



**AUDIT PLAN**  
**As of February 28, 2014**  
**OFFICE OF INSPECTOR GENERAL**  
**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

## ***Overview***

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

HUD had a \$32.8 billion budget for fiscal year (FY) 2014. Additionally, of the \$16 billion HUD received for Hurricane Sandy in FY 2013, \$6 billion remains to be allocated. HUD planned to respond aggressively to the housing crisis as well as contribute to broader national priorities on energy, sustainable growth, community revitalization, and poverty alleviation. This audit plan provides coverage of HUD's program areas and management and organizational reforms. It gives full consideration to the Office of Inspector General's (OIG) strategic plan and HUD's management challenges identified by OIG and reported to Congress annually.

### ***The HUD OIG, Office of Audit***

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

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

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

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

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



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

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

### *The Audit Planning Process*

Audit planning is a continuing process to focus resources on areas of greatest benefit to the taxpayer and HUD. The Office of Audit's 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. The Office of Audit identifies audits through discussions with program officials, the public, and Congress; conducting audits; and reviewing proposed legislation, regulations, and other HUD issuances. It also conducts audits that HUD and Congress request, as well as those identified from OIG's hotline.

### *Audit Environment at HUD*

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

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

HUD's housing finance and subsidy programs represent more than \$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



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contractors to perform many critical program functions.

### *Audit Plan Objectives*

The audit plan has the following objectives:

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

### *Promoting Fiscal Responsibility and Financial Accountability*

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

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

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

HUD OIG will conduct the annual financial statement audit, which includes all of HUD's components. In that audit, OIG tests HUD's compliance with accounting standards, financial management controls, financial systems, financial reporting, and compliance with financial laws and regulations. It also audits FHA and Ginnie Mae financial statements. In addition, OIG will conduct program audits of specific financial management functions to determine the effectiveness of HUD's implementation of program financial accountability requirements.



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

HUD provides housing assistance funds under various grant and subsidy programs to PHAs. These intermediaries, in turn, provide housing assistance to benefit primarily low-income households.

The Office of Public and Indian Housing (PIH) provides funding for rent subsidies through its public housing operating subsidies and tenant-based Section 8 rental assistance programs. These programs are administered by about 3,200 PHAs, which are to provide housing to low-income families or make assistance payments to private owners that lease their rental units to assisted families. In FY 2014, there are approximately 1.2 million public housing units occupied by tenants. These units are under the direct management of the PHAs.

The Moving to Work demonstration program gives PHAs the opportunity to design and test innovative, locally developed strategies that are designed to use Federal dollars more efficiently, help residents become self-sufficient, and increase housing choices for low-income families. The demonstration program gives PHAs exemptions from many public housing rules and more flexibility in how they use their Federal funds. OIG has issued one report on the Moving to Work demonstration program focusing the need for HUD to develop criteria to evaluate the success of the program. OIG will also evaluate how well HUD monitors these agencies related to specific areas of risk such as legal and lobbying expenses.

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

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

### ***Protecting the Integrity of Housing Insurance and Guarantee Programs***

FHA is the Federal Government's single largest program to extend home ownership to individuals and families who lack the savings, credit history, or income to qualify for a conventional mortgage. The FY 2013 independent actuary estimates that the FHA insurance fund's overall economic net worth has improved by \$15 billion, from negative \$16.3 billion to negative \$1.3 billion, while its capital ratio has improved from negative 1.44 percent to negative 0.11 percent. The seriously delinquent rate, an indicator of future claim costs, is down 1.58 percentage points from its level at the end of FY 2012, as it has declined from 9.80 to 8.22 percent (seasonally adjusted). At the end of September 2013, FHA had more than 7.8 million single-family mortgages in force with an amortized balance of almost \$1.1 trillion.

FHA is continuing to work on improving the financial integrity of its Home Equity Conversion Mortgage (HECM), or reverse mortgage, program. FHA received approval from both the Senate and the House of Representatives on the Reverse Mortgage Stabilization Act,



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which gives HUD the authority to modify FHA's Federal housing reverse mortgage program to stem losses due to loan performance decline in recent years. FHA issued various mortgagee letters announcing program changes limiting the amount of the allowable draw, mandating the use of escrow accounts or money set aside to ensure continued and timely payment of property charges, and requiring the use of a financial assessment as part of the loan origination process. However, On December 20, 2013, FHA announced via a mortgagee letter that the implementation for financial assessment and funding requirements for the payment of property charges would be delayed pending a review of comments received after publishing the various mortgagee letters and its notice in the Federal Register.

