of the reporting period	6 <21> ¹²	394,924 <381,653> ¹²	391,346 <378,079> ¹²

¹¹This audit report also contains recommendations with funds to be put to better use.

¹²The 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 AS OF 09/30/2021 (DOLLARS 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	6	\$5,929,253 ¹³
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	-	0
A4 For which costs were added to noncost reports	0	0
B1 Which were issued during the reporting period	2	9,761
B2 Which were reopened during the reporting period	0	0
Subtotals (A+B)	8	5,939,014

¹³The beginning balance of Table D was reduced by \$31 million due to a system transaction table error associated with recommendation 2017-FO-0003-008-G.

TABLE D CONTINUED

Audit reports	Number of audit reports	Dollar value
C For which a management decision was made during the reporting period	3 ¹⁴	944,082
(1) Dollar value of recommendations that were agreed to by management: Due HUD Due program participants	3 0	925,882 0
(2) Dollar value of recommendations that were not agreed upon by management	1 ¹⁵	18,200
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	5 <5> ¹⁶	4,994,932 <4,988,837> ¹⁶

¹⁴One audit report also contains recommendations with questioned costs.

¹⁵This audit report also contains recommendations with funds agreed to by management.

¹⁶The 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 acted on the majority of recommendations from 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

The Inspector General Empowerment 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.

SUMMARY OF REPORTS WITH NO ESTABLISHMENT COMMENT

There are no instances of reports with no establishment comment this semiannual reporting period.

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 980 outstanding (open) unimplemented recommendations with a combined potential cost savings of more than \$19 billion. The following table and charts reflect the reasons why they remain unimplemented:

1. 919 recommendations have active corrective action plans in place or valid repayment plans, but HUD has not finished implementing the recommendation.
2. 61 recommendations are currently without management decisions (agreement between the Department and OIG), 33 of which 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. 367 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	2	\$1,688,555
2001	1	160,000
2002	5	709,105
2003	12	1,747,990
2004	7	8,068,042
2005	5	2,999,361
2006	12	10,272,292
2007	14	4,977,549
2008	29	71,460,286
2009	24	4,949,326
2010	16	18,251,251
2011	33	100,437,848
2012	12	10,414,794
2013	50	56,792,251
2014	95	358,201,520
2015	80	319,278,349
2016	121	7,277,710,261
2017	131	637,456,663
2018	122	3,439,935,316
2019	81	6,662,300,761
2020	69	4,276,717
2021	59	456,584,756
Total	980	19,448,672,993

OFFICE OF EVALUATION

OE conducts evaluations focused on improving departmental operations and programs. OE's recommendations do not focus on direct cost savings but, rather, on improving program effectiveness, reducing the likelihood of negative outcomes, and addressing HUD's top management challenges.

Calendar year	Number of open recommendations
2013	2
2014	7
2015	6
2016	3
2017	9
2018	24
2019	0
2020	49
2021	23
Total	123

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 2017. 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 provide additional guidance pertaining to each requested category of information.

REPORTING PERIOD: FISCAL YEAR 2021, PERIOD 2 (SAR 86), APRIL 1, 2021, THROUGH SEPTEMBER 30, 2021

Measure	Total
A. Total number of investigative reports issued during the reporting period ¹⁷	175
B. Total number of persons referred to the U.S. Department of Justice for criminal prosecution during the reporting period	141
C. Total number of persons referred to State and local prosecuting authorities for criminal prosecution during the reporting period	33
D. Total number of indictments and criminal informations during the reporting period that resulted from any prior referral to prosecuting authorities ¹⁸	73

¹⁷Includes approved reports of investigation

¹⁸Includes 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 is the one case for this reporting period.

OIG initiated an investigation based on allegations that a former senior HUD employee was not recused from HUD matters while negotiating future employment with a private-sector firm conducting business with HUD. The former employee, after leaving HUD, represented the private-sector firm to HUD on matters this individual had worked on while a HUD employee.

The investigation substantiated the allegations and also determined that the former employee removed from HUD and brought to a new private-sector employer many HUD documents and reports about financial institutions, which contained confidential, nonpublic, and proprietary information.

On July 10, 2019, referred this matter to the U.S. Attorney's Office (USAO) and HUD's Office of Program Enforcement for any action they deemed appropriate. The USAO entered into a settlement agreement with the former employee, who agreed to pay \$25,000 to settle allegations that the former employee had an improper conflict of interest with a company while serving as a senior employee at HUD. HUD settled with the former employee, resolving potential administrative allegations.

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.

OIG has no instances of whistleblower retaliation to report in this semiannual reporting 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 encountered instances in which access to agency information was delayed or denied. These instances were described in detail in OIG's report No. 2019SU0089451, Review of HUD's Disbursement of Grant Funds Appropriated for Disaster Recovery and Mitigation Activities in Puerto Rico, which was released to the public on April 20, 2021.

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

Section 5(a)(22) of the Inspector General Act of 1978,¹⁹ 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

OIG initiated an investigation based on allegations that a senior HUD employee interfered with a career employee's promotion by trying to have the career employee terminated from employment with HUD, a potential violation of the Merit Systems Principles. The investigation was not referred to the USAO and disciplinary action was not taken against the senior HUD employee because the allegations were unsubstantiated.

