



U.S. Department of Housing and Urban Development
Office of Inspector General

Office of Inspector General Report to the Congress

Number 8

for the six month period
April 1, 1982 to September 30, 1982

Pursuant to Section 5(b)
of Public Law 95-452



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

Report to Congress by the Office of the Inspector General for the Period
April 1, 1982 to September 30, 1982

The Office of the Inspector General is responsible for audit, investigation, fraud control and designated security services relating to the programs and operations of the Department of Housing and Urban Development. In line with the Administration's commitment to a program of reform and systematic improvement in Government, steps have been taken to remedy overall management problems, and to identify and correct specific inadequacies in the accounting and purchasing areas.

Further, the Under Secretary has responsibility for managing implementation of the recommendations of the Committee on Fraud, Waste and Mismanagement, and is working with the Office of the Inspector General and each office within the Department to make needed changes. Excellent cooperation has evolved between the Office of the Inspector General and the Office of Administration in the implementation of the internal control activities under OMB Circular A-123, Internal Control Systems, through a coordinating committee co-chaired by the Deputy Assistant Secretary for Administration and the Assistant Inspector General for Fraud Control and Management Operations. In addition, the Government National Mortgage Association (GNMA) has created within GNMA an Internal Management and Debt Collection Committee, comprised of senior staff members, to implement, monitor, and report on GNMA's efforts to comply with the Departmental goals and objectives in the areas of A-123 and debt collection. There was also close cooperation between the Office of the Inspector General and the Office of Community Planning and Development in the development of this Report. The Department cooperates with the Inspector General on all issues, and will continue to provide requested information and suggest possible areas for investigation.

As the Report shows, the Inspector General identified a number of areas where management improvements were necessary. The Department has accepted most of these recommendations. In several cases, negotiations on recommendations are still underway or responses to audit reports are not complete. A few examples of recent overall management improvement efforts include:

- Actively pursuing implementation of the requirements of the OMB Circular A-123 on Internal Control Systems. Highlights include:
 - Training and briefing for approximately 250 key managers and Headquarters program staff in A-123 policies and procedures.

- Preparation of 360 vulnerability assessments involving all Headquarters organizations.
 - Monitoring of vulnerability assessments for timeliness and quality by the Office of the Administration and the Office of the Inspector General.
- Pursuing methods to reduce waste and inefficiencies. Highlights include:
- Reducing telephone costs by requiring the removal of excessive telephone lines and instruments, closely monitoring bills, and reducing FTS and commercial long distance bills. These actions are saving HUD over \$3 million a year.
 - Reducing space costs by releasing over 200,000 square feet of space, reducing outstanding space and alterations requests, and monitoring bills. These actions are saving HUD almost \$3 million a year.
 - Increasing our attention to sound cash management. We have worked with the Treasury Department to pilot a bank lock box for single-family mortgage insurance premium payments, which will save the Treasury over \$1 million a year in interest. We are also improving payments to public housing authority fiscal agents, using tighter scheduling and electronic funds transfer, which will save Treasury \$1.6 million a year.

Although the Department supports the overall efforts of the Office of the Inspector General, there are several areas where the Department does not agree with the statements in the Report:

Over \$40 Million Can be Reprogrammed for Better Use (Page 13)

The Report states that over \$40 million potentially available for deobligation have been unnecessarily maintained in Section 8 Annual Contributions Contract Reserve Accounts in the Philadelphia Region. The historical practice of the Section 8 program (New and Substantial Rehabilitation as well as Existing) has been to obligate the full amount of budget authority available to provide housing over the term of the ACC, since (1) tenant income, and therefore rentals, may decrease and (2) operating costs typically increase. The Report also contends that the absence of specific HUD guidelines explaining what are reasonable reserve requirements has resulted in greater than necessary reserve account balances. The Department does have specific regulations for our New Construction and Substantial Rehabilitation program, which call for project reserve accounts amounting to at least 40 percent of the maximum annual commitment. Although no such minimum is recited in the Existing program regulations, HUD's Housing

Assistance Payments Program Accounting Handbook states that Section 8 New Construction, Substantial Rehabilitation, and Existing program reserve accounts "will represent the amount by which the maximum annual contributions as set forth in the ACC exceed the actual annual contributions earned for a given fiscal year."

Sales of HUD Projects by Negotiation Need New Guidelines (Pages 22 and 60)

The Report discusses the negotiation of the sale of a number of projects and states that HUD failed to determine both the fair market value of the properties and the potential risk of future foreclosure. The Report further states that HUD failed to adhere to its own regulations and directives issued on negotiated sales, and that subsequently the proposed sales were rescinded and alternative proposals sought. The competitive bid solicitation for the seven Northeastern projects produced only one bid--from First American Housing Preservation Corporation for \$10,900,000. As a result, a contract of sale was signed with First American on November 5, 1982. Thus, the allegation that HUD underestimated the fair market value of the projects was not supported by the results of competitive bidding, i.e., the competitive bidding produced no higher price than the original negotiated offer. In addition, the Department's response to the audit showed that preventive action had been taken on foreclosures. The allegations that the Department failed to adhere to regulations were subsequently withdrawn. As noted above, the proposed sale was not rescinded but has been completed. However, due to these complaints and the Congressional inquiry, the additional holding costs to the Government have been approximately \$10,000 per day since April, or approximately \$2,100,000.