Significant changes in the single-family mortgage industry and the meltdown of the subprime market require continual emphasis on single-family lenders by OIG. OIG plans to continue its efforts in external and internal audits of HUD's activities in the single-family mortgage industry. The economic slowdown has increased demand for loss mitigation actions, including but not limited to loan modifications and other types of mortgage assistance. The Helping Families Save Their Home Act of 2009 expanded the authority to use FHA loss mitigation actions to assist defaulted FHA borrowers in avoiding foreclosure, to include those borrowers facing "imminent default" as defined by the HUD Secretary. On November 1, 2013, FHA issued a mortgagee letter clarifying HUD's requirements and to communicate expectations for servicers who engage in loss mitigation during foreclosure. HUD expects servicers to keep open lines of communication with borrowers so that borrowers can notify servicers of any changes in their circumstances that may qualify them for loss mitigation options.

The U.S. Department of the Treasury and HUD have extended the Obama Administration's Making Home Affordable Program through December 31, 2015. The new deadline was determined in coordination with the Federal Housing Finance Agency to align with extended deadlines for the Home Affordable Refinance Program and the Streamlined Modification Initiative for homeowners with loans owned or guaranteed by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. Therefore, OIG plans to increase its efforts in external audits of servicers and internal audits of HUD's activities in loan mitigation activities.

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

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



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### *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 once a year.

The Disaster Relief Appropriations Act of 2013 provided \$16 billion (\$15.18 billion after sequestration) in CDBG funds for necessary expenses related to disaster relief and long-term recovery for disasters that occurred in 2011, 2012, and 2013. The Act also provided \$10 million to OIG for necessary costs of overseeing and auditing CDBG Disaster Recovery funds. OIG has oversight responsibilities for these CDBG funds and will perform disaster reviews as part of the annual audit plan. OIG has been proactive in the oversight of Sandy funding and now has audits ongoing in the State of New Jersey (3), the State of New York (1) and New York City (1).

In addition to the HUD-specific mandates issued by Congress, all OIGs must meet several governmentwide legislative mandates annually. The most significant requirement involves the audits of HUD's, FHA's, and Ginnie Mae's financial statements as required by the Chief Financial Officers Act.





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### ONGOING AND PLANNED INTERNAL AUDITS

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

Program areas and objectives	Lead region	Start date	Final report target date
<b>Single-family housing-FHA</b>			
**** <b>FHA's oversight of property flipping (CH-13-0006):</b> To determine whether HUD had adequate oversight of property flipping.	<b>Chicago</b>	<b>November 2012</b>	<b>May 2014</b>
**** <b>HUD's oversight of the Section 203(k) Rehabilitation Loan Mortgage Insurance program (CH-13-0015):</b> To determine whether HUD had adequate oversight of its Section 203(k) Rehabilitation Loan Mortgage Insurance program.	<b>Chicago</b>	<b>February 2013</b>	<b>August 2014</b>
**** <b>HUD's use of its Credit Alert Interactive Voice Response System for credit qualification for federally insured loans (KC-13-0031):</b> To determine whether HUD's Credit Alert Interactive Voice Response System contained accurate FHA data.	<b>Kansas City</b>	<b>September 2013</b>	<b>May 2014</b>
**** <b>Review of HUD's controls over indemnification agreements for single-family FHA-insured loans (LA-14-0013):</b> To determine whether HUD had adequate controls in place to monitor indemnification agreements to recover losses from claims paid for FHA-insured loans.	<b>Los Angeles</b>	<b>November 2013</b>	<b>June 2014</b>
**** <b>Eligibility of HECM loan borrowers:</b> To determine whether HUD's controls were effective to ensure that HECM loan borrowers complied with residency requirements.	<b>Philadelphia</b>	<b>March 2014</b>	<b>October 2014</b>





