



OFFICE *of*
INSPECTOR GENERAL
UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

OFFICE OF INSPECTOR GENERAL

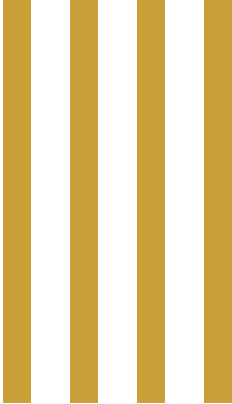
U.S. Department of Housing and Urban Development

SEMIANNUAL REPORT TO CONGRESS

For the period October 1, 2021, to March 31, 2022



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\$3,116,978
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\$6,944,124,017
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\$6,835,239
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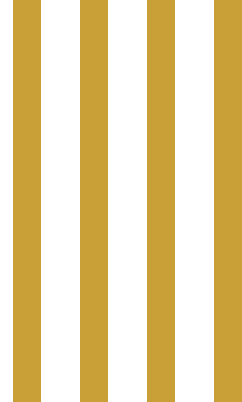


355
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26
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Inspector General
Rae Oliver Davis

A MESSAGE FROM THE INSPECTOR GENERAL

I am pleased to submit the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General’s (OIG) Semiannual Report to Congress, which covers the period October 1, 2021, through March 31, 2022. As we transition back into the workplace, I am proud of the resilience, dedication, flexibility, and commitment my office continues to demonstrate to meet the challenges presented by the COVID-19 pandemic. We take seriously our responsibility to HUD, Congress, and the public to conduct influential oversight that is both timely and relevant.



As discussed in greater detail throughout this report, our audits, evaluations, and investigations have promoted the integrity and efficiency of HUD’s critical programs and protected the investment of taxpayer dollars. During this reporting period, our audit and evaluation work resulted in the publication of 24 reports identifying over \$6.9 billion in funds put to better use, over \$6.4 million in questioned costs, and \$6.8 million in collections. In addition, during this reporting period our investigations, some of which are joint investigations with other law enforcement agencies, have resulted in 49 convictions, 14 civil actions, and over \$20 million in criminal, civil and administrative recoveries, which includes over \$3 million to HUD programs. We also issued the FY

2021 Federal Information Security Modernization Act (FISMA) Evaluation, as mandated, and determined that HUD’s overall information security program maintained its maturity of “consistently implemented” for a second year. Additionally, we determined that HUD’s Office of the Chief Information Officer had addressed previous HUD OIG FISMA recommendations and implemented key initiatives that contributed to sustaining the maturity level. We also made additional recommendations to assist HUD in making further progress.

To reflect my vision for our oversight work and priorities, in February 2022, we published the [HUD OIG 2022-2026 Strategic Plan](#), the first such plan under my leadership as Inspector General, which provides a roadmap for how we intend to build on progress and continue to evolve over the next 4 years. Our goals and objectives are deliberately structured to assist us in accomplishing our oversight mission, to safeguard HUD’s programs from fraud, waste, abuse, and mismanagement and identify opportunities for HUD programs to progress and succeed. This is not a static plan—we will monitor and evaluate its progress and adjust when necessary to address emerging trends related to HUD programs and operations. I am excited to work with my team to execute the strategies and goals we set forth in this strategic plan.

Additionally, we issued our [FY 22 Top Management Challenges Report](#), summarizing our analyses of the most serious management and performance challenges facing the Department. To identify the top management challenges, we considered several factors, including issues and open recommendations identified by our previous oversight work, reports published by other OIGs and the Government Accountability Office, and feedback from our HUD colleagues regarding their perceptions about the top challenges they face. Beyond the longstanding challenges that remain, such as eliminating hazards in HUD assisted housing, we added grants management, fraud risk management, and mitigating counterparty risk in mortgage programs, highlighting how each challenge aligns with the strategic goals in HUD’s 2018-2022 Strategic Plan. Further, we intentionally noted HUD’s progress regarding each challenge and identified areas where more work can be done. We also recognized challenges posed by the pandemic, and shared references to our oversight work and other related resources.

These two critical work products have been instrumental in shaping our cross-cutting oversight work moving forward. For example, we are pursuing audits, evaluations, and investigations to help strengthen HUD’s controls and protect





Inspector General
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A MESSAGE FROM THE INSPECTOR GENERAL

its beneficiaries from lead-based hazards in HUD assisted housing, to include an evaluation focusing on HUD’s oversight of lead-based paint remediation in public housing and its processes for addressing cases of children residing in public housing with elevated blood levels.

To effectively help HUD achieve its mission, we continue to garner our efforts towards protecting HUD programs and beneficiaries from bad actors. Towards that end, we’ve had two successful prosecutions related to a [Fraud Scheme involving HUD Funds Intended for lead remediation](#) and [Failure to Properly Notify Tenants About Lead Hazards during the reporting period](#). Further, a joint investigation with the Department of Justice’s (DOJ) Civil Rights Division, resulted in [DOJ’s largest civil settlement](#) in a case alleging sexual harassment in housing. A Section 8 Housing Choice Voucher landlord in New Jersey agreed to pay \$4.5 million to resolve a Fair Housing Act lawsuit concerning his sexual harassment of tenants and housing applicants spanning 15 years.

As a member of the Pandemic Response Accountability Committee (PRAC), I understand the significant role our oversight community shares in helping to ensure that the \$12.4 billion of taxpayer funds appropriated to HUD under the Coronavirus

Aid, Relief, and Economic Stability (CARES) Act funding are spent responsibly and in the manner Congress intended. Our office partnered with our PRAC colleagues to develop a [Fraud Risk Inventory for the CDBG and ESG CARES Act Funds](#), which identified five overall risk factors that contribute to the risk of fraud for the CDBG and ESG CARES Act funds to assist HUD with its fraud risk management practices in the administration of its programs.

With respect to our work with Congressional stakeholders, on January 19, 2022, HUD OIG’s Deputy Inspector General testified before the House Committee on Financial Services, Subcommittee on Oversight and Investigations about our critical work related to HUD’s disaster recovery and mitigation program. Our [testimony](#) focused on the most significant challenges HUD faces in administering disaster assistance, our recent disaster recovery oversight work, and provided context for the broader challenges HUD faces when addressing equity-related issues.

Finally, I am pleased to announce our partnership with the Secretary and our HUD colleagues, detailed in our joint statement of cooperation issued earlier this year. I commend the Secretary and HUD’s senior leadership team for their commitment to work

collaboratively to strengthen the accountability of HUD’s programs and sustain the ethical conduct and integrity of all HUD employees, contractors, grantees, and recipients.

In closing, I want to thank our HUD OIG staff for their exceptional work in fulfilling our critical oversight mission. Their perseverance and flexibility throughout the pandemic are a testament to their commitment to public service. I am honored to work alongside this dedicated group of professionals.