Cities Misuse UDAG and CDBG Funds (Pages 35 and 36)

The Report summarizes findings stemming from an audit of Utica, New York. While none of the findings noted here relate specifically to a UDAG project, the Inspector General report referenced in this section did contain a finding related to a UDAG project. The project is numbered B-81-AA-36-0071, and in that finding, the Inspector General concluded that UDAG funds had been used improperly and recommended that \$344,128 be disallowed. Upon receipt of that finding, Area Office staff conducted site visits in Utica and discussed the issues raised in the Inspector General's Report with officials in the City. The City subsequently submitted an amendment to the Grant Agreement with changes which program officials in both the central and area office determined would have been approved had they been submitted prior to the Inspector General audit findings. HUD also concluded that this problem resulted from the City's failure to properly monitor this grant and determined that an appropriate remedy for this failure was to disallow any unexpended administrative costs to the City under this grant.

The Report enumerates a series of problems in the CDBG program in Paterson, New Jersey, and states that "the City failed to reduce its costs to HUD by

the amount of income it realized from the sale of the property." For Project No. B-78-AA-34-0103, the amount of funds involved in this finding is \$151,091. HUD has sustained this finding and is pursuing appropriate remedies to assure that funds are repaid to the program account. The Report concludes that OIG "recommended that the City of Paterson reimburse the U.S. Treasury \$64,000 for unnecessary interest costs incurred by the government." Nothing in the description of Paterson's problems indicates that the recommendation is based on illegal earning of interest by Paterson which, under HUD regulations and operative OMB and Treasury policies, would require repayment to the Treasury. The Department does not believe that reimbursement to the Treasury is the appropriate action. Such reimbursement suggests that the amount in question is a debt owed to the Treasury. Conventional sanctions would include (1) advice from HUD to the community to reimburse its program account or (2) HUD action to reduce the grant in an appropriate amount.

The references to Seattle, Washington, indicate that the City spent "UDAG funds for items not approved by HUD." For Project No. B-80-AA-53-0014, HUD has not sustained the audit findings and Seattle Area Office staff are continuing to meet with the City to discuss and clarify the issues raised.

Disallowed Costs (Page 80)

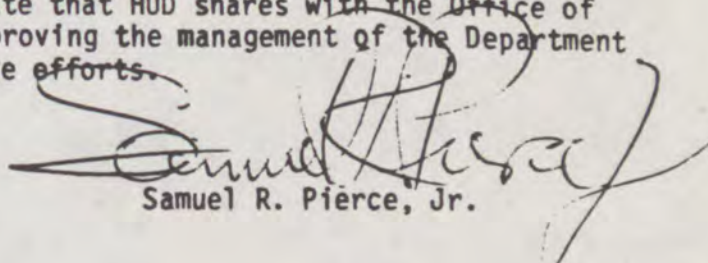
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"These are costs charged to a HUD-financed or insured program or activity which are not allowable by law, contract, or Federal, State or local policies or regulations."

It is not intrinsically clear why Federal auditors or other Federal reviewers should be disallowing costs on the basis of their incompatibility with State or local policies or regulations. The Department recommends a definition such as that contained in paragraph 6(d) of OMB Circular A-50, which defines a disallowed cost as:

"an incurred cost questioned by the audit organization that management has agreed should not be charged to the government."

In conclusion, I want to reiterate that HUD shares with the Office of Inspector General the interest in improving the management of the Department and anticipates continuing cooperative efforts.


Samuel R. Pierce, Jr.



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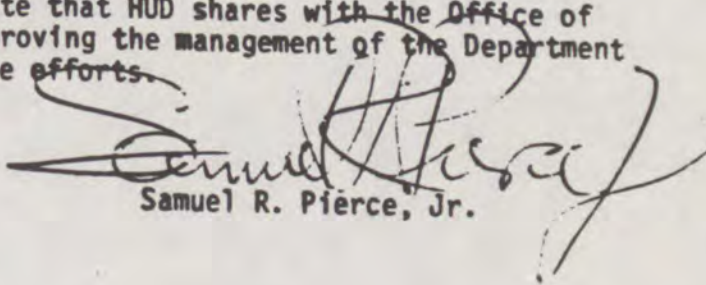
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Copies of this report to Congress can
be obtained from the Office of
Inspector General, HUD, Room
8260, 451 Seventh Street,
Southwest, Washington, D.C. 20410.
For further information, contact the
Director, Management Information
Division, at the above address.

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Foreword

This is our eighth report to the Congress. Cash savings and recoveries, sustained audit findings, and prosecutive efforts are at or near record levels. As we stated in our last report, the Department has problems with: (1) program management (including planning, execution and monitoring); and (2) resource and asset management. This report highlights a number of major weaknesses in controls over fund management by the Department and its program participants, as well as problems in program management by HUD staff. Also, the report provides illustrations of significant abuses of various HUD programs by participants.

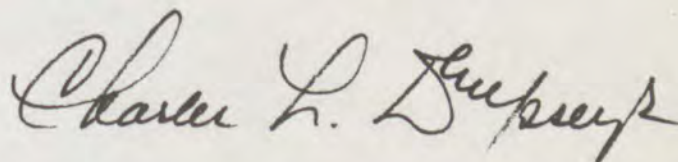
We are maintaining cooperative efforts with departmental managers. This has been done through close coordination with management on the corrective actions needed on problems, as well as continued participation in joint projects with management.

HUD managers and employees are cooperating and supporting our work. There has been an increased em-

phasis by managers on accountability of HUD staff and program participants. Hotline calls from employees have dramatically increased during the period. HUD's constituent groups are becoming increasingly interested in seeking information for their members on ways to reduce fraud, waste, and abuse in their respective programs. We are encouraged by these signs of growing concern for improved management and program integrity.

Our staff is committed to working with management to aid the positive actions taken by the Department. The problems identified in this report are serious, but through an open and constructive relationship with managers, these and other weaknesses in the Department can be overcome.

During this reporting period, both the General Accounting Office and the President's Private Sector Survey Group on Cost Control were reviewing HUD's operations. We have met with both groups and will provide assistance whenever possible.