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Program areas and objectives	Lead region	Start date	Final report target date
**** <b>HUD preforeclosure sale flopping:</b> To determine the cost of preforeclosure sale flopping to the FHA insurance fund.	<b>Kansas City</b>	<b>March 2014</b>	<b>September 2014</b>
* <b>Excess profit on Ginnie Mae loan modifications:</b> To determine whether lenders received excess profit from processing Ginnie Mae loan modifications without providing any portion to HUD.	<b>Kansas City</b>	<b>March 2014</b>	<b>September 2014</b>
**** <b>HUD's monitoring of borrowers receiving more than seven FHA mortgages:</b> To determine whether HUD had controls in place to monitor borrowers with more than seven FHA mortgages.	<b>Kansas City</b>	<b>April 2014</b>	<b>November 2014</b>
**** <b>Single-family loss mitigation:</b> To determine whether (1) HUD's use of the partial claim option as a loss mitigation tool adequately protected the insurance fund, (2) HUD's use of the deed in lieu of foreclosure loss disposition option adequately protected the insurance fund, and (3) HUD's oversight of the FHA loss mitigation programs was effective.	<b>Los Angeles</b>	<b>April 2014</b>	<b>November 2014</b>
<b>Community planning and development</b>			
*** <b>CPD monitoring of closed redevelopment agency HUD assets (LA-13-0020):</b> To determine whether the San Francisco and Los Angeles HUD Offices of Community Planning and Development (CPD) had policies, procedures, and controls in place to ensure that HUD-funded assets' interests were maintained and at an acceptable risk.	<b>Los Angeles</b>	<b>April 2013</b>	<b>March 2014</b>
*** <b>HUD's monitoring of the Vieques Section 108 Loan (AT-14-0009):</b> To determine whether HUD took effective actions to enforce the resolution of the deficiencies noted in its 2002 monitoring review of the Vieques Sports Complex.	<b>Atlanta</b>	<b>February 2014</b>	<b>June 2014</b>
*** <b>HUD's administration of CDBG property acquisitions and dispositions:</b> To determine whether and how HUD compared planned and accomplished CDBG grantees' acquisition and disposition activities.	<b>Philadelphia</b>	<b>April 2014</b>	<b>December 2014</b>



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Program areas and objectives	Lead region	Start date	Final report target date
<p><b>*** HUD's controls to ensure compliance with HOME Investment Partnerships Program affordability requirements:</b> To determine the effectiveness and efficiency of HUD's controls to ensure that (1) home-buyer activities funded by the participating jurisdictions complied with the HOME program's primary residency requirement for the duration of the affordability period and (2) applicable resale or recaptured requirements for home-buyer activities not meeting the affordability period were enforced.</p>	Atlanta	July 2014	February 2015
<p><b>*** HUD's oversight of its CDBG program:</b> To determine whether HUD CPD adequately oversaw the CDBG program to ensure that grantees followed HUD and other applicable Federal requirements.</p>	Philadelphia	October 2014	May 2015
<b>Public and Indian housing</b>			
<p><b>*** HUD's oversight of environmental requirements (FW-12-0018):</b> To determine whether HUD's oversight of PIH environmental reviews ensured that (1) the required reviews were performed by the responsible entity and (2) all required documents were submitted before HUD released funds.</p>	Fort Worth	April 2012	September 2014
<p><b>** HUD's administration of its enhanced vouchers (PH-12-0021):</b> To assess the adequacy of HUD's oversight of its enhanced vouchers.</p>	Philadelphia	August 2012	April 2014
<p><b>*** HUD's management and oversight of housing authority interfund transactions (NY-12-0024):</b> To determine whether HUD (1) had adequate procedures in place to identify, monitor, and evaluate public housing agencies with interfunds and (2) took appropriate actions to curtail improper practices when borrowing from restricted HUD programs.</p>	New York	September 2012	March 2014
<p><b>*** HUD's oversight of PHAs' expenditures for lobbying the Executive or Legislative Branches of the Federal Government (PH-13-0002):</b> To determine whether HUD's oversight was adequate to ensure that PHAs complied with Federal lobbying disclosure requirements and restrictions.</p>	Philadelphia	October 2012	June 2014