Inspector General
Rae Oliver Davis

SNAPSHOT

Spotlight

The U.S. Department of Housing and Urban Development, Office of Inspector General's (HUD OIG) fiscal year 2022 performance to date has helped HUD, Congress, and other stakeholders, including HUD communities nationwide. Each year, in compliance with the Reports Consolidation Act of 2000, HUD OIG issues a report summarizing what it considers to be the most serious management challenges for HUD. This year's report includes the top 10 challenges facing HUD, organized to align with HUD's strategic goals. This work supports HUD in achieving its mission to create strong, sustainable, inclusive communities and quality, affordable homes for all. Also, during this reporting cycle, HUD OIG published its 2022-2026 Strategic Plan, which provides a roadmap for HUD OIG to build on progress from previous years and continue to evolve over the next 4 years. It establishes clear goals and deliberate strategies for accomplishing each goal. This section highlights HUD OIG's reports and performance since October 1, 2021.



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Opportunities Exist To Improve CPD's Oversight of and Monitoring Tools for Slow-Spending Grantees

This audit assessed the HUD, Office of Community Planning and Development's (CPD) monitoring and oversight tools related to the progress of grant expenditures and determined the status of grants and impacts of coronavirus disease 2019 grantee spending. OIG found that although CPD has tools available for the oversight and monitoring of its grantees, there are opportunities for it to improve its oversight and monitoring, specifically for slow-spending Community Development Block Grant Disaster Recovery (CDBG-DR) grantees. CPD can enhance its (1) monthly CDBG-DR grant financial report, (2) use of Disaster Recovery Grant Reporting system flags, (3) use of grantee expenditure projections, (4) documentation of quality performance report reviews, and (5) documentation for monitoring reviews. OIG made nine recommendations for CPD to identify, define, and track slow spenders; update policies and procedures to address variances between actual and projected expenditures; and resolve the red flags identified in the report.

(Agencywide, Audit Report: 2022-AT-0001)



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HUD's Process for Managing IT Acquisitions

This evaluation was conducted to review HUD's ability to effectively complete information technology (IT) acquisitions. HUD's IT systems and its modernization plans depend heavily on contractors, yet HUD has historically faced significant challenges with implementing effective acquisition processes. HUD's acquisition capacity represents a key potential risk within HUD's IT environment. OIG found that HUD had a lack of staffing capacity, ineffective coordination and communication practices, and ineffective oversight of management controls over acquisition processing. HUD officials acknowledged that IT acquisition process improvements are needed and have taken steps to address these deficiencies. This evaluation report contains five recommendations to assist in continued successes for future acquisition efforts.

(Agencywide, Evaluation Report: 2020-OE-0004)

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City of Houston, TX, Faced Challenges in Administering Its Hurricane Harvey Program and Risked Losing Its Funding

This audit assessed the efficiency and effectiveness of the City of Houston's Hurricane Harvey CDBG-DR program. The audit found that 3 years after Hurricane Harvey, the City had spent only \$22.8 million (1.8 percent) of its \$1.275 billion suballocated grant funds, which substantially delayed assistance to participants and assisted only 297 of 8,784 participants (3.4 percent) in housing programs. OIG made five recommendations to monitor the City's pace and performance and set milestones and appropriate consequences for the Texas General Land Office to ensure that expenditure deadlines remain on track.

(Houston, TX, Audit Report: 2022-FW-1001)

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Fraud Risk Inventory for the CDBG and ESG CARES Act Funds

This engagement was conducted in coordination with the Pandemic Response Accountability Committee to gain an understanding of HUD's fraud risk management practices and develop an inventory of fraud risks that HUD had not already identified for the funds appropriated by the Coronavirus Aid, Relief, and Economic Security (CARES) Act for its CDBG and Emergency Solutions Grant (ESG) programs. OIG identified five overall risk factors that contribute to the risk of fraud for the CDBG and ESG CARES Act funds and used the results of its brainstorming sessions, interviews, reviews of audits reports, investigations, and press releases to develop a fraud risk map containing 31 fraud schemes that can be used to misappropriate CDBG and ESG CARES Act funds. OIG also identified opportunities to improve HUD's fraud risk management practices. OIG made six recommendations addressing roles and responsibilities, completing program-specific fraud risk assessments and risk profiles, implementing efforts to increase awareness of fraud at all levels, implementing a fraud risk checklist as part of CPD's monitoring efforts, and developing and implementing a fraud analytics strategy to identify potential fraud risks for further review.

(Agencywide, Memorandum: 2022-FO-0801)



SNAPSHOT

Making an Impact

HUD OIG oversight work results in recommendations to encourage improvements in the conduct of Government programs and operations. This section highlights the connections between OIG’s work and its positive impact on 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.



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Significant Investigation Cases

On February 24, 2022, the Boys and Girls Club of Santa Fe (BGCSF) finalized a civil settlement agreement with the United States and agreed to pay approximately \$1.4 million to HUD. BGCSF obtained nearly \$751,000 in special purpose grants from HUD’s CDBG program to purchase land and build a new facility. BGCSF signed grant closeout agreements indicating that it followed the grant’s terms; however, it never built the facility and sold or rented portions of the property.

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Significant Investigation Cases (Continued)

On January 10, 2022, former real estate agent Eric Hill was sentenced in U.S District Court for the Northern District of Georgia pursuant to his earlier guilty plea to conspiracy to defraud the United States in a mortgage fraud scheme. He was sentenced to 30 months incarceration and 36 months supervised release and ordered to pay more than \$1.69 million, of which \$1.2 million is to go to HUD and the remaining \$483,419 to the construction company, DR Horton. Hill assisted borrowers in submitting fraudulent information to lenders, who closed 108 Federal Housing Administration-insured loans. HUD's loss, due to the loan modifications and subsequent claims, is approximately \$1.2 million. HUD indemnified a number of loans because of lender self-reporting and HUD Quality Assurance Division audits.

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Significant Investigation Cases (Continued)

On December 14, 2021, the U.S. Department of Justice (DOJ) announced that a settlement has been reached, through a consent decree, between DOJ’s Civil Rights Fair Housing Unit and Joseph Centanni, a high-volume Section 8 Housing Choice Voucher Program landlord in Elizabeth, NJ. Centanni has agreed to pay \$4.5 million in monetary damages and civil penalties to resolve the Fair Housing Act lawsuit alleging that he sexually harassed tenants and applicants spanning a 15-year period. This settlement is the largest monetary settlement DOJ has obtained in a case alleging sexual harassment in housing. The terms of the consent decree reflect that Centanni has sold all of his residential rental properties and will be permanently prohibited from owning or managing residential rental properties in the future.

Centanni has agreed to pay \$4.5 million in monetary damages and civil penalties to resolve the Fair Housing Act lawsuit alleging he sexually harassed tenants and applicants spanning a 15-year period. This settlement is the largest monetary settlement DOJ has obtained in a case alleging sexual harassment in housing.