Charles L. Dempsey
Inspector General

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The Inspector General Act of 1978 (P.L. 95-452) requires semiannual reports describing seven areas of activity. Two more requirements were added by the Senate Report No. 96-829 on the Supplemental Appropriations and Rescission Bill (P.L. 96-304). The citations for the required items are shown in brackets.

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Profile of Performance

Department of Housing and
Urban Development
Office of Inspector General

Amount
April 1, 1982
to
September 20, 1982

Total
Amount
FY 1982

Page
Reference

Audit Activities

Cash Recoveries/Savings (OIG and Non-Federal Audits)	\$28,578,000	\$55,623,000	56
Questioned and Disallowed Costs Sustained (OIG and (Non-Federal Audits)	\$45,110,000	\$111,424,000	56
Internal Audit Reports Issued	36	90	71
External Audit Reports Issued	190	471	71
Non-Federal and Other Agency Reports Accepted	2,518	5,229	—
Audit Findings Issued	3,869	7,940	54
Audit Findings Resolved	3,916	8,635	54
Mortgagees Sanctioned as a Result of Referrals to HUD Mortgagee Review Board	3	5	27

Investigation Activities

Cash Recoveries	\$1,305,079	\$2,030,079	30
Total Fines Levied	\$338,437	\$527,379	30
Investigation Cases Opened	836	1,633	28
Investigation Cases Pending (9/30/82)	1,656	—	28
Investigation Cases Referred for Prosecution	170	342	29
Persons/Firms Indicted	202	354	30
Persons/Firms Convicted	188	333	30
Total Years of Prison Sentences	146	306	30
Total Years of Probated Sentences	416	687	30
Debarments of Persons/Firms Doing Business with HUD (years)	369	731	—
Suspensions of Persons/Firms Doing Business with HUD (years)	53	100	—
Personnel Actions Initiated Against HUD Employees	49	100	—
HUD Employees Indicted	4	4	—
HUD Employees Convicted	2	2	—

Fraud Control Activities

Special Fraud Control Projects Undertaken in Cooperation with HUD's Committee on Fraud, Waste and Mismanagement	5	10	—
Hotline Complaints Received	431	693	40
Hotline Complaints Processed and Closed	253	456	—
Hotline Complaints Pending (9/30/82)	353	—	—
Proposed Legislative Bills and Regulations Reviewed	126	262	48
Proposed HUD Handbooks/ Issuances Reviewed	82	153	—
Management Control Assessments Received	15	67	38

Synopsis

This report contains selected operating results for the period April 1, 1982 to September 30, 1982. Significant weaknesses disclosed by audits and investigations, and fraud control

activities conducted by our office or in cooperation with others, are also discussed. The following synopsis provides the highlights of this report.

Significant Problems, Abuses, Deficiencies and Recommendations

1. Improved Controls Can Save \$40 Million. Public Housing Authorities have held over \$530 million in excess funds by borrowing more money than they need. This has cost the Federal Government about \$40 million in unnecessary interest expense (page 11).

2. Over \$40 Million Can Be Re-programmed for Better Use. Over \$40 million potentially available for deobligation have been unnecessarily maintained in Section 8 Annual Contributions Contract Reserve Accounts in the Philadelphia Region (page 12).

3. Philadelphia Housing Authority Poses Problems in Audit Resolution. The Philadelphia Housing Authority continues to delay implementing corrective action on previously reported audit findings (page 13).

4. Mismanagement at the Greensboro Housing Authority. Questionable administrative policies and practices at the Greensboro, North Carolina Housing Authority, permitted the misuse of HUD funds (page 14).

5. HUD Reduces Subsidy Payment by \$319,171. The Woonsocket, Rhode Island Housing Authority, received duplicate funding of \$1 million and earned substantial interest income that caused it to receive \$319,171 in excess operating subsidies (page 14).

6. Anchorage Area Office Needs Stronger Controls. The HUD Anchorage Area Office overpaid \$244,306 in operating subsidies to housing authorities, failed to identify

\$170,533 in unreported excess income, and did not require housing authorities to take aggressive collection actions on delinquent home buyer payments of \$313,320 before approving new housing projects (page 15).

7. Sales of HUD Projects by Negotiation Need New Guidelines. In negotiating to sell eight projects, HUD failed to determine both the fair market value of the properties and the potential risk of future foreclosures (page 16).

8. Poor Conditions at Projects Not Improved After Sales. By permitting owners to sell multifamily projects to new owners, HUD has not achieved its objective of improving either the physical or financial condition of the projects (page 17).

9. HUD Too Lenient on Defaulted Multifamily Mortgages. HUD grants relief measures on defaulted multifamily mortgages without adequate demonstration by the owners of their cooperativeness and ability to reinstate the mortgages (page 18).

10. Many Identity-of-Interest Companies Make Excessive Charges. Identity-of-interest companies and centralized service facilities have made excessive and questionable charges to HUD-insured projects (page 18).

11. Poor Expense Estimates Weaken Projects' Financial Health. Operating expenses were consistently underestimated during the underwriting process on multifamily housing projects, which may cause financial problems for those projects in the future (page 19).

12. Violations of Regulatory Agreements Persist. Owners and management agents have violated Regulatory Agreement provisions by disbursing over \$7.7 million in project funds for ineligible and unsupported costs in violation of their Regulatory Agreements (page 20).

13. \$1.7 Million in Damage Awards Not Remitted to HUD. A multifamily project owner has a balance of \$1.7 million in damage awards in an escrow account that is not under HUD's control. Nearly \$300,000 of these funds have already been used to make questionable disbursements for legal and engineering services (page 21).

14. Owners Submit Inflated Development Cost Statements. Two owners certified questionable development costs resulting in mortgage prepayments or reductions of \$523,000 and \$294,000, respectively (page 22).

