



AUDIT PLAN
As of December 31, 2010
OFFICE OF INSPECTOR GENERAL
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Overview

The U.S. Department of Housing and Urban Development's primary mission is to invest in quality, affordable homes and build strong, safe, healthy communities for all. HUD has a \$48.9 billion budget for fiscal year 2011, a less than one percent decrease from the fiscal year 2010 budget of \$49.3 billion. The Department intends to respond aggressively to the housing crisis as well as contribute to broader national priorities on energy, sustainable growth, community revitalization and poverty alleviation. In addition, Congress appropriated \$13.6 billion for HUD as part of the 2009 American Recovery and Reinvestment Act (the "Recovery Act") and \$9.4 billion for disaster recovery in 2008.

This audit plan provides coverage of HUD's program areas and management and organizational reforms. It gives full consideration to the Department's management challenges identified by the Office of Inspector General (OIG) and reported to Congress annually, the most recent President's Management Agenda for improving government performance, and OIG's strategic plan.

The HUD Office of Inspector General – Office of Audit

The HUD OIG is one of the original 12 Offices of Inspector General established by the Inspector General Act of 1978. While physically located with the Department, the OIG provides independent oversight of HUD's programs and operations.

The Office of Audit's activities are designed to promote economy, efficiency, and effectiveness in the administration of HUD programs; detect and deter fraud, waste, and abuse in HUD programs and operations; and ensure compliance with applicable laws and regulations.

Under the leadership of the Inspector General, the Assistant Inspector General for Audit is responsible for managing the Office of Audit. The office has four headquarters divisions, the Financial Audits Division, the Information Systems Audits Division, the Headquarters Audit Division, and the Technical Oversight and Planning Division. There are nine regional offices in the country including a Gulf Coast Region in New Orleans, which is responsible for auditing disaster recovery funds provided to areas affected by Hurricanes Katrina, Rita, and Wilma. Each regional office is supervised by a Regional Inspector General for Audit.

The Audit Planning Process

Audit planning is a continuing process to focus resources on areas of greatest benefit to the taxpayer and the Department. Our broad goal in developing an audit plan is to help HUD resolve its major management challenges while maximizing results and providing responsive audits.

The process is dynamic in order to address requests and other changes throughout the year. We identify audits through discussions with program officials, the public, and Congress; conducting audits; and reviewing proposed legislation, regulations, and other HUD issuances. We also conduct audits HUD and Congress request, as well as those identified from our HOTLINE.



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Audit Environment at HUD

The Department's primary mission is to create strong, sustainable, inclusive communities and quality, affordable homes for all. HUD does this through a variety of housing and community development programs and insured mortgages.

While HUD is a relatively small agency in terms of staff, it relies on a large number of entities to administer its diverse programs. Among HUD's administrators are hundreds of cities and directly funded grantees that manage HUD's Community Development Block Grant funds, thousands of public housing agencies and multifamily housing projects that provide HUD assistance, and thousands of HUD-approved lenders that originate FHA-insured loans.

HUD's housing finance and subsidy programs represent approximately \$1 trillion in long-term federal financial commitments. HUD is actively involved in foreclosure mitigation, homeownership counseling and a myriad of efforts to curb mortgage abuse.

HUD's public and Indian housing and community development programs impact the lives of millions of low-income households and the condition of most American communities. A shrinking HUD staff has led to an ever-growing reliance on outside program partners and contractors to perform many critical program functions.

Audit Plan Objectives

The audit plan has the following objectives:

- ***Contribute to improving the integrity of single-family insurance programs***
- ***Contribute to the oversight objectives of the American Recovery and Reinvestment Act of 2009***
- ***Contribute to a reduction in erroneous payments in rental assistance programs***
- ***Contribute to improving HUD's execution and accountability of fiscal responsibilities***
- ***Contribute to resolving significant issues raised or confronted by HUD and OIG's stakeholders***

Improving the Integrity of Single-Family Insurance Programs

FHA is the federal government's single largest program to extend homeownership to individuals and families who lack the savings, credit history, or income to qualify for a conventional mortgage. The FHA served more than 1.1 million homebuyers in FY 2010. In total, the FHA insured \$319 billion of single family mortgages in FY 2010, representing 1.75 million households. Among mortgage originations, the FHA insured 38 percent of all home purchase loans and 9 percent of all refinance loans during the 9 month period ending in June 2010. In addition, HUD is actively involved in foreclosure mitigation, homeownership



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counseling and a myriad of efforts to curb mortgage abuse and lending discrimination.