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Significant Investigation Cases (Continued)

In October 2021, Kenneth Johnson, a former Cleveland city councilman, was sentenced to 6 years in prison after a trial conviction of Federal program theft, tax violations, witness tampering, and falsifying records. In addition, his executive assistant, Garnell Jamison, was sentenced to 5 years in prison after trial convictions of the same offenses, and, together, they were ordered to pay \$746,839 to the Internal Revenue Service (IRS) and HUD. The defendants conspired to induce the City of Cleveland to issue reimbursement checks to the councilman totaling \$127,000 for services that were never performed; diverted \$50,000 from Federal community development funds distributed by the City; submitted false and fraudulent tax returns to the IRS; attempted to persuade and influence the testimony of a grand jury witness by providing that person with false and fraudulent information and records purporting to document charitable donations; and falsifying a donation receipt with the intent to impede, obstruct, and influence an investigation.

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Collaborative Work

On January 20, 2022, an OIG special agent, along with the Chief of the Civil Rights Division and assistant United States attorneys (AUSA) with the U.S. Attorney’s Office, District of New Jersey, provided a nationwide 90-minute training session to more than 80 housing and civil enforcement trial attorneys and AUSAs, which focused on prosecutions connected to DOJ’s Sexual Harassment in Housing Initiative. The training centered on the sexual harassment investigation conducted on the Housing Choice Voucher Program landlord, Joseph Centanni.



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Disaster Grantee Fraud Training

From October 12 to 14, 2021, OIG’s Office of Audit held the October Disaster Grantee Fraud Training for the California Department of Housing and Community and Development.

From November 16 to 18, 2021, OIG’s Office of Audit held the November Disaster Grantee Fraud Training for the States of Georgia, North Carolina, and South Carolina.

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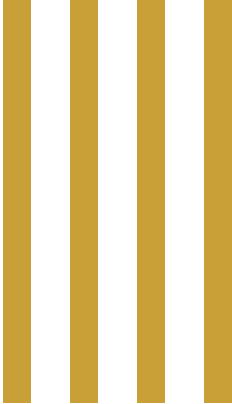


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Fraud Bulletins

On March 10, 2022, HUD OIG joined the OIG community to participate in the National Slam the Scam Campaign to raise public awareness of pervasive scams related to HUD housing programs. The initiative, hosted by the Social Security Administration OIG, began in 2020 to combat Social Security-related scams and was recently expanded to include other Government imposter scams. As part of this initiative, HUD OIG published four OIG fraud bulletins, which generated significant interest from the media, resulting in two news articles. HUD OIG also extended its outreach to stakeholders on social media.





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 Programs’ 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.

AUDIT



5

KEY PROGRAM
RESULTS



\$6,937,978,632

RECOMMENDED FUNDS
PUT TO BETTER USE

INVESTIGATION



8

ADMINISTRATIVE-
CIVIL ACTIONS



11

CONVICTIONS-PLEAS-
PRETRIAL DIVERSIONS



\$9,287,805

FINANCIAL
RECOVERIES

HOUSING

Office of Audit

FHA Borrowers Did Not Always Properly Receive COVID-19 Forbearances From Their Loan Servicers

The U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), completed an audit to determine whether FHA-insured borrowers properly received the coronavirus disease 2019 (COVID-19)-related forbearance. The Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed into law on March 27, 2020, provided a mortgage payment forbearance option for all borrowers who suffered financial hardship due to the COVID-19 national emergency. OIG found that in November 2020, at least one-third of the nearly 335,000 borrowers who were delinquent on their FHA-insured loans and not on forbearance were either not informed or misinformed about the COVID-19 forbearance. As a result, borrowers experiencing a hardship due to COVID-19 did not benefit from the COVID-19 forbearance. OIG also found that servicers improperly administered the forbearance for at least one-sixth of the nearly 815,000 borrowers on forbearance plans in November 2020. OIG recommended that FHA identify borrowers who were both delinquent and did not fully benefit from the COVID-19 forbearance and ensure that information about the CARES Act and COVID-19 forbearance is distributed to these borrowers. OIG also recommended that FHA ensure that the issues found during the audit are incorporated into servicing monitoring reviews to deter future noncompliance and prevent potential loss to the FHA fund and provide additional guidance to the servicers so that they limit their communication and collection efforts for the borrowers in forbearance. **(Agencywide, Audit Report: 2022-KC-0001)**



HOUSING

Office of Audit

HUD Did Not Always Implement Corrective Actions To Further Ensure That HECM Borrowers Complied With Principal Residency Requirements

OIG completed a corrective action verification (CAV) of recommendations from four prior home equity conversion mortgage (HECM) audit reports. The CAV was initiated because one of HUD's top management challenges is to protect the FHA mutual mortgage insurance fund. The prior audits determined that HUD lacked controls to prevent HECM borrowers from violating principal residency requirements. The CAV objectives were to determine whether HUD implemented adequate corrective actions in response to (1) recommendation 1B from audit report 2012-PH-0004, (2) recommendation 1B from audit report 2013-PH-0002, (3) recommendation 1B from audit report 2014-PH-0001, and (4) recommendation 1C from audit report 2015-PH-0004. OIG found that HUD implemented the agreed-upon corrective action for one recommendation, did not implement the ongoing corrective action for one recommendation, and did not implement corrective actions for two recommendations.

(Agencywide, Memorandum: 2022-PH-0801)



HOUSING

Office of Audit

Audit of FHA's Fiscal Years 2021 and 2020 Consolidated Financial Statements

OIG contracted with the independent public accounting firm of CliftonLarsonAllen LLP (CLA) to audit the financial statements of FHA as of and for the fiscal years ending September 30, 2021 and 2020, and to provide reports on FHA's (1) internal control over financial reporting and (2) compliance with laws, regulations, contracts, and grant agreements in its financial reporting. In its audit of FHA, CLA reported that the consolidated financial statements under review were presented fairly, in all material respects, and in accordance with U.S. generally accepted accounting principles. CLA found one material weakness in FHA's controls over financial accounting and reporting and a significant deficiency in the FHA econometric modeling activities used to estimate the agency's loan guarantee liability. For fiscal year 2021, CLA found no reportable noncompliance issues with provisions of applicable laws, regulations, contracts, and grant agreements tested and no other matters.

(Agencywide, Audit Report: 2022-FO-0003)



HOUSING

Office of Audit

HUD Did Not Have Adequate Controls in Place To Track, Monitor, and Issue FHA Refunds Owed to Homeowners

OIG audited HUD’s oversight of FHA refunds based on a hotline complaint alleging that HUD was trying to make it difficult for claimants to obtain refunds or would discourage them from pursuing the refunds, which are due to eligible homeowners from the unearned portion of the upfront mortgage insurance premium paid. The audit found that HUD did not have adequate controls in place to ensure that refunds were appropriately tracked, monitored, and issued. As a result, HUD could not ensure that it implemented a consistent refund process, and homeowners and third-party tracers were not able to search for all refunds HUD owed, which may have reduced the chance for homeowners of at least 23,579 loans to obtain approximately \$15.8 million in refunds. OIG recommended that HUD develop and implement written policies and procedures and controls (1) for locating homeowners, (2) for the refund process to address the deficiencies identified, and (3) to reduce the number of refunds that have remained unclaimed for an extended period.