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Program areas and objectives	Lead region	Start date	Final report target date
<p><b>*** HUD’s oversight of PHAs’ expenditures for outside legal services (PH-13-0001):</b> To determine whether HUD needs to develop and implement controls to monitor PHAs’ expenditures for outside legal services to ensure that the services are reasonable, necessary, and procured according to applicable requirements (non-Recovery Act funds).</p>	Philadelphia	October 2012	September 2014
<p><b>** The reliability of HUD’s Inventory Management System and PIH Information Center housing inventory data (NY-13-0014):</b> To determine whether HUD had adequate controls over the administration of demolition and disposition projects to ensure the reliability of Inventory Management System-PIH Information Center inventory data related to these projects.</p>	New York	February 2013	March 2014
<p><b>** Review of central office cost center funds (LA-13-0028):</b> To determine the reasonableness of the fees HUD allows PHAs under asset management and HUD’s monitoring of PHAs’ central office costs centers.</p>	Los Angeles	August 2013	May 2014
<p><b>** HUD’s oversight of the Veteran’s Affairs Supportive Housing program (LA-14-0012):</b> To determine whether HUD’s Veteran’s Affairs Supportive Housing program’s monitoring procedures and reporting system details were adequate to ensure that PHAs administered the program vouchers in accordance with program requirements.</p>	Los Angeles	October 2013	April 2014
<p><b>*** HUD’s oversight of PIH, Office of Native American Programs, grants closeout process (LA-14-0011):</b> To determine whether HUD’s Office of Native American Programs had adequate controls to ensure the timely closing of Indian Community Development Block Grants.</p>	Los Angeles	November 2013	June 2014
<p><b>** Review of HUD’s policies regarding overincome residents in public housing:</b> To determine whether HUD needs to update its policies and regulations regarding overincome residents in public housing.</p>	Philadelphia	April 2014	November 2014
<p><b>** HUD’s oversight of the Section 184 Indian Home Loan Guarantee Program:</b> To determine whether HUD had adequate controls in place to provide adequate oversight of the Section 184 Indian Home Loan Guarantee Program.</p>	Los Angeles	June 2014	January 2015



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Program areas and objectives	Lead region	Start date	Final report target date
<b>** HUD's controls over community service and self-sufficiency requirement compliance:</b> To determine whether HUD had adequate controls to monitor compliance with the community service and self-sufficiency requirement.	<b>Kansas City</b>	<b>April 2014</b>	<b>September 2014</b>
<b>** HUD's oversight of PHAs (rollup):</b> To determine whether HUD provided sufficient oversight to medium and smaller size PHAs.	<b>Fort Worth</b>	<b>September 2014</b>	<b>October 2014</b>
<b>** HUD's oversight of PHAs' declarations of trust filings:</b> To determine whether HUD ensured that PHAs recorded and maintained the required declarations of trust against HUD-assisted properties to protect the interest and investment of HUD.	<b>Chicago</b>	<b>October 2014</b>	<b>May 2015</b>
<b>Multifamily housing-FHA</b>			
<b>**** Assessment of HUD's multifamily bond refund process (AT-13-0019):</b> To determine whether HUD received its share of bond refund savings as required under the McKinney Act.	<b>Atlanta</b>	<b>April 2013</b>	<b>March 2014</b>
<b>**** HUD's monitoring of multifamily property owner advances and distributions (KC-14-0008):</b> To determine whether HUD's monitoring procedures ensured that project owners and management agents of HUD-insured multifamily properties did not make unauthorized loans or distributions from project funds.	<b>Kansas City</b>	<b>February 2014</b>	<b>September 2014</b>
<b>**** HUD's monitoring of multifamily properties (KC-14-0007):</b> To determine whether HUD adequately monitored its multifamily properties to avoid default or assignment to HUD.	<b>Kansas City</b>	<b>February 2014</b>	<b>September 2014</b>
<b>**** Accuracy of data displayed in iREMS:</b> To determine whether (1) HUD's Integrated Real Estate Management System (iREMS) displayed the correct data from each source multifamily database to assist HUD project managers in monitoring projects in their portfolio and (2) iREMS promptly notified HUD project managers of mortgage delinquencies or defaults and required action.	<b>Chicago</b>	<b>May 2014</b>	<b>December 2014</b>
<b>**** HUD's evaluation of the reasonableness of management agents' front-line costs and direct costs:</b> To determine whether HUD's controls were sufficient to ensure that front-line costs, direct costs, and management fees were not excessive across the portfolio.	<b>Atlanta</b>	<b>June 2014</b>	<b>January 2015</b>