Significant changes in the single-family mortgage industry and the meltdown of the subprime market require a new emphasis on single-family lenders by OIG. For example, the Helping Families Save Their Homes Act of 2009 contains provisions that provide limitations on those eligible to participate in FHA programs, places additional requirements on FHA-approved mortgagees, and expands FHA's authority to pursue civil money penalties for violations of program requirements. In April, HUD published a final rule that eliminates FHA approval for loan correspondents, increasing net worth requirements for lenders and strengthening FHA's counterparty risk management capabilities. Further, HUD received \$4 billion for the Neighborhood Stabilization Program (NSP 1) in 2008 and another \$2 billion in 2009 (NSP 2, which is part of the Recovery Act). The program aids localities to deal with neighborhoods adversely affected by foreclosures. Therefore, OIG plans to increase its efforts in external and internal audits of HUD's activities in the single-family mortgage industry and NSP 2.

The recent economic slow-down has increased demand for loss mitigation actions, including but not limited to, loan modifications. The Helping Families Save Their Home Act of 2009 expanded the authority to use FHA Loss Mitigation to assist defaulted FHA borrowers in avoiding foreclosure to include those mortgagors facing "imminent default" as defined by the Secretary. Therefore, OIG plans to increase efforts in external and internal audits of servicers and HUD's activities in loan modifications. Furthermore, as millions of homeowners struggle with foreclosures, evidence have surfaced suggesting that banks have employed 'robo-signers' to sign documents, thereby facilitating the foreclosure process without having actual knowledge of the individual cases. Due to these claims, OIG has started reviews to determine the validity and impact on foreclosures of FHA insured loans.

Lenders are targeted for audit through the use of data-mining techniques, along with prioritizing audit requests from outside sources. All appropriate enforcement actions will be pursued against lenders through referrals to the Mortgagee Review Board, the Enforcement Center, and our own Office of Investigation.

The Office of Audit is also placing an emphasis on civil mortgage fraud and will actively seek out instances involving false claims deserving civil complaints to recover federal funds.

Recovery Act

The Recovery Act invested \$13.6 billion in HUD programs to modernize and "green" the public and assisted housing inventory, increase the low-income housing tax credit market, stabilize neighborhoods hit by foreclosures, and prevent homelessness. The Office of Audit oversight objectives of HUD funding under the Recovery Act are to determine whether:

- Funds are awarded and distributed in a prompt, fair, and reasonable manner;
- The recipients and uses of all funds are transparent to the public, and the public benefit of these funds are reported clearly, accurately, and in a timely manner;



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- Funds are used for authorized purposes and instances of fraud, waste, error, and abuse are mitigated;
- Projects funded under the Act avoid unnecessary delays and cost overruns; and
- Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

The OIG has 117 audits in process or completed involving the Recovery Act as of December 15, 2010. These include reviews of the Department's front end risk assessments the Office of Management and Budget required for each program area receiving Recovery Act funds. We also conducted several capacity reviews of entities that applied for or will receive Recovery Act funds. Our objective in the capacity audits is to determine whether the entities have the necessary financial and personnel resources to properly handle the increase in funding. Our regional offices are now using risks assessments to identify appropriate grantees in their regions to audit Recovery Act expenditures.

Reducing Erroneous Payments in Rental Assistance Programs

HUD provides housing assistance funds under various grant and subsidy programs to multifamily project owners (both nonprofit and for profit) and public housing agencies. These intermediaries, in turn, provide housing assistance to benefit primarily low-income households.

The Office of Public and Indian Housing provides funding for rent subsidies through its public housing operating subsidies and tenant-based Section 8 rental assistance programs. These programs are administered by about 3,200 public housing agencies, which are to provide housing to low-income families or make assistance payments to private owners who lease their rental units to assisted families. In fiscal year 2010, there were approximately 1.2 million public housing units occupied by tenants. These units are under the direct management of the public housing agencies.

The Office of Housing administers a variety of assisted housing programs including parts of the Section 8 program and the Sections 202 and 811 programs. The subsidies provided through these programs are called "project-based" subsidies because they are tied to particular properties; therefore, tenants who move from such properties may lose their rental assistance.

HUD has made significant improvements in the area of erroneous payments. To reduce improper rental assistance payments, HUD's Office of Public and Indian Housing and Office of Housing worked with their housing industry partners and tenant advocacy groups to improve program guidance, training, and automated systems support. HUD developed and implemented the Enterprise Income Verification System (EIV)—a Web-based, state-of-the-art system—to share income data in other federal databases with public housing authorities to improve their income verification process.