(Agencywide, Audit Report: 2022-LA-0001)



HOUSING

Office of Audit

Approximately 31,500 FHA-Insured Loans Did Not Maintain the Required Flood Insurance Coverage in 2020

OIG audited the FHA-insured loans serviced in calendar year 2020 to determine whether borrowers of FHA-insured loans maintained proper flood insurance coverage. OIG found that FHA insured at least 31,500 loans serviced during calendar year 2020 for properties in special flood hazard area flood zones that did not maintain the required flood insurance coverage. As a result, the FHA insurance fund was potentially exposed to greater risk from more than \$4.5 billion in loans that did not maintain adequate National Flood Insurance Program coverage. OIG recommended that FHA require lenders to provide evidence of sufficient flood insurance coverage or execute indemnification agreements for the 21 loans in the statistical sample that did not have sufficient flood insurance at the time of the audit, develop a control to detect loans that did not maintain the required flood insurance to avoid potential future costs to the FHA insurance fund from inadequately insured properties, and consult with HUD’s Office of General Counsel to review the language in the statutes, regulations, and handbooks and make any necessary adjustments to the forward mortgage and HECM handbooks.

(Agencywide, Audit Report: 2022-KC-0002)



HOUSING

Office of Audit

Challenges Faced by Section 232 Nursing Homes During the Pandemic

OIG conducted a limited review of nursing home owners to identify their operational challenges and needs of nursing homes responding to the COVID-19 pandemic. OIG’s objective was to determine the biggest challenges operators of Section 232 nursing home facilities face related to the COVID-19 pandemic and whether nursing homes are prepared to meet their future financial obligations. Most of the owners who responded to the survey indicated that nursing homes experienced financial and operational challenges during the pandemic. These challenges included staffing shortages; COVID-19 infections in residents and staff; large fluctuations in occupancy levels; rising operating costs; and difficulties in responding to local, State, and Federal requirements.

(Agencywide, Audit Memorandum: 2022-KC-0801)



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Office of Investigation

Real Estate Professionals Sentenced to 48 Months Incarceration

William Elias, former real estate broker and owner of Elias Realty LLC, and Kimberly Doren, former real estate salesperson and branch manager for Gold Star Mortgage Financial, were collectively sentenced in U.S. District Court to 48 months and 1 day incarceration and 6 years supervised release. For more than 2 years, Elias and Doren orchestrated a short sale scheme by fraudulently misrepresenting borrowers' primary residences as rental properties and inflating the market value of the primary residences on the borrowers' loan applications to obtain FHA-insured or conventional loans for the purchase of new homes. Elias and Doren then falsely submitted short sale requests for the borrowers' primary residences, based on purported financial hardships. Elias and Doren improperly collected profits, commissions, fees, and kickbacks as part of this scheme. Doren was sentenced in connection with her earlier guilty plea to bank fraud and was ordered to pay jointly and severally with Elias \$253,013 in restitution to the Federal Home Loan Mortgage Corporation (Freddie Mac) and various financial institutions. Elias was sentenced in connection with his earlier guilty plea to bank fraud and money laundering and was ordered to pay an additional \$4.87 million in restitution to Freddie Mac and the Federal National Mortgage Association. HUD OIG and the Federal Housing Finance Agency (FHFA) OIG conducted this investigation.

(Detroit, MI)

HOUSING

Office of Investigation

Nine Swindlers Collectively Sentenced to 16 Years Incarceration

Eduardo Toro, a real estate agent and business owner; Ana Toro, Veronica Toro, and Maria Gil, paralegals; Emmanuel Lopez and Gladys Velasquez, employees of Toro; Filiverto Gomez and Veronica Marquez, notaries; and Leticia Mora, a credit repair specialist, were collectively sentenced in Superior Court of California to 16 years incarceration, 10 years probation, and 11 years supervised release and ordered to pay \$606,815, of which \$598,335 was ordered jointly and severally, in restitution to various victims. For more than 7 years, the conspirators participated in an advance fee mortgage relief scheme, which resulted in foreclosure delays of more than 200 properties, impacting 15 FHA-insured mortgages. The conspirators submitted false deeds and petitions in support of bankruptcies filed with the courts to delay the foreclosures. HUD OIG and FHFA OIG conducted this investigation.

(Los Angeles, CA)

HOUSING

Office of Investigation

Mortgage Industry Professionals Sentenced in Short Sale Scheme

Gabriel Tavarez and Jaime Mulvihill, the founders and operators of Loss Mitigation Services (LMS), LLC, a mortgage short sale assistance company, were collectively sentenced in U.S. District court to 13 months incarceration and 4 years supervised release and ordered to pay \$475,458 in restitutions. For nearly 3 years, Tavarez and Mulvihill defrauded mortgage lenders and investors out of less than \$500,000 in proceeds from approximately 90 short sale transactions of conventional and FHA-insured mortgages when they, directly or through their employees, falsely claimed to homeowners, real estate agents, and closing attorneys that mortgage lenders had agreed to pay LMS fees known as “seller paid closing costs” or “seller concessions” from the proceeds of the short sales. Tavarez and Mulvihill fabricated the transaction documents or caused them to be fabricated to justify the additional fees and conceal that they were being paid to LMS. Tavarez was sentenced in connection with his earlier guilty plea to aggravated identity theft and conspiracy to commit wire fraud, and Mulvihill was sentenced in connection with her earlier guilty plea to conspiracy to commit wire fraud. HUD OIG, Federal Bureau of Investigation, Internal Revenue Service Criminal Investigation, and FHFA OIG conducted this investigation.

(North Andover, MA)



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



5

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\$2,514,470

RECOMMENDED FUNDS
PUT TO BETTER USE



\$2,870,374

RECOMMENDED
QUESTIONED COSTS

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\$6,754,173

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Office of Audit

Public Housing Agencies' Experiences and Challenges in the Administration of HUD's CARES Act Funds

The Office of Inspector General (OIG) conducted a limited review of HUD's Coronavirus Aid, Relief, and Economic Security (CARES) Act supplemental public housing operating funds (supplemental funds) to assess PHAs' experiences and challenges and HUD's efforts in providing guidance related to the administration of the supplemental operating funds under the CARES Act. OIG found that the PHA survey respondents generally cited positive experiences and no major challenges related to the administration of supplemental funds under the CARES Act. Although OIG had no recommendations, it provided two key considerations for HUD. HUD should continue to keep the lines of communication open with PHAs to (1) clarify guidance when warranted and ensure that the PHAs know how to properly use the reporting portal to meet the quarterly reporting requirements and (2) monitor the PHAs that are slow in drawing down supplemental funds and help to ensure that funds are spent by the deadline of December 31, 2021.