15. \$15 Million in Urban Renewal Funds Diverted. The Denver Urban Renewal Authority withdrew \$15 million in urban renewal program revenues from the federally aided Skyline Urban Renewal project and placed the monies in other non-federally aided project accounts. Part of the monies were used to finance over \$770,000 of a non-federally aided renewal project (page 23).

16. CDBG Grantees Misuse Letters of Credit – Over \$12 Million Overdrawn. The County of Los Angeles and the City of Vallejo, California, mismanaged Community Development Block Grant (CDBG) funds by misusing letters of credit and subsequently costing the Federal Government over \$3.5 million in unnecessary interest expense (page 23).

17. Cities Misuse UDAG and CDBG Funds. The Cities of Utica, New York; Paterson, New Jersey; and Seattle, Washington, may have misused HUD funds totaling \$3,388,466 by failing to adequately administer their respective Urban Development Action Grants (UDAG) and Community Development Block Grants (CDBG) and by using grant funds for unauthorized purposes (page 24).

18. \$477 Thousand in CDBG Funds Benefit Affluent Neighborhoods. The Town of Huntington, New York, failed to maintain adequate financial records or comply with Federal and local procurement procedures to assure the proper and allowable use of Community Development Block Grants (CDBG) (page 25).

19. Controls Needed for Timely Collection of Mortgage Insurance Premiums. HUD does not have adequate controls to ensure the timely updating of the Insurance-in-Force File for newly issued mortgages. Controls are necessary to provide assurances that premium amounts due are collected (page 26).

20. Promised Actions on Closed Findings Not Taken. Audit findings were closed on promises by HUD managers that they would follow certain plans for corrective action. However, these plans for corrective action are not always implemented (page 26).

21. Mortgagee Violations Result in Penalties. Mortgagees have made false statements to HUD and failed to comply with HUD regulations concerning net worth requirements and mortgage origination, closing and servicing practices (page 27).

Fraud Control Activities

Task Forces – The OIG continued to participate in two special Task Forces during the reporting period as follows:

Alien Issues (page 35). The Secretary established a group to develop regulations for a new law prohibiting housing assistance to certain ineligible aliens. During the reporting period, proposed regulations were published in the Federal Register, public comments received, and revisions prepared. On October 4, 1982, final regulations were published and will become effective after 30 continuous session days of Congress.

Program Participant Monitoring (page 35). The second Task Force established by the Secretary was to institute a concept of "Accountability Monitoring" into the Department. This monitoring concept resulted from a study conducted by HUD's Committee on Fraud, Waste, and Mismanagement. Accountability Monitoring is a general term used to describe the purpose and intent of this effort which is to conserve our limited resources and target them for high risk recipients and high exposure areas, i.e., those program areas that historically have been shown to be susceptible to fraud, waste, and mismanagement.

During the period the Task Force has:

- Overseen developments by the Office of Housing to identify high risk/exposure areas, and made officials accountable for monitoring through their performance appraisals.
- Developed training sessions and provided training to 846 Community Planning and Development staff members.

Committee on Fraud, Waste, and Mismanagement – This committee advises the Secretary on policy

matters relating to prevention and detection techniques. Significant work during this six-month period includes:

Fraud Reform Legislation (page 36). In the previous reporting period, this work group developed legislative recommendations that would help HUD establish computer matching techniques. The bill was not brought to a vote and the Department has resubmitted these provisions as part of its Fiscal Year 1984 legislative proposals.

Conflict or Identity-of-Interest Situations (page 36). Because of increased risk to the Department when conflict/identity-of-interest situations occur, a work group studied how such situations are identified and controlled. Recently, the Secretary approved the Committee recommendations to improve policies and procedures that will increase the understanding of HUD staff and program participants on prohibited aspects of conflict/identity-of-interest situations.

Employee Awareness Program (page 39). Our office, along with others in the Department, continued activities to heighten all employees' awareness of their responsibilities to prevent, detect and report on the occurrence of fraud and program abuse. During the reporting period, we provided training sessions to top and middle managers that explain their roles in eliminating waste and inefficiency. Also, we issued a Fraud Information Bulletin, titled "Departmental Efforts to Combat Fraud and Abuse." A digest version of the last Semiannual Report to Congress was issued to expand availability to more employees. These and previous awareness efforts appear to be effective, based on the dramatic increase in hotline complaints from employees.

Cooperative Efforts

President's Council Projects. We participated in the following project sponsored by the President's Council on Integrity and Efficiency.

Suspensions and Debarments (page 43). In June 1982, the Inspectors General of HUD and the General Services Administration accepted responsibility for coordinating a project to review the feasibility of implementing a single government-wide suspension and debarment system. The basic premise for such a system is that an entity or individual determined to be unfit to deal with one agency or department is unfit to deal with the Government except in certain cases. When the project is completed, a report will be issued outlining findings and recommendations to remove obstacles to implementation of the system.

Intradepartmental Projects (page 44). The OIG and HUD management are cooperating on three projects, described as follows:

- The Joint Accounting Review is a project established to review the vulnerabilities in current accounting systems.
- OMB Circular A-123 is being implemented through a cooperative effort of the OIG and the Assistant Secretary for Administration.
- A review of the Headquarters Performance Evaluation Process was made by the mutual efforts of the OIG and the Office of the Deputy Under Secretary for Field Coordination.

Chapter 1

Significant Problems, Abuses, Deficiencies and Recommendations

As required by the Inspector General Act, this chapter details the significant problems, abuses and deficiencies relating to the Department's operations and programs for the current period. Recommendations for corrective action are also provided as required.

This chapter is divided into five areas: Assisted Housing; Multifamily Housing; Community Planning and Development; Administration; and Single-Family Housing.