OIG will continue to focus on this program area. Our reports continue to target significant issues related to this program area.



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Improving HUD's Execution and Accountability of Fiscal Responsibilities

HUD is focused on HUD-specific information technology (IT) management improvements. It continues its efforts to improve the IT capital planning process, convert to performance-based IT service contracts, strengthen IT project management to better assure results, extend the data quality improvement program, and improve systems security on all platforms and applications.

As in the past, OIG will review a variety of HUD programs with the objective of improving efficiency and effectiveness.

Significant Mandated Audits

Congress has tasked the Office of Audit with legislated audit work. For example, the Appropriations Committee tasked OIG with audit responsibility for the \$3.5 billion in disaster recovery assistance funding provided to New York City as a result of the September 11, 2001, terrorist attacks. The task involves reporting every six months. The Office of Audit also reviews HUD's activities related to Gulf Coast hurricane disaster relief efforts. This effort resulted in the establishment of a Gulf Coast Region to be the focal point for all audits in the coming years relating to HUD's relief efforts and to coordinate with other agencies that are involved in the overall effort.

In addition to the HUD-specific mandates issued by Congress, all OIGs must meet several government-wide legislative mandates annually. The two most significant requirements are the financial audits required by the Chief Financial Officers Act and the review of information security policies required by the Federal Information Security Management Act (FISMA).



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ONGOING AND PLANNED INTERNAL AUDITS

- * *Audit contributes to improving the integrity of single-family insurance programs*
 - ** *Audit contributes to a reduction in erroneous payments in rental assistance programs*
 - *** *Audit contributes to improving HUD's execution and accountability of fiscal responsibilities*
 - **** *Contributes Working Significant Mandated Audits*
- (a) *Audit contributes to initiatives created under the Neighborhood Stabilization Program*
- (b) *Audit contributes to initiatives legislated by the American Recovery and Reinvestment Act*

Program areas/objectives	Lead region	Start date	Final report target date
Single Family Housing/FHA			
* Operation Watchdog: Review of 15 lenders to determine whether the selected loans were properly underwritten, and if not, whether the underwriting reflected systemic problems. (Roll up)	Civil Fraud	February 2010	January 2011
* Ginnie Mae's Monitoring of Mortgage Delinquencies: To determine whether Ginnie Mae's approved issuers are monitoring mortgage delinquencies and defaulted loans per its requirements.	Headquarters	February 2011	September 2011
*** HUD's Home Affordable Modification Program (HAMP) (FW 10 0022): To determine and analyze the processes and controls over HAMP, and determine how HAMP will/may impact other loss mitigation options and the FHA fund.	Fort Worth	May 2010	February 2011



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Program areas/objectives	Lead region	Start date	Final report target date
<p>*Review of HUD' Discount Sales Program (KC 11 0002): To determine whether the financial benefits offered to HUD approved nonprofit entities from the sales of discounted REO properties, are passed on to low and moderate income homebuyers; and whether HUD should require low to moderate income homebuyers to reside at the property as their principal residence (i.e. for a certain length of time) as a condition to receiving the discounted property.</p>	Denver	October 2010	June 2011
<p>* Philadelphia HOC Quality Assurance Procedures for FHA Lenders: Determine whether the Philadelphia HOC has an effective quality assurance process for monitoring lenders within its jurisdiction to ensure that they are complying with program requirements.</p>	Philadelphia	January 2011	October 2011
<p>*HUD's Lender Approval & Recertification Division's Tracking of Lenders Re-entering the FHA Program (KC 10 0033): To determine whether HUD has adequate controls in place to track lenders who voluntarily leave the FHA program with outstanding indemnification requests, and then return as the same lender or a new lender.</p>	Kansas City	September 2010	June 2011
<p>*FHA Annual Approval of Lenders (KC 10 0031): To determine if the Lender Approval and Recertification Division controls are adequate for determining if lenders meet FHA annual recertification requirements.</p>	Kansas City	January 2010	February 2011
<p>*Review of FHA Pre-closing Mortgage Files submitted by New Direct Endorser Lenders (LA10 0040): To determine if HUD/FHA is consistently following the applicable guidance regarding the submission and review of the initial loans underwritten by newly approved direct endorsement lenders. Also to determine if HUD/FHA followed GAO's 2004 report audit recommendations regarding the review and rating of the initial loan files submitted by newly-approved direct endorsement lenders.</p>	Los Angeles	July 2010	March 2011