(Agencywide, Audit Memorandum: 2022-CH-0801)



PUBLIC AND INDIAN HOUSING

Office of Audit

Evaluating Public Housing Agency Challenges With the HUD Veterans Affairs Supportive Housing Program

OIG conducted this evaluation due to the growing national homeless crisis and HUD’s goal of ending homelessness. OIG’s objective was to evaluate the challenges that participating PHAs face in meeting the goals and objectives of the HUD Veterans Affairs Supportive Housing (VASH) program. OIG sent an electronic questionnaire to 662 PHAs with a HUD VASH program. The majority of responding PHA executives and designated points of contact found that they had excellent or good relationships with their designated Veterans Affairs Medical Centers and local HUD field offices to help administer their HUD VASH programs. In addition, the respondents believed that the local HUD and U.S. Department of Veterans Affairs field offices had excellent or good working relationships. Respondents expressed that the HUD requirements, including waivers and alternative requirements, were helpful in meeting their program goals and objectives. However, OIG found that respondents were not able to use all of their allocated program vouchers, with one of the reasons being the high cost of housing.

(Agencywide, Audit Report: 2022-LA-0801)



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The Buffalo Municipal Housing Authority, Buffalo, NY, Needs To Improve Its Management of the Commodore Perry Homes Development To Address Longstanding Concerns

OIG audited the Buffalo Municipal Housing Authority's management of its Commodore Perry Homes development based on congressional interest. The objective of the audit was to determine whether the Authority properly managed its Commodore Perry Homes development. OIG found that the Authority did not properly manage the Commodore Perry Homes development to address longstanding redevelopment needs and health and safety issues. While the Authority had made various redevelopment plans for the property since 2013, none fully materialized, and all dwelling units in the development are now vacant. HUD and the Authority had recently taken steps toward developing a plan forward, but no redevelopment had occurred at the site. OIG recommended that HUD determine (1) whether the development represents an imminent threat to public safety and what activities to control the situation could be taken before the full environmental review process and (2) which environmental review process would be most beneficial to ensure that it is completed as soon as possible. Further, OIG recommended that HUD continue to provide training and technical assistance to the Authority and require it to (1) identify and address urgent health and safety issues, (2) develop and implement a plan to routinely identify and address recurring urgent health and safety issues, and (3) develop and implement plans for the remaining public housing units at the development and for the original property related to the units converted during previous redevelopment efforts.

(Buffalo, NY, Audit Report: 2022-NY-1001)



PUBLIC AND INDIAN HOUSING

Office of Audit

HUD Did Not Have Adequate Policies and Procedures for Ensuring That Public Housing Agencies Properly Processed Requests for Reasonable Accommodation

OIG audited HUD's oversight of its PHAs' reasonable accommodation policies and procedures to determine whether HUD had adequate policies and procedures for ensuring that PHAs properly addressed, assessed, and fulfilled requests for reasonable accommodation, including coronavirus disease 2019 (COVID-19)-related requests. HUD did not have adequate policies and procedures in place and did not perform the civil rights front-end reviews as required. OIG recommended that HUD (1) update its compliance monitoring guidance to require personnel to review PHAs' reasonable accommodations policies and procedures; (2) update and consolidate its reasonable accommodation policies and procedures to ensure that there is centralized guidance available for the field offices and PHAs; (3) conduct additional outreach efforts to educate tenants and PHAs on their rights and responsibilities for reasonable accommodation requests; (4) require that PHAs track requests for reasonable accommodation; (5) review the joint agreement between HUD's Offices of Public and Indian Housing and Fair Housing and Equal Opportunity and a related Section 504 checklist and modify, update, or recommit to it to ensure that the roles and responsibilities of the Office of Public and Indian Housing for conducting civil rights front-end reviews are clearly defined; and (6) ensure that personnel receive training on how to conduct the civil rights front-end reviews. **(Agencywide, Audit Report: 2022-BO-0001)**



PUBLIC AND INDIAN HOUSING

Office of Audit

The Housing Authority of Plainfield, NJ, Did Not Always Comply With Requirements When Administering Its Public Housing Programs

OIG audited the Housing Authority of Plainfield, NJ's administration of its public housing programs to determine whether the Authority administered its Public Housing Operating Fund and Capital Fund programs in accordance with HUD, Federal, and Authority requirements. OIG found that the Authority did not always comply with Federal, HUD, State, and Authority requirements when administering its public housing programs. As a result, (1) HUD did not have assurance that its interest and investment were adequately protected and that \$1.3 million in rooftop lease proceeds was properly accounted for and used for planned, approved purposes, and (2) the Authority paid nearly \$2.9 million in unsupported costs and may pay an additional \$1.2 million for procurements not adequately performed and documented. OIG recommended that HUD require the Authority to (1) terminate the current rooftop lease, (2) remedy the reporting and use of proceeds issues related to the nearly \$1.3 million in proceeds received under the lease, (3) repay from non-Federal funds any proceeds used for unallowable expenses, (4) obtain HUD approval of any new lease agreement, and (5) implement controls to ensure compliance with requirements for third-party agreements and that disposition proceeds are properly accounted for and used. Further, OIG recommended that HUD require the Authority to (1) support that nearly \$2.9 million paid for goods and services was reasonable in accordance with applicable requirements or repay from non-Federal funds any amount that it cannot support; (2) support that \$1.2 million in funds not yet spent on the contracts reviewed, along with any new procurements, would be reasonable or reallocate the funds; (3) ensure that its staff receives training on applicable requirements; and (4) improve its controls to ensure that future procurement actions comply with requirements and that prices paid for goods and services are reasonable.

(Plainfield, NJ, Audit Report: 2022-NY-1002)



PUBLIC AND INDIAN HOUSING

Office of Investigation

Housing Choice Voucher Program Landlord Agrees To Pay \$4.5 Million To Resolve Fair Housing Act Lawsuit

Joseph Centanni, a Housing Choice Voucher Program landlord, entered into a consent decree with the United States and agreed to pay \$4.5 million to resolve a Fair Housing Act lawsuit concerning his sexual harassment of tenants and housing applicants for more than 15 years. Of the \$4.5 million settlement, \$4.39 million will be divided among the aggrieved parties as monetary damages, and \$107,050 will be paid to the United States as civil penalties. The Fair Housing Act prohibits discrimination on the basis of sex, which includes sexual harassment and discrimination on the basis of sexual orientation and gender identity. Centanni focused his harassment on women and gay or bisexual men and threatened eviction if they did not comply with his sexual demands. HUD OIG conducted this investigation.