Assisted Housing Programs

HUD has programs for providing rental units or rent subsidies to low- and moderate-income families. These include the development and management of Conventional Public Housing and the Lower Income Rental Assistance Program (Section 8). In the Conventional Public Housing Program, there are about 1.2 million units in management receiving fixed annual contributions in excess of \$1 billion, and 1.16 million units receiving operating subsidies in excess of \$1.5 billion. Assistance payments for the 1.4 million Section 8 units exceed \$3 billion annually.

Improved Controls can save \$40 Million

Problem

Public Housing Authorities (PHA's) have held over \$530 million in excess funds by borrowing more money than they need. This has cost the Federal Government about \$40 million in unnecessary interest expense.

Discussion

PHA's periodically borrow money to pay for the construction and modernization of low-income housing projects by selling temporary notes, backed by the Federal Government, on the private financing market. The amount of money borrowed is based upon the costs which the PHA is expected to incur on the project over the next six to nine months. The interest that is paid by the PHA is an expense of the project being undertaken. A project can take several years to complete, after which actual costs are determined and the project is permanently financed.

Many PHA's have borrowed money on the basis of cost estimates which greatly exceeded their short term needs. The 2,030 PHA's that were reviewed had excess development and modernization funds of over \$530 million. This resulted in the Federal Government's incurring about \$40 million in unnecessary interest expense.

The system used to loan construction and modernization funds to PHA's has some inherent weaknesses. PHA's borrow funds on estimates of future needs and many times these estimates are inaccurate. In addition, HUD has neither been able to keep track of the current status of the funds loaned to PHA's nor to identify and reduce the loans which are excessive.

One example of these problems is the Milford Housing Authority, Milford, Connecticut. The Authority prematurely requested development fund advances of \$2.8 million for construction of a housing project. The advance exceeded the Authority's immediate cash needs, and 20 months after the funds were requested, the project was still not completed.

We recommended that HUD recover an estimated \$262,000 in interest income earned by the Authority on the premature advance. The audit report on the "Housing Authority of the Town of Milford, Connecticut," was issued to the Area Manager of the Hartford Area Office on June 25, 1982. As a result of the audit, \$262,833 will be deducted from the next project note sale.

Another example is the Medford Housing Authority in Medford, Massachusetts, which prematurely requisitioned \$3.1 million in development funds for a project. Because the Authority delayed expending the funds advanced, HUD incurred unnecessary interest expense on the premature advance.

The audit report, completed by an Independent Public Accountant, on the "Medford, Massachusetts Housing Authority," was transmitted to the Area Manager of the Boston Area Office on May 12, 1982. As a result of the audit finding, HUD terminated the Medford Housing Authority program and instructed the Authority to refund \$2,796,942 to HUD. The funds were forwarded to HUD on July 12, 1982.

These two separate audits were performed as part of our overall audit work in the area of excess development and modernization funds held by PHA's.

Recommendations similar to those made in the separate audits were made in our nationwide report, including the recovery of funds and closer monitoring of project financing.

Status

In a September 15, 1982 response to our nationwide report, "Development and Modernization Funds Held by PHA's," issued on August 12, 1982, the Assistant Secretary for Housing agreed with our recommendations and has taken action to identify and reduce excessive funding as well as to achieve financial settlements on completed projects more quickly through closer monitoring of project financing.

Over \$40 Million can be Reprogrammed for Better Use

Problem

Over \$40 million potentially available for deobligation have been unnecessarily maintained in Section 8 Annual

Contributions Contract Reserve Accounts in the Philadelphia Region.

Discussion

Public Housing Authorities (PHA's) enter into a five-year Annual Contributions Contract with HUD to provide rental subsidies under HUD's Section 8 Existing Housing Program. The amount of the initial commitment is about five times the Current local Fair Market Rents set by HUD of the PHA's first year needs. However, actual rents entered into by tenants will (on average) be less than the Fair Market Rent. The commitment is made at this higher amount and covers preliminary costs, administrative costs and the subsidy payment. The extra amount is intended to cover increases in the rents in later years. The yearly portion of the commitment that exceeds the amount actually paid during the year is placed in the PHA's Annual Contributions Contract Reserve Account.

For 10 projects participating in the Section 8 Existing Housing Program, over \$40 million in Annual Contributions Contract Reserve Account balances were unnecessarily maintained that should have been considered for deobligation. This occurred because of PHA's inability to perform at the level of activity estimated, and overestimation of their funding needs. Also, the absence of specific HUD guidelines establishing what are reasonable reserve requirements has resulted in greater than necessary Reserve Account balances.

Recommendations were for HUD to examine the Reserve Accounts in question, improve controls for tracking Reserve Account balances and consider deobligating funds where appropriate.

Status

The pilot audit on "Regional Accounting Division Operations" was issued to the Philadelphia Regional Adminis-

trator on August 11, 1982. Based on our findings in the Philadelphia Region, we have initiated a nationwide audit of Regional Accounting Division operations as they relate to problems already identified.

Philadelphia Housing Authority Poses Problems in Audit Resolution

Problem

The Philadelphia Housing Authority continues to delay implementing corrective action on previously reported audit findings.

Discussion

On May 28, 1982, an Independent Public Accountant (IPA) report was accepted on the Philadelphia Housing Authority for the two-year period ended March 31, 1981. Because of the major inadequacies in the Authority's accounting records, the IPA did not express an opinion on the results of the Authority's operations for the period under review. Similar problems were noted during the previous audit when the IPA expressed a qualified opinion on various statements prepared by the Authority.

Many of the findings in the current report contain the same types of problems that were reported in the Philadelphia Housing Authority's operations as far back as 1975. Although some corrective action has been taken by the Authority, most problems still exist. There are 19 findings in the current report which discuss prior audit matters that have gone uncorrected. Portions of 10 of these prior audit matters are included in 36 current period audit findings on which corrective action must be implemented.