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Program areas and objectives	Lead region	Start date	Final report target date
**** <b>HUD's implementation of use agreement:</b> To determine whether HUD provided sufficient guidance to owners and management agents to ensure implementation of use agreement restrictions for affordable set-aside units.	Los Angeles	August 2014	March 2015
<b>Recovery Act</b>			
<b>(b) Effectiveness of Neighborhood Stabilization Programs (rollup) (AT-13-0026):</b> To determine the adequacy of HUD's procedures for administering the Neighborhood Stabilization Program (NSP) and measuring its effectiveness, grantees' compliance with program requirements, and whether the program and grantees achieved their goals.	Atlanta	July 2013	May 2014
<b>(b) CPD's oversight of developer fees for NSP-funded activities (LA-13-0026):</b> To determine whether HUD adequately monitored its NSP grantees to ensure that the fees paid to its for-profit developers were in accordance with HUD requirements.	Los Angeles	July 2013	March 2014
<b>Information systems (IS) audits</b>			
<b>(a) Federal Information System Controls Audit Manual review (DP-13-0003):</b> To assess management controls over HUD's computing environment as part of the internal control assessments required for the FY 2013 Consolidated Financial Statement Audit under the Chief Financial Officer's Act of 1990.	IS Audit	March 2013	March 2014
<b>* Review of information system controls over HUD's Financial Data Mart (A75R) (DP-13-0011):</b> To evaluate selected general and application controls over the Financial Data Mart for compliance with Federal requirements and standards.	IS Audit	July 2013	March 2014
<b>(a) Federal Information System Controls Audit Manual review (DP-14-0001):</b> To assess management controls over HUD's computing environment as part of the internal control assessments required for the FY 2014 Consolidated Financial Statement Audit under the Chief Financial Officer's Act of 1990.	IS Audit	January 2014	December 2014



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Program areas and objectives	Lead region	Start date	Final report target date
* <b>Review of HUD Ginnie Mae general and application controls (DP-14-0002):</b> To evaluate the effectiveness of general and application controls over Ginnie Mae information systems for compliance with HUD information technology policies and Federal information system security and financial management requirements.	IS Audit	February 2014	September 2014
* <b>Review of information systems control over the Program Accounting System (DP-14-0003):</b> To evaluate the effectiveness of general and application controls over the Program Accounting System for compliance with HUD information technology policies and Federal information system security and financial management requirements.	IS Audit	February 2014	September 2014
* <b>Review of information systems controls over the Loan Accounting System (DP-14-0004):</b> To evaluate the effectiveness of general and application controls over the Loan Accounting System for compliance with HUD information technology policies and Federal information system security and financial management requirements.	IS Audit	February 2014	September 2014
* <b>Review of information system controls over the FHA Subsidiary Ledger:</b> To evaluate the effectiveness of general and application controls over the FHA Subsidiary Ledger for compliance with HUD information technology policies and Federal information system security and financial management requirements.	IS Audit	February 2014	September 2014
* <b>Review of information system controls over the Single Family Housing Enterprise Data Warehouse:</b> To evaluate the effectiveness of general and application controls over the Single Family Housing Enterprise Data Warehouse for compliance with HUD information technology policies and Federal information system security and financial management requirements.	IS Audit	February 2014	September 2014
<b>Administrative-other</b>			
* <b>HUD's contracting activity for architects and engineers (KC-13-0030):</b> To determine whether HUD properly procured and made reasonable payments for architectural and engineering services.	Kansas City	September 2013	March 2014



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Program areas and objectives	Lead region	Start date	Final report target date
<p><b>(a) Improper payments (FO-14-0001):</b> To determine (1) HUD’s compliance with Improper Payments Elimination and Recovery Act reporting and improper payment reduction requirements and (2) whether PIH and the Office of Housing’s corrective action plans addressed the root causes of HUD’s improper payments and were effectively implemented.</p>	<b>Financial Audit</b>	<b>January 2014</b>	<b>April 2014</b>
<p><b>(a) FY 2014 Consolidated Financial Statement Audit (FO-14-0002):</b> To perform the annual consolidated financial statement audit as required by the Chief Financial Officers Act as amended.</p>	<b>Financial Audit</b>	<b>February 2014</b>	<b>November 2014</b>
<p><b>* HUD’s procurement of Dynaxys, LLC (NY-14-0008):</b> To determine whether HUD followed applicable procedures and requirements in regard to the procurement and administration of its service contract with Dynaxys, LLC; specifically, to ensure that HUD officials (1) provided for full and open competition resulting in assurance of price reasonableness, (2) provided adequate oversight and monitoring for contract-related activities, and (3) maintained all required supporting documentation and records.</p>	<b>New York</b>	<b>February 2014</b>	<b>September 2014</b>
<p><b>* HUD user fees:</b> To determine whether HUD complied with the user fee requirements in Office of Management and Budget Circular A-25.</p>	<b>Kansas City</b>	<b>March 2014</b>	<b>June 2014</b>