(Newark, NJ)



PUBLIC AND INDIAN HOUSING

Office of Investigation

Property Manager Agrees To Pay \$750,000 To Resolve Fair Housing Act Lawsuit

Reese Pfeiffer, property manager for multiple single-family and multifamily rental properties, entered a consent decree with the United States to resolve allegations that he violated the Fair Housing Act by subjecting 23 women, of whom at least 5 were Housing Choice Voucher Program participants, to repeated sexual harassment and retaliation. Pfeiffer agreed to pay \$736,000 in monetary damages, to be divided among the 23 victims, and \$14,000 in civil penalties to the United States. For at least 5 years, Pfeiffer engaged in unwelcomed sexual advances and entered the tenants' homes under the pretense of collecting rent to solicit sexual favors. The settlement also states that Michael Fruen, Jeremy Martineau, Jeanne Pfeiffer, F&P LLC, and MF Properties were vicariously liable for Pfeiffer's discriminatory conduct because Pfeiffer acted as their agent when he sexually harassed tenants at properties in which they had an ownership interest. HUD OIG, the Civil Division of the U.S. Attorney's Office for the District of Minnesota, and the U.S. Department of Justice's Civil Rights Division conducted this investigation.

(Minneapolis, MN)



HIGHLIGHTS



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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 \$95.5 billion in CDBG-DR and CDBG Mitigation grants to help cities, counties, and States recover from presidentially declared disasters. Of the \$95.5 billion in disaster allocations nationwide, nearly \$85.0 billion has been obligated, and more than \$48.4 billion has been disbursed as of the end of the period.

AUDIT



6

KEY PROGRAM
RESULTS



\$3,500,000

RECOMMENDED FUNDS
PUT TO BETTER USE



\$986,883

RECOMMENDED
QUESTIONED COSTS

INVESTIGATION



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CIVIL ACTIONS



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\$4,736,935

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Office of Audit

Fraud Risk Inventory for the CDBG and ESG CARES Act Funds

The Office of Inspector General (OIG) worked with the Pandemic Response Accountability Committee (PRAC) to gain an understanding of HUD's fraud risk management practices and develop an inventory of fraud risks that HUD had not already identified for the funds appropriated by the Coronavirus Aid, Relief, and Economic Security (CARES) Act for the CDBG and Emergency Solutions Grant (ESG) programs. OIG identified five risk factors that contribute to the risk of fraud and developed a fraud risk map containing 31 fraud schemes that can be used to misappropriate CDBG and ESG CARES Act funds. OIG also identified opportunities to improve HUD's fraud risk management practices, including clarifying roles and responsibilities, performing fraud-specific risk assessments, and raising awareness of fraud and fraud risks. OIG recommended that HUD (1) clarify the roles and responsibilities for fraud risk identification, assessment, and mitigation; (2) complete program-specific fraud risk assessments and risk profiles for the CDBG and ESG programs; (3) consider OIG's fraud risk inventory to improve its fraud risk assessments; (4) implement efforts to increase the awareness of fraud at all levels; (5) develop and implement a fraud risk checklist or other instrument to be completed as part of each monitoring review; and (6) develop and implement a fraud analytics strategy using available data.

(Agencywide, Audit Memorandum: 2022-FO-0801)



COMMUNITY PLANNING AND DEVELOPMENT

Office of Audit

Lessons Learned and Key Considerations From Prior Audits and Evaluations of the CDBG Disaster Recovery Program

On March 27, 2020, the CARES Act made available \$5 billion in supplemental CDBG funding for grants to prevent, prepare for, and respond to the coronavirus pandemic (CDBG-CV grants). Because of similarities, OIG reviewed 132 CDBG-DR program audits and evaluations issued from May 2002 to March 2020 to summarize the common CDBG-DR program weaknesses and risks for CPD to consider to help its CDBG-CV grantees effectively and efficiently manage their CDBG-CV program operations. OIG found that more than 44 percent of grantees reviewed (32 of 72) did not follow program requirements, resulting in questioned costs totaling more than \$1.7 billion. As of September 11, 2020, CPD had awarded the CDBG-CV grant funds to 1,265 formula and joint grantees to respond to the pandemic, and 1,195 grantees, or about 94 percent, lacked experience with CDBG-DR activities. To ensure program integrity and the timeliness of CDBG-CV activities and to mitigate the risk of financial loss, CPD should (1) provide grantees with training or other technical assistance to help familiarize them with program requirements; (2) ensure that grantee coronavirus activities are allowed and are needed to prevent, prepare for, and respond to the coronavirus pandemic; (3) ensure that grantees without disaster experience become familiar with the program rules and have the capacity to directly administer the coronavirus funding if needed; (4) ensure that grantees are aware of the requirements to prevent duplication of benefits issues; and (5) ensure that grantees become familiar with Federal procurement requirements, cost principles, and other administrative requirements.

(Agencywide, Audit Memorandum: 2022-FW-0801)



COMMUNITY PLANNING AND DEVELOPMENT

Office of Audit

The City of Houston, Houston, TX, Faced Challenges in Administering Its Hurricane Harvey Program and Risked Losing Its Funding

OIG audited the City of Houston's Hurricane Harvey CDBG-DR program. OIG initiated this audit based on congressional interest and to help HUD address its top management challenges and strategic objective to support effectiveness and accountability in long-term disaster recovery. OIG's objective was to assess the efficiency and effectiveness of the City's program. OIG found that 3 years after Hurricane Harvey, the City had spent only 1.8 percent of its suballocated grant funds and had assisted only 297 of 8,784 housing program participants, leaving affected Houstonians without the help they needed. This weak performance contributed to HUD's designating the Texas General Land Office (Texas GLO) as a slow spender. As a result, the City's slow performance risked its missing HUD's spending deadlines, recapture of the Texas GLO's grant funds, and potential loss of the City's \$1.275 billion in suballocated Hurricane Harvey grant funds. OIG recommended that HUD require the Texas GLO to ensure that (1) it includes milestones and appropriate consequences for not meeting them in future subrecipient agreements and (2) processes are in place to assist participants transitioning from the City's programs to the Texas GLO's programs. With HUD's approval of action plan amendment 8, OIG recommended that HUD require the Texas GLO to also (1) provide its plan to continuously monitor the City'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 the City's subrecipient agreement, and (3) provide its plan to ensure that the City complies with the Texas GLO's guidelines and requirements. Implementation of these recommendations would include a process for repurposing additional grant funds if necessary.

(Houston, TX, Audit Report: 2022-FW-1001)



COMMUNITY PLANNING AND DEVELOPMENT

Office of Audit

Opportunities Exist To Improve CPD's Oversight of and Monitoring Tools for Slow-Spending Grantees

OIG audited HUD CPD oversight and monitoring of its CDBG-DR slow-spending grantees. This was a self-initiated audit, consistent with OIG's oversight activities and current top priority areas, with the objective to assess CPD's monitoring and oversight tools related to the progress of grant expenditures and determine the status of the grants and impacts of coronavirus disease 2019 (COVID-19) on grantee spending. As of July 30, 2021, of the \$18.5 billion appropriated in CDBG-DR funds for disasters that occurred from 2011 through 2016, more than \$3.7 billion remained unspent, and the pandemic has slowed the progress of these grants. OIG recommended that HUD require CPD to (1) continue developing proper methodology to identify slow spenders and update policies, procedures, and its monitoring exhibit; (2) establish a reasonable timeframe for grantees to adequately address the system flags in the Disaster Recovery Grant Reporting system and resolve or remediate outstanding flags; (3) require updated grantee projections; (4) sufficiently document its basis for conclusions in its monitoring and quarterly performance reviews; and (5) consider grantee suggestions to assist with the progress of spending funds.