The current audit findings include almost \$5 million in disallowed costs which bring the cumulative disallowances over the last several audit periods to almost \$32 million. More

than a year ago, about \$27 million were placed in HUD's Claims Collection System. The Authority has not repaid any portion of the amount which is owed or furnished information showing why it should be allowed as an eligible charge to its low-rent housing program. The difficulties in collecting this money are compounded by the fact that the Authority's predominant source of funding is HUD. Since the Authority is experiencing serious financial difficulties, any offsets to current Federal funding would only adversely affect its financial situation and the level of services being provided to the Authority's tenants, i.e., those who are to benefit the most from the low-rent housing program.

Because of the impact that reductions in funding would have on the operations of this and other authorities, further consideration must be given by HUD, and perhaps the Congress, to the establishment of additional sanctions for use in these situations. Although HUD can take over operation of an authority, such a move is extreme and not very desirable from HUD's point of view.

Possible solutions to the problem could include recovering the money that is owed by the authority from the locality or State in which it is located, through offsets of other Federal funds that are provided. We plan to do additional work in identifying the extent of these problems and developing recommendations for possible ways to deal with them.

Status

HUD is still attempting to obtain the Philadelphia Housing Authority's cooperation in taking corrective action on the findings contained in the current and past IPA reports. Based on the progress that has been made in implementing corrective action on past findings and the progress that has been made to date on the current findings, they may not be resolved in

accordance with the time frames established by HUD's Audits Management System or the Supplemental Appropriations and Rescission Act of 1980.

Mismanagement at the Greensboro Housing Authority

Problem

Questionable administrative policies and practices at the Greensboro Housing Authority, Greensboro, North Carolina, permitted the misuse of HUD funds.

Discussion

HUD provides operating subsidies to Public Housing Authorities on the provision that the Authority follow sound management practices as well as specific requirements for personnel employment and contracting.

The Greensboro Housing Authority failed to meet HUD's requirements by: (1) deviating from HUD requirements for employee incentive award payments; (2) using HUD-assisted program funds to pay salary costs of a non-HUD aided project; (3) improperly allocating administrative costs between programs; and (4) failing to fully support monthly travel allowances.

Numerous allegations concerning mismanagement and improprieties on the part of the Authority's Executive Director surfaced subsequent to our on-site audit work. One of these allegations dealt with a Consultant Fund, which was accounted for outside the Housing Authority's books and fully controlled by Housing Authority officials. The denial of the existence of the Consultant Fund by the Executive Director in part led to the Executive Director's dismissal on March 31, 1982. The Executive Director has since denied any wrongdoing, and has sued the Housing Authority for \$15.8 million and reinstatement of his job.

At the request of the Housing Authority Board of Commissioners, the accounting firm of Peat, Marwick, Mitchell & Co. (PMM) undertook a special review of the allegations. PMM's report, issued May 7, 1982, questions the propriety of expenses of over \$700,000 (which reaffirmed the first four findings in our report), as well as certain expenditures from the Consultant Fund; unsupported, excessive and/or duplicative travel costs; excessive expenditures for furnishings for the Executive Director's office; and costs expended for undeveloped computer software.

Recommendations were for the Area Office to: (1) assist the Housing Authority in establishing proper procedures for paying all salary cost from one account; (2) require the Authority to develop and implement an effective system for allocating costs which benefit various programs; and (3) review the incentive awards policy on the next scheduled monitoring visit to ensure that the questioned practice has been discontinued.

Status

The audit report on the "Greensboro Housing Authority" was issued to the Acting Manager of the Greensboro Area Office on May 10, 1982. He has concurred with our recommendations and corrective action is being taken. Over \$69,000 has been disallowed as a result of the OIG audit. The propriety of the \$700,000 questioned by the Independent Public Accountant was still being investigated at the close of the reporting period.

HUD Reduces Subsidy Payment by \$319,171

Problem

The Woonsocket Housing Authority, Woonsocket, Rhode Island, received duplicate funding of \$1 million and earned substantial interest income that caused them to receive \$319,171 in excess operating subsidies.

Discussion

HUD has developed the Performance Funding Formula to determine the amount of operating subsidy due to each Housing Authority. The Housing Authorities estimate such items as rental income, utilities and modernization improvements as part of their calculation. Federal Regulations require that adjustments be made to the operating subsidy under the Performance Funding System when there is a substantial difference between actual and estimated income.

The Woonsocket Housing Authority over-requisitioned modernization funds by \$1 million by requesting funding under two separate programs. The funds were then invested along with other modernization funds on hand, earning about \$178,000 in interest income.

By underestimating this interest income in its operating budget, the Housing Authority received \$319,171 in excess operating subsidies (which includes the \$178,000 in interest).

Recommendations were for the Housing Authority to return to HUD the \$1 million in duplicate funding.

Status

The Audit report on the "Woonsocket Housing Authority" was issued to the Area Manager of the Boston Area Office on April 13, 1982. The HUD Area Office authorized the \$1 million in duplicate funding to be reprogrammed for additional modernization work. As a result of the audit, the Area Office also computed an adjustment to the operating subsidy under the Performance Funding System and advised the PHA that future operating subsidy payments of \$319,171 would be offset over a two-year period.

Anchorage Area Office Needs Stronger Controls

Problem

The HUD Anchorage Area Office

overpaid \$244,306 in operating subsidies to housing authorities, failed to identify \$170,533 in excess income not reported to HUD, and did not require housing authorities to take aggressive actions to collect \$313,320 in delinquent home buyer payments before approving new housing projects.