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## EXTERNAL AUDITS

Planning for external audits is subject to a number of factors, such as complaints, requests from HUD and congressional staff, and media attention, none of which can be predicted. The planning of external audits, therefore, is intended to be flexible to enable OIG to perform the highest priority work at hand. Depending on the volume and nature of audit requests, OIG intends to selectively target high-risk programs and jurisdictions. Priorities have been determined based on the HUD OIG strategic plan and areas of interest to OIG's stakeholders, particularly Congress. With this in mind, the following types of external audits have been identified as priority areas during this planning cycle. As the opportunity permits, OIG audit managers will focus their audit resources on the following areas.

**Single-family lenders:** Single-family lender origination reviews continue to be a priority for FY 2014 due to the abuses being experienced in single-family programs. A specialized audit program has been developed for the purpose of targeting lenders, considering a number of high-risk indicators. In addition to its being a goal in HUD OIG's strategic plan, there continues to be congressional interest in OIG's audits of single-family programs. In addition, OIG plans to perform audits of mortgage companies' underwriting procedures and servicers performing loss mitigation actions.

**Community planning and development:** In an effort to continue its emphasis on improving efficiency and effectiveness, OIG is continuing to emphasize this program area. Congress has taken an interest in improving the efficiency of the HOME program. HUD OIG has long-standing concerns regarding the financial management controls over community planning and development formula grant programs and will continue to focus on audits of HOME grantees and HUD's monitoring of the grantees.

OIG's external audit work of grantees commonly finds a lack of adequate controls including issues with subgrantee activities, resale and recapture provisions to enforce HUD's affordability requirements, incorrectly reporting program accomplishments, and incurring ineligible expenses. There is also a repetitive thread of not always meeting the objectives of the program to provide affordable housing or not always meeting local building code requirements. Our audits have found that, in some instances, little or no monitoring was occurring, particularly at the subgrantee level. HUD focuses its monitoring activities at the grantee level through its field offices. Grantees, in turn, are responsible for monitoring their subgrantees. OIG has concerns regarding the capacity of subgrantees receiving funding from HUD programs; therefore, audits of grantees and their subgrantee activities will continue to be given emphasis this fiscal year.

**Public and Indian housing:** The low-income program serves approximately 1.2 million households. The Section 8 Housing Choice Voucher program serves more than 2 million households. As part of an overall OIG initiative, tenant eligibility and accuracy of rental assistance payments will also be an area of audit focus. The quality of housing and the cost of administering these programs as well as PHA development activities carried out by affiliated nonprofit entities are other areas of emphasis that will be addressed as resources permit. OIG



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will take a close look at various PHAs to ensure that they sufficiently administer HUD's programs in accordance with regulations and guidance.

**Multifamily and insured health care project audits:** The economic slowdown has created high demand in the multifamily mortgage market. HUD continues to break records in the number of multifamily rental loans insured. In addition, in response to Hurricane (Superstorm) Sandy, the Office of Multifamily Housing issued a notice to expedite the processing of FHA multifamily mortgage insurance applications. Although such an expedited process would facilitate recovery efforts in a timely manner, it may have a potential impact on the full eligibility of the properties for FHA mortgage insurance. Further, the planned transformation initiative will involve moving program staff and may result in staff reductions. The initiative was created to improve customer service; however, it has the potential to negatively impact the monitoring of multifamily housing programs.

OIG will continue to focus on this program area to ensure that HUD's risk is limited as it sets record volume and as its staff is reduced and relocated. It will also continue to focus on the misuse of project operating funds, also known as equity skimming. The Office of Healthcare Programs has revised its regulations and closing documents to increase its ability to control risks associated with its healthcare facility insurance programs. OIG will also continue to focus on equity skimming in healthcare programs as volume continues to increase in this area. Lastly, OIG will look at hospitals as a growing number of loans are being insured by FHA and due to the risk caused by the high dollar amount of each loan.