(Agencywide, Audit Report: 2022-AT-0001)



COMMUNITY PLANNING AND DEVELOPMENT

Office of Audit

The Los Angeles Homeless Services Authority, Los Angeles, CA, Did Not Always Administer Its Continuum of Care Program in Accordance With HUD Requirements

OIG audited the Los Angeles Homeless Services Authority's Continuum of Care (CoC) program to determine whether the Authority met the goals and objectives of housing and helping the homeless become self-sufficient through its CoC program and administered the program in accordance with HUD requirements. OIG found that the Authority (1) did not use \$3.5 million in CoC grant awards and left the funds to expire, (2) did not support Homeless Management Information System and planning grant costs, and (3) did not submit timely annual performance reports. As a result, the unused CoC funds represented a missed opportunity to meet the program's goals of assisting the homeless, HUD did not have assurance that \$879,847 in salary and rent costs were for the CoC grants, and CoC funds may have unnecessarily sat idle and unavailable for future awards. OIG recommended that HUD require the Authority to (1) develop and implement policies and procedures to ensure that grant agreements are executed in a timely manner and effective monitoring is performed to prevent similar occurrences of grant funds' going unused, (2) support payroll and rent costs or repay its CoC grants \$879,847 from non-Federal funds, and (3) develop policies and procedures to ensure that annual performance reports are submitted in a timely manner and personnel are routinely trained on the grant closeout process.

(Los Angeles, CA, Audit Report: 2022-LA-1001)



COMMUNITY PLANNING AND DEVELOPMENT

Office of Investigation

Santa Fe Boys and Girls Club Agrees To Pay HUD \$1.4 Million

The Santa Fe Boys and Girls Club (SFBGC), CDBG grant recipient, entered into a settlement agreement with the United States and agreed to pay \$1.4 million to HUD to resolve allegations that it violated the False Claims Act. SFBGC obtained \$750,986 in CDBG special purpose grants to purchase land and build a new facility. SFBGC failed to use the funds, as outlined in the agreements, when it failed to build a new facility and then did not return the funds as prescribed by HUD, Federal law, and the grant agreements. Instead, SFBGC began to encumber the property by selling off portions of the land to businesses and renting the remaining land that was still under its control. HUD OIG conducted this investigation. (Santa Fe, NM)



COMMUNITY PLANNING AND DEVELOPMENT

Office of Investigation

Former Building Inspector Sentenced to 30 Months Incarceration

Kevin Richardson, a former building inspector for a local municipality, was sentenced in U.S. District Court in connection with his earlier guilty plea to use of an interstate facility with intent to carry on unlawful activity. For more than 8 years, Richardson used the local municipality's internet-based system to alter, delete, and submit documents and information. Richardson solicited and accepted approximately \$65,000 in bribe payments from individuals seeking favorable inspection reports and certificates of completion for properties that did not comply with city and State building codes and for properties that had not been inspected. He also paid bribe money to a local municipality permit analyst for the issuance of permits without proper documentation and plan review. Many of the properties involved received funding through HUD's Housing Choice Voucher Program. Richardson was sentenced to 30 months incarceration and 1 year supervised release. HUD OIG, the City of New Orleans OIG, and the Federal Bureau of Investigation conducted this investigation. (New Orleans, LA)



ADDITIONAL REPORTS

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

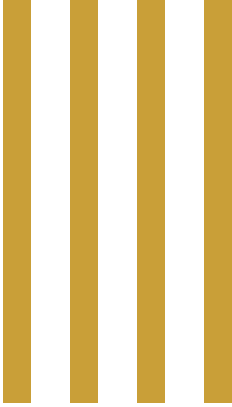
Office of Audit

DATA Act Compliance Audit of the U.S. Department of Housing and Urban Development, Office of the Chief Financial Officer

In accordance with the statutory requirements of the Digital Accountability and Transparency Act of 2014 (DATA Act) and standards established by the Office of Management and Budget (OMB) and the U.S. Department of the Treasury, OIG audited the HUD, Office of the Chief Financial Officer’s (OCFO) compliance with the DATA Act for the third quarter of fiscal year 2020. The audit was statutorily mandated by Congress. OIG’s objectives were to assess the (1) completeness, accuracy, timeliness, and quality of HUD OCFO’s fiscal year 2020, third quarter, financial and award data submitted for publication on USASpending.gov and (2) HUD’s implementation and use of the governmentwide financial data standards established by OMB and Treasury. While HUD OCFO generally complied with the reporting requirements of the DATA Act, OIG found that (1) award data reported in File C were not always reported in File D2 in a timely manner and (2) inaccuracies existed between the data reported and the source documentation for the business type, action type, and other data elements. OIG had no new recommendations and determined that HUD had satisfactorily addressed the reasons why program award data were not submitted in a timely manner. Also, the remaining exceptions related to potential errors in the business type, action type, and other data elements were immaterial or due to causes outside HUD’s control. Further, HUD had taken corrective actions that addressed all open recommendations from OIG’s prior audit, and these actions address the remaining issues identified in the current-year audit.

(Agencywide, Audit Report: 2022-FO-0001)





ADDITIONAL REPORTS

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

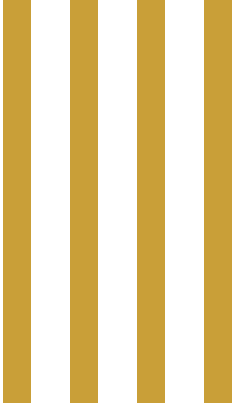
Office of Audit

Government National Mortgage Association, Audit of Fiscal Year 2021 Financial Statements

The Chief Financial Officers Act of 1990 (Public Law 101-576), as amended, requires OIG to audit the financial statements of the Government National Mortgage Association (Ginnie Mae) annually. OIG contracted with the independent public accounting firm of CliftonLarsonAllen LLP (CLA) to audit the financial statements of Ginnie Mae as of and for the fiscal years ended September 30, 2021 and 2020, to provide reports on Ginnie Mae’s internal control over financial reporting and compliance with laws, regulations, contracts, and grant agreements in its financial reporting. In its audit of Ginnie Mae, CLA reported that (1) Ginnie Mae’s financial statements as of and for the fiscal years ended September 30, 2021 and 2020, were presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles; (2) there were no material weaknesses for fiscal year 2021 in internal control over financial reporting, based on limited procedures performed; and (3) there were no reportable noncompliance issues for fiscal year 2021 with provisions of applicable laws, regulations, contracts, and grant agreements tested and no other matters.