Discussion

HUD regulations authorize the payment of operating subsidies to housing authorities to cover audit costs, administrative charges on vacant units, home buyer counseling, staff training and other unusual costs approved by HUD. The Anchorage Area Office overpaid operating subsidies totaling \$244,306 from December 1979 to December 1981 to cover operating deficits and increases to operating reserves. This situation was reviewed at the request of the Anchorage staff who were concerned about their interpretations of outstanding instructions.

The Section 236 Program provides low-income housing by reducing the amount of mortgage interest paid by project owners. HUD pays the difference between the actual interest on the mortgage and interest paid by the owners. In return, owners must remit to HUD, on a monthly basis, all excess rents collected. Anchorage Area Office reviews of these monthly reports failed to identify \$170,533 in excess income that should have been remitted to HUD.

The Mutual Help Homeownership Opportunity Program allows eligible persons to buy homes by entering into agreements with a housing authority. Under these agreements, the home buyers make monthly payments that are generally based on income but cannot be less than the authority's administrative charge. This charge is the amount required to pay the authority's unsubsidized operating expenses. Continued failure to collect these payments is a threat to the solvency of the authority. The

Anchorage Area Office has not required housing authorities to aggressively collect \$313,320 in delinquent home buyer payments.

Recommendations were to recover overpaid operating subsidies, perform more in-depth reviews of Section 236 Excess Income Reports, and initiate collection procedures on delinquent home buyer payments.

Status

The audit report on the "Special Review of Anchorage Area Office Hous-

ing Operations" was issued to the Area Manager of the Anchorage Area Office on May 12, 1982. As of September 30, 1982, all the findings were closed. The questioned costs for the operating subsidies and excess income of \$414,839 were sustained. The Area Office has required the housing authorities to collect the delinquent payments of \$313,320 more aggressively.

Multifamily Insured Programs

HUD administers several programs that provide mortgage insurance for the purpose of financing the construction or rehabilitation of multifamily projects. There are approximately 19,000 multifamily projects with \$40 billion in mortgages which are insured or held by HUD. Two thousand of these mortgages, valued at nearly \$4 billion, have been assigned to HUD. In addition to projects with HUD-held or insured mortgages, the Department also directly owns some 175 multifamily projects acquired through its insurance and loan programs.

Under the multifamily housing programs, HUD, in some cases, also subsidizes the rents for eligible low-income households through Section 8, Rent Supplement and Rental Assistance Payments programs. These subsidy programs provide assistance to 682,000 households in privately-owned housing.

Sales of HUD Projects by Negotiation need New Guidelines

Problem

In negotiating to sell eight projects, HUD failed to determine both the fair market value of the properties and the potential risk of future foreclosures.

Discussion

Because of foreclosures on HUD-insured mortgages, HUD acquires ownership of multifamily projects. HUD's objective is to dispose of projects at the earliest possible date at the highest price obtainable in the current market, consistent with national housing goals. Disposals to profit-motivated firms are generally accomplished through competitive bids.

In January 1982, HUD received a negotiated offer of \$10,900,000 for seven projects in the Northeast from First American Housing Preservation Corporation. In a separate transaction, HUD also received an offer of \$3,100,000 from the California Real Estate Management Corporation to purchase Easthill Park Apartments in Colorado Springs, Colorado.

In negotiating the sale value, HUD did not adequately consider the value of benefits to be obtained by the proposed purchasers, such as tax advantages, possible syndication proceeds, profits from condominium conversions and advantageous sales terms. In addition, some projects might have been over-mortgaged, and there was a high potential for foreclosure because rents may not have been sufficient to carry the mortgages. HUD's existing procedures

and internal controls were not effective in protecting the interests of the Department.

Recommendations were to develop guidelines for project value determination when negotiating to sell projects and to establish procedures to strengthen internal controls over future negotiated sales.

Status

On May 19, 1982, HUD advised the proposed purchaser of the Easthill Park project that the sale was being rescinded because of pending litigation against the Department.

Unfavorable newspaper coverage and congressional concern preceded HUD's changing the method of sale on the seven Northeastern projects to a competitive bid. Bid solicitations were sent out on June 11, 1982.

The Assistant Secretary for Housing was briefed on the results of the audit on June 21, 1982, and the audit report on "Two Proposed Negotiated Sales of HUD-owned Multifamily Projects" was issued on July 19, 1982. A response was due September 17, 1982. At September 30, 1982, we had not received the response from the Assistant Secretary for Housing.

The Senate Committee on Appropriations directed, in its September 16, 1982 report, that the Department report quarterly to the Committee on all proposed sales that are being conducted on a negotiated basis. The Department has also been directed to provide the Committee with a detailed response to each of the recommendations contained in the OIG's audit report. These responses will be updated on a quarterly basis until each planned action is fully implemented.

Poor Conditions at Projects not Improved after Sales

Problem

By permitting owners to sell multifamily projects to new owners, HUD

has not achieved its objective of improving either the physical or financial condition of the projects.

Discussion

The sale or the transfer of HUD-insured projects by original or subsequent owners to a new owner without prepayment of the existing mortgage, is controlled by the Regulatory Agreement. Pertinent regulations indicate that the transfers are intended to result in significant benefits to the project, the neighborhood, and the tenants, as well as to protect the interests of the Government.

Of 23 project transfers reviewed, the equity contributions by the purchasers for 16 of the projects were not sufficient to meet the physical and financial needs of the projects. Also, Field Offices did not perform adequate physical inspections of projects prior to their transfer.

Field Offices neither adhered to departmental procedures nor negotiated sufficient equity contributions in 19 of the 23 transfers. At the time of the audit, 15 of the 19 projects were still in need of significant physical and financial improvements. Major repair items such as roofing, heating, and repairing deteriorated sidewalks and parking areas remained undone. Financial deficiencies such as increasing accounts payable and cash deficits continued to exist after the transfers.