¹⁹5 USCA App. 3, section 5(a)(22)

OFFICE OF EVALUATION

Topic Brief – 2021 Persistent IT Challenges and Issues Facing HUD

Issue Date: August 9, 2021

OIG assessed, for effectiveness, HUD's information security program in accordance the Federal Information Security Modernization Act (FISMA), which directs OIGs to conduct an evaluation using the OIG FISMA metrics. The metrics consisted of eight domains aligned with the five functional areas (identify, protect, detect, respond, and recover) from the National Institute of Standards and Technology Framework for Improving Critical Infrastructure Cybersecurity.

HUD's information security program was evaluated as not effective based on the fiscal year 2020 Inspectors General FISMA metrics. Key components of HUD's information security program remain ineffective or have inconsistent processes throughout the HUD program offices and among their IT contracts.

HUD continued to address recommendations that OIG made in previous years. HUD's Office of the Chief Information Officer had success in modernizing some of the HUD infrastructure and moving applications to modern technology. OIG recommend that HUD continue to address all outstanding FISMA recommendations and refine and further implement its IT strategic modernization roadmap. OIG made 26 recommendations to assist HUD in increasing its information security posture. OIG has determined that the contents of this report would not be appropriate for public disclosure and has, therefore, limited its distribution to selected officials. **Evaluation report: 2020-OE-0001**

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.	23-34
Section 5(a)(1)-description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of the Department.	10-19 49-50
Section 5(a)(2)-description of recommendations for corrective action with respect to significant problems, abuses, and deficiencies.	32-48
Section 5(a)(3)-identification of each significant recommendation described in previous Semiannual Report on which corrective action has not been completed.	Appendix 2, Table B, 59
Section 5(a)(4)-summary of matters referred to prosecutive authorities and the prosecutions and convictions that have resulted.	10-19
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

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, 53
Section 5(a)(7)-summary of each particularly significant report.	10-19
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, 83
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, 85
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, 56
Section 5(a)(11)-a description and explanation of the reasons for any significant revised management decisions made during the reporting period.	42-46
Section 5(a)(12)-information concerning any significant management decision with which the Inspector General is in disagreement.	46-47
Section 5(a)(13)-the information described under section 05(b) of the Federal Financial Management Improvement Act of 1996.	48

APPENDIX 5 - ACRONYMS AND ABBREVIATIONS

AMAD.....Accounting, Monitoring, and Analysis Division
CARES Act.....Coronavirus Aid, Relief, and Economic Security Act
CDBG.....Community Development Block Grant
CDBG-DR.....Community Development Block Grant Disaster Recovery
CFPB.....Consumer Finance Protection Bureau
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
CSP.....COVID-19 supplemental payments
DEC.....Departmental Enforcement Center
DEFC.....disaster emergency fund code
DHS.....U.S. Department of Homeland Security
DoD.....U.S. Department of Defense
DOT.....U.S. Department of Transportation
FBI.....Federal Bureau of Investigation
FFMIA.....Federal Financial Management Improvement Act
FHA.....Federal Housing Administration
FHFA.....Federal Housing Finance Agency

FISMA.....Federal Information Security Modernization Act of 2014
FR.....Federal Register
GAO.....U.S. Government Accountability Office
HAP.....housing assistance payment
HCAMS.....Housing Counseling Agency Management System
HECM.....home equity conversion mortgage
HOEPA.....Homeownership and Equity Protection Act of 1994
HOPWA.....Housing Opportunities for Persons With AIDS
HUD.....U.S. Department of Housing and Urban Development
IGEA.....Inspector General Empowerment Act
IT.....information technology
iTED.....Information Technology Evaluations Division
LOS.....Loan Origination System
ML.....mortgagee letter
MRB.....Mortgagee Review Board
OBGA.....Office of Block Grant Assistance
OCFO.....Office of the Chief Financial Officer
OCHCO.....Office of the Chief Human Capital Officer
OCIO.....Office of the Chief Information Officer

OCPO	Office of the Chief Procurement Officer
OE	Office of Evaluation
OGC	Office of General Counsel
OI	Office of Investigation
OIG	Office of Inspector General
OMB	Office of Management and Budget
ONAP	Office of Native American Programs
OSSE	Office of the State Superintendent of Education
PBV	Project-Based Voucher Program
PD&R	Office of Policy Development and Research
PHA	public housing agency
PIH	Office of Public and Indian Housing
PRAC	Pandemic Response Accountability Committee
PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act
RAD	Rental Assistance Demonstration Program
RHP	Recovery Housing Program
SAM	System for Award Management
SAR	Semiannual Report to Congress
SFDMS	Single Family Default Monitoring System
SGHDC	Southwest Georgia Housing Development Corporation
U.S.C.	United States Code
VMS	Voucher Management System



APPENDIX 6 - OIG TELEPHONE DIRECTORY

OFFICE OF AUDIT

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Region 1	Boston, MA	617-994-8380
	Hartford, CT	860-240-9739
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	Buffalo, NY	716-551-5755
	Newark, NJ	973-622-7900
Region 3	Philadelphia, PA	215-656-0500
	Baltimore, MD	410-962-2520
	Pittsburgh, PA	412-644-6428
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	Greensboro, NC	336-547-4001
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Region 6	Fort Worth, TX	817-978-9309
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	New Orleans, LA	504-671-3000
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REGION 7-8-10	Kansas City, KS	913-551-5870
	St. Louis, MO	314-539-6339
	Denver, CO	303-672-5475
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OFFICE OF EVALUATION

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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.

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