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<p>* Good Neighbor Next Door’s Annual Certification Process: (1) Determine whether the National Servicing Center (NSC) referred delinquent annual certifications for further investigation involving witnessing the signing of annual certifications and property visits. (2) Determine if the participant is referred to the OIG if the initial investigation fails to determine occupancy.</p>	Kansas City	March 2011	November 2011
<p>* FHA Default Reporting: To determine if HUD had effective controls in place to ensure timely and accurate default reporting on FHA-insured loans.</p>	Kansas City	March 2011	September 2011
<p>* Single Family FHA Appraiser Review Process – Field Review Contractors: Determine if HUD enforced the contractor’s compliance with contract requirements for 1) extent of work to be performed and 2) proper billing/claims. Additionally, determine if HUD’s quality controls meet internal and governmental requirements.</p>	Los Angeles	April 2011	December 2011
<p>*Eligibility of HECM Loan Borrowers: To determine whether HUD’s controls are effective to ensure that HECM loan borrowers are complying with residency requirements.</p>	Philadelphia	June 2011	January 2012
<p>* HUD’s Ability to Overcome Data and Performance Measurement Impairments in the Housing Counseling Assistance Program (CAV): Determine whether HUD’s Housing Counseling Assistance Program is effective.</p>	New York	August 2011	December 2011
Community Planning and Development			
<p>*** HUD’s Oversight of Draws for CPD Program Activities: To determine whether HUD ensured that grantees’ draws of funds for CPD program activities were appropriate.</p>	Philadelphia	January 2011	September 2011



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<p>*** Community Housing Development Organization (CHDO)'s Qualifications: To determine whether HUD adequately monitors its Participating Jurisdictions (PJs) to ensure they are certifying nonprofit organizations to become CHDOs in compliance with HOME program requirements?</p>	New York	September 2011	May 2012
<p>*** Audit of Grant Risk Assessment Procedures: To determine whether CPD's risk assessments are adequate for evaluating grants administered or carried out by subrecipients.</p>	Atlanta	March 2011	November 2011
Public and Indian Housing			
<p>*** HUD's oversight over fee-for-service by Housing Authorities: Determine the appropriateness of HUD's fee-for-service for management and bookkeeping</p>	Los Angeles	April 2011	December 2011
<p>*** HUD's oversight of Housing Authorities Energy Conservation Programs (NY 10 0008): Determine whether Public Housing has adequate controls and oversight of its energy conservation programs</p>	New York	January 2010	January 2011
<p>**HUD oversight of Multiple Subsidy tenants in Section 8 and Public Housing: To determine if HUD ensures that housing authorities resolve instances of tenants receiving housing benefits for multiple units.</p>	Kansas City	March 2011	September 2011
<p>***Accounting for Pension & Other Post Employment Benefit Liabilities for Public Housing Authorities (NY 10 0025): To determine if Determine if public housing authorities are accounting for pension and other post employment benefit liabilities in accordance with generally accepted accounting principles.</p>	New York	September 2010	April 2011
<p>*** HUD management and oversight of Housing Authority Interfunds transactions: Determine if HUD has adequate personnel and procedures in place to identify high interprogram fund balances at Housing Authorities where they exist and do they adequately address the issues that cause them?</p>	Boston	June 2011	February 2012



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Multifamily Housing/FHA			
***HUD's Oversight of Multifamily Project-Based Voucher Review Process (CH 10 0013): To determine whether HUD has adequate controls over its Multifamily Section 8 housing voucher processing	Chicago	December 2009	December 2010
*** HUD's oversight of Section 232 Projects (FW 10 0026): Determine if HUD has implemented adequate controls to properly monitor Section, 232 insured mortgages.	Fort Worth	July 2010	February 2011
*** REAC's Review of Independent Auditors' Workpapers to Ensure that the Auditors Address Fraudulent Matters in Accordance with SAS 99 for A-133 Audits: To determine if REAC is ensuring that independent auditors adhere to SAS 99 when conducting PHA audits.	Kansas City	September 2011	June 2012
*** Review of HUD's Office of Multifamily Lender Qualification and Monitoring Division: To determine if HUD's Office of Multifamily Housing Development (OMD)Lender Qualification and Monitoring Division (LQMD) has adequate controls in place to ensure that multifamily FHA-insured loans are acceptable risks to HUD.	Philadelphia	September 2011	May 2012
*** Review of the adequacy of HUD's assessment of the eligibility of mortgagors approved to own and develop multifamily insured projects: To determine if HUD established and implemented adequate controls to ensure the eligibility and financial ability of mortgagors approved to develop multifamily projects.	Atlanta	February 2011	October 2011
American Recovery and Reinvestment Act (ARRA)			
*** (b) Review of ARRA Funding FY 2010 Obligations and Expenditure (FO 10 0044): To determine whether the U.S. Department of Housing and Urban Development complied with the Recovery Act in obligating and disbursing Recovery Act funds.	Financial Audit	May 2010	December 2010