Recommendations were that Field Offices establish procedures to ensure compliance with terms of transfer agreements, comply with new regulations, require current profit-motivated owners to develop a plan which responds to the current needs of the projects, and fully document the justification for and basis of the equity contribution percentage required of proposed purchasers.

Status

The audit report, "National Report on the Transfer of Physical Assets in the Sale of Multifamily Projects," was issued August 24, 1982. The Assistant Secretary for Housing concurred with our recommendations on August 6, 1982, and stated that corrective actions had been taken or were in process.

HUD Too Lenient on Defaulted Multifamily Mortgages

Problem

HUD grants relief measures on defaulted multifamily mortgages without adequate demonstration by the owners of their cooperativeness and ability to reinstate the mortgages.

Discussion

HUD insures mortgage loans made by private lenders on multifamily rental housing projects. If the owner defaults, the lender may assign the mortgage to HUD and claim insurance benefits. HUD may hold the mortgage and enter into a workout agreement with the owner. The purpose of the agreement is to afford the owner an opportunity to resolve the financial difficulties of the project and bring the mortgage current.

HUD currently has an inventory of over 2,000 mortgages with an outstanding principal balance of about \$4 billion. Thirty-seven percent (740) of the mortgages are delinquent.

HUD has been reluctant to institute foreclosure proceedings even when reinstatement of the mortgage is remote or not financially possible without additional capital. HUD has permitted Field Offices to: (1) make the initial decision to enter into a workout agreement on the basis of inadequate documentation rather than foreclose; (2) develop terms of the workout agreement without careful analysis and support in the form of a

long-range reinstatement plan; and (3) apply a minimum amount of monitoring effort to assure compliance with workout agreements.

Subsequent to the completion of the audit, the Office of the Assistant Secretary for Housing presented, in a memorandum dated June 18, 1982, to all Field Offices, a document entitled "New Policy For Projects With HUD-Held Mortgages." This document voiced the same concern developed in the audit, namely, the need to improve the servicing of HUD-held mortgages by obtaining workout arrangements that protect the long-term interests of the Government. In view of this issuance, recommendations were for the Area Managers in the Boston Region to re-evaluate all mortgages under workout agreements, and improve servicing of the mortgages.

Status

The regional audit report, "Multifamily Workout Agreements for Secretary-Held Mortgages," was issued to the Boston Regional Administrator on July 16, 1982. On September 27, 1982, the Assistant Secretary for Housing commented on the draft nationwide report, acknowledging problems in servicing workout agreements, and noting that several actions are in process to correct those problems. The nationwide audit report was issued on October 20, 1982.

Many Identity-of-Interest Companies Make Excessive Charges

Problem

Identify-of-Interest companies and centralized service facilities have made excessive and questionable charges to HUD-insured projects.

Discussion

In return for HUD mortgage insurance, project owners agree to abide by the provisions of a Regula-

tory Agreement which gives HUD a measure of control over the projects' management. Owners may either manage projects themselves or hire agents to do so. Both are required to advise HUD of identity-of-interest relationships in the purchase of goods or services from other individuals or businesses. An identity-of-interest relationship is one which gives the owner or agent control or influence over the actions of the other individuals or businesses. The relationships are usually created through financial interests or family ties between the owner or agent and the company that provides the goods or services. These relationships are not prohibited, but the costs to the projects cannot exceed those which would be incurred by arms-length transactions.

As projected in a nationwide statistical sample, between 39 and 53 percent of HUD-insured projects use identity-of-interest companies. The audit was conducted at the Pittsburgh and Richmond Area Offices and at 12 selected management agents who were responsible for managing a combined total of 139 HUD projects. A sample of 43 of these projects was used in the audit.

Excessive and questionable costs for the 12 management agents reviewed amounted to \$1,058,198. This amount included \$171,284 in questionable loans and distributions of project funds to identity-of-interest parties. Procedures established by HUD to protect the Department's interest in dealings with identity-of-interest companies and centralized services facilities have not been completely implemented. Field Offices do not have specific procedures to monitor projects using identity-of-interest companies, and have not amended management agent agreements for 11 of the 43 projects as required.

Recommendations focused on requiring management agents or owners to justify questionable charges to projects and/or reimburse

the projects for over-charges. Also, recommendations were made for improvements which should enable Field Offices to better identify identity-of-interest companies and monitor the activities of project management in dealing with such companies.

Status

The audit report, "Review of Management Agents' Use of Identity-of-Interest Companies," was issued to the Philadelphia Regional Administrator on September 28, 1982, who concurred with the recommendations.

HUD's Committee on Fraud, Waste and Mismanagement is conducting a project on related issues. This is discussed in Chapter 3 of this report.

Poor Expense Estimates Weaken Projects' Financial Health

Problem

Operating expenses were consistently underestimated during the underwriting process on multifamily housing projects, which may cause financial problems for those projects in the future.

Discussion

HUD insures mortgages on multifamily housing projects. In determining whether to insure a mortgage and in computing the amount of insurance, HUD evaluates a number of factors, including estimates of operating expenses. Operating expenses from other projects are used as comparisons, with adjustments made by HUD staff to the expenses in the project application to account for differences. Expense estimates affect the computation of the mortgage amount and, in turn, the rents that are to be charged. If expenses are underestimated, the rents of the project will be too low, leading to cash flow problems in the early years of operation.

Based on a review at the Kansas City Area Office, operating expenses were found to be consistently underestimated. In the cases examined, actual expenses exceeded the underwriting estimates by an average of 19 percent. Estimates for the projects were consistently lower than the comparables used to develop the estimates. Also, some final expense estimates were not made until after the mortgage/loan amount or