(Agencywide, Audit Report: 2022-FO-0002)





ADDITIONAL REPORTS

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

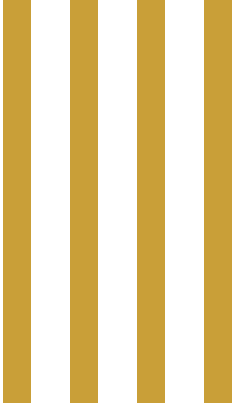
Office of Audit

Audit of HUD’s Fiscal Years of 2021 and 2020 Consolidated Financial Statements

OIG contracted with CLA to audit the financial statements of HUD as of and for the fiscal years ended September 30, 2021 and 2020, and to provide reports on HUD’s (1) internal control over financial reporting and (2) compliance with laws, regulations, contracts, and grant agreements and other matters, including whether financial management systems complied substantially with the requirements of the Federal Financial Management Improvement Act of 1996. In its audit, CLA found (1) that the consolidated financial statements as of and for the fiscal year ended September 30, 2021, were presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles; (2) one material weakness and one significant deficiency in internal control over financial reporting, based on the limited procedures that it performed; and (3) two reportable matters of noncompliance with provisions of applicable laws, regulations, contracts, and grant agreements or other matters.

(Agencywide, Audit Report: 2022-FO-0004)





ADDITIONAL REPORTS

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 Always Comply With Its Internal Guide When Transitioning Offices From Mandatory to Maximum Telework During the COVID-19 Pandemic

OIG audited HUD’s transitioning of offices from mandatory to maximum telework during the coronavirus disease 2019 (COVID-19) pandemic, based on a request from Representative Gerald Connolly, to review whether HUD was employing best practices and existing guidance when deciding whether or when to require Federal employees to return to their offices. OIG’s audit objective was to determine whether the memorandums that HUD’s regional administrators and Assistant Secretary for Administration submitted to the Deputy Secretary, which recommended allowing the voluntary reentry of employees to HUD’s offices (reentry memorandums), sufficiently addressed the criteria in the Resuming Normal Operations Guide, COVID-19 Response, for Headquarters and Field Offices. OIG found that HUD did not always comply with its guide when transitioning its offices. Specifically, the reentry memorandums reviewed for seven selected offices that transitioned did not sufficiently address the gating criteria. HUD also did not (1) provide sufficient documentation to support that the gating criteria were met and (2) establish metrics for determining whether the offices met the gating criteria to transition. As a result, HUD lacked assurance that its offices were transitioned to maximum telework in accordance with its guide and in a consistent manner. OIG recommended that HUD ensure that future policies and guidance developed to return HUD’s offices to normal operations include the specific criteria, metrics, and defined geographic area to be used by all offices as applicable. OIG also recommended that HUD develop and implement sufficient policies and controls to ensure that (1) applicable criteria in any future guidance are met and all safety measures are sufficiently completed before returning HUD’s offices to normal operations and (2) sufficient documentation is maintained to support that the applicable criteria were met.

(Agencywide, Audit Report: 2022-CH-0002)





ADDITIONAL REPORTS

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 Implement Adequate Grant Closeout and Reporting Processes To Ensure Consistent Application of GONE Act Requirements



OIG audited HUD’s grant closeout processes and compliance with the Grants Oversight and New Efficiency (GONE) Act. OIG’s objectives were to determine whether HUD (1) implemented adequate grant closeout processes to ensure compliance with GONE Act requirements and (2) ensured that reports related to its compliance with the GONE Act were accurate. HUD did not implement adequate GONE Act grant closeout processes, and related data and reports were not always accurate. Specifically, it implemented bulk closeout procedures that bypassed requirements, and its data used to compile reports included inconsistencies and incorrect information. As a result, HUD made errors in grant closeouts and was unable to ensure that related data and reports to Congress and other stakeholders were accurate. Although HUD’s reporting responsibilities under the GONE Act have ended, it should address the weaknesses identified to ensure future compliance with grant closeout requirements and consistent and accurate reporting of grant information to stakeholders. OIG recommended that HUD develop and implement controls (1) for use of the bulk grant closeout process going forward to ensure that grants are closed in accordance with all applicable requirements and (2) to ensure that future grant data reporting to stakeholders is consistent and accurate.

(Agencywide, Audit Report: 2022-NY-0001)



ADDITIONAL REPORTS

Office of Evaluation

Fiscal Year 2021 Federal Information Security Modernization Act (FISMA) Evaluation Report: February 17, 2022

The Federal Information Security Modernization Act of 2014 (FISMA) directs inspectors general to conduct an annual evaluation of the agency information security program. FISMA, the U.S. Department of Homeland Security, the Office of Management and Budget (OMB), and the National Institute of Standards and Technology establish information technology security guidance and standards for Federal agencies. OIG conducted this evaluation to assess the overall effectiveness of HUD's information security program, assess its compliance with Federal guidance, and respond to OMB reporting questions for the fiscal year 2021 annual assessment. OIG has determined that the contents of this report would not be appropriate for public disclosure and, therefore, limited its distribution to selected officials.

(Agencywide, Evaluation Report: 2021-OE-0001)



ADDITIONAL REPORTS

Office of Evaluation

Delays in Federal Housing Administration Catalyst’s Development


In February 2021, the Office of the Chief Information Officer (OCIO) identified funding risks with the contract under which HUD contracted for the Federal Housing Administration’s (FHA) development of FHA Catalyst. FHA has embarked on a multiyear information technology modernization initiative through this new web-based platform, which enables FHA to manage its programs and processes more efficiently and effectively, benefiting those who do business with FHA. In response, HUD officials took steps to slow FHA Catalyst spending on the contract while awaiting approval for additional contract funds. Despite efforts to slow project spending, it was not enough to prevent funding shortfalls before the contract’s base yearend. Poor contract oversight enabled OCIO to exhaust funds before the end of the base year, which stopped work on FHA Catalyst. Additionally, several issues hindered FHA Catalyst development activities. As of August 2021, HUD had resumed FHA Catalyst development work at limited capacity. As of October 2021, HUD estimated that it would complete FHA Catalyst development in March 2025.

(Agencywide, Evaluation Topic Brief: 2021-OE-0003a)

ADDITIONAL REPORTS

Office of Evaluation

HUD's Processes for Managing IT Acquisitions

OIG reviewed HUD's ability to effectively complete information technology (IT) acquisitions. HUD's IT systems and its modernization plans depend heavily on contractors, yet HUD has historically faced significant challenges with implementing effective acquisition processes. Therefore, HUD's acquisition capacity represents a key potential risk within HUD's IT environment. OIG found a lack of staffing capacity, implementation of effective coordination and communication practices, and effective oversight of management controls over acquisition processing. HUD officials acknowledged that IT acquisition process improvements are needed and have taken steps toward addressing deficiencies. OIG made five recommendations to assist in continued successes for future acquisition efforts.

(Agencywide, Evaluation Report: 2020-OE-0004)





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