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Program areas/objectives	Lead region	Start date	Final report target date
<p>*** (b) HUD’s Interpretation of Recovery Act Guidance for Administration of the Recovery Act Grant: To determine whether HUD is appropriately interpreting and applying Recovery Act requirements to the Public Housing Capital Fund stimulus (formula) grant that was Recovery Act funded.</p>	Kansas City	January 2011	September 2011
<p>*** (b) Office of Healthy Homes & Lead Hazard Control ARRA Grant Recipients Monitoring: To determine whether HUD’s Office of Healthy Homes & Lead Hazard Control adequately monitored its ARRA grants.</p>	Chicago	March 2011	November 2011
<p>*** (b) Review of the Income Verification for HUD Qualified Assisted Housing Used for Department of Energy (DOE) Weatherization Assistance Program Funded by the Recovery Act: To determine if HUD verified income requirements for the qualified assisted housing used for the weatherization assistance program in accordance with the HUD regulations.</p>	Headquarters	July 2011	March 2012
<p>*** (b) Review of goals for recipients of funds awarded through the Neighborhood Stabilization Program 2: Determine whether HUD established appropriate metrics for the program and each sub objective of the program. Determine whether HUD established appropriate methodology to evaluate the nature and extent of need for neighborhood stabilization in the applicant’s target geography, based on quality data. Determine whether HUD took appropriate steps to verify the data submitted. Determine whether these goals differ for the different levels of government (state, county, or city) and/or nonprofits and consortia of nonprofits.</p>	Boston	January 2011	September 2011



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Program areas/objectives	Lead region	Start date	Final report target date
<p>*** (b) Stimulus Grantees' Energy Efficiency Compliance: To determine whether HUD PIH adequately implemented its strategy to ensure grantees complied with the Energy Policy Act of 2005 for Recovery Act funded projects?</p>	Boston	January 2011	September 2011
<p>*** (b) Review of ARRA Funding FY 2011 Expenditures: To determine whether the U.S. Department of Housing and Urban Development complied with the Recovery in expending Recovery Act funds.</p>	Financial Audit	March 2011	July 2011
Information Systems (IS) audits			
<p>**** Review of HUD's Unisys Re-Host Project (DP 10 0010): evaluate HUD's Unisys re-host project efforts.</p>	IS Audit	March 2010	November 2010
<p>**** Assessment of HUD's Ability to Comply with OMB Circular A-127 Requirements (DP 10 0008): Evaluate HUD's ability to comply with the requirements of the revised Office of Management and Budget Circular A-127. We will focus on the significant revisions and new requirements that became effective October 2009.</p>	IS Audit	March 2010	December 2010
<p>****FY 2010 Evaluation of HUD Security Required by Federal Information Security Management Act (FISMA) (DP 10 0014): Annual independent evaluation of HUD's information security program and practices to determine if they meet the security responsibilities of the FISMA.</p>	IS Audit	June 2010	December 2010
<p>****Fiscal Year 2010 Review of Information Systems Controls in Support of the Financial Statements Audit (Assignment # DP 10 0015): To assess management controls over HUD's computing environment as part of the internal control assessments required for the FY 2010 Consolidated Financial Statement Audit under the Chief Financial Officer's Act of 1990. Specifically, we will evaluate the general and application controls of selected computer systems that support HUD's business operations.</p>	IS Audit	August 2010	January 2011



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Program areas/objectives	Lead region	Start date	Final report target date
<p>****Review of Selected Controls Over HUD's Configuration Management Activities (Assignment # DP 10 0009): To assess HUD's controls over selected configuration management activities.</p>	IS Audit	March 2010	January 2011
Administrative/Other			
<p>**** Evaluate HUD's recruitment process (PH 10 0014): To assess the HUD Office of Human Resources' recruitment process and to determine whether it is recruiting staff in accordance with federal and internal requirements and policies.</p>	Philadelphia	April 2010	February 2011
<p>**Improper Payments Act Review (FO 10 0046): To conduct a review of the Department's annual and quarterly improper payment reports pursuant to Executive Order 13520.</p>	Financial Audit	June 2010	December 2010
<p>***Review of OCPO's Closeout Procedures on Completed & Expired Ginnie Mae Contracts (HA 11 0002): To determine whether OCPO is timely performing closeout procedures on completed and expired contracts. To determine whether Ginnie Mae is deobligating and reprogramming unexpended funds from completed and expired contracts.</p>	Headquarters	November 2010	July 2011
<p>***Review of HUD's Interagency Agreements & Contracts (HA 11 0001): To determine if HUD is obtaining goods and services from other federal agencies in the most economic and efficient manner.</p>	Headquarters	October 2010	June 2011
<p>***HUD's implementation of the President's Contracting Reforms: Evaluate HUD's efforts to comply with the President's directive to: reduce contract spending by 7 percent, reduce high risk contracts, increase openly competed contracts, convert contracted work to federal employees, and report contractor performance into the government wide reporting system.</p>	Headquarters	March 2011	October 2011
<p>**Improper Payments Act Review: To conduct a review of the Department's annual and quarterly improper payment reports pursuant to Executive Order 13520.</p>	Financial Audit	March 2011	August 2011



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EXTERNAL AUDITS

Planning for external audits is subject to a number of factors, such as complaints, requests from HUD and congressional staff, and media attention, all of which cannot be predicted or anticipated. The planning of external audits, therefore, is intended to be flexible to enable OIG to perform the highest priority work on hand. Depending on the volume and nature of audit requests, OIG intends to selectively target high-risk programs and jurisdictions. Priorities have been determined based on the HUD OIG strategic plan and areas of interest to OIG's stakeholders, particularly Congress. Of particular interest this year are Recovery Act related efforts. With this in mind, the following types of external audits have been identified as priority areas during this planning cycle. As the opportunity permits, OIG audit managers will focus their audit resources in the following areas.

Single-family and lender audits: Single-family lender audits continue to be a priority for FY 2011 due to the abuses being experienced in single-family programs. A specialized audit program has been developed for the purpose of targeting lenders for audit, considering a number of high-risk indicators. In addition to being a goal in HUD OIG's strategic plan, there continues to be congressional interest in OIG's audits of the single-family program. In addition, OIG plans to perform audits of mortgage companies originating and underwriting, servicers performing loss mitigation actions, FHA home equity conversion mortgages, along with additional audits of Ginnie Mae participants.

Community planning and development: In an effort to continue emphasis on improving efficiency and effectiveness, OIG is continuing to emphasize this program area. In addition, disaster recovery funding is being provided primarily through Community Development Block Grants. Congress continues to take interest in the use of disaster funds to ensure that they are reaching those who need them. Based on OIG assessments, Congressional inquiries and Recovery Board referrals, the OIG is currently performing five audits of grantees receiving funding from the \$5.92 billion Neighborhood Stabilization Program. OIG plans to continue to focus on audits of grantees receiving Neighborhood Stabilization Program Funding from the Recovery Act (NSP2).

Public and Indian housing: The low-income program serves approximately 1.2 million households. The Section 8 Housing Choice Voucher program serves more than two million households. As part of an overall OIG initiative, tenant eligibility and accuracy of rental assistance payments will also be an area of audit focus. However, we will be increasing our focus on the public housing capital fund, in light of the \$4 billion in Recovery Act funds being directed toward that program. The quality of housing and the cost of administering these programs continue to be concerns that will be addressed as workload permits. Public housing agency development activities carried out by affiliated nonprofit entities is another area of emphasis that will be addressed as resources permit.

Multifamily and insured health care project audits: Audits of multifamily project operations continue to be an area of interest in FY 2011. The focus of these audits will be on the



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misuse of project operating funds, also known as equity skimming.

Nonprofit grantees: Continued concerns over the capacity of nonprofit entities receiving funding from HUD programs require that audits of such activities be given priority. Of particular concern are several Office of Community Planning and Development programs including Entitlement and Supportive Housing grants. Based on referrals from HUD program staff, we will give priority attention to auditing nonprofits. For those selected, we will evaluate the control systems in place, especially for subrecipients of HUD grant funds, to determine whether these controls provide the review and oversight necessary to ensure that funds are spent on eligible activities and put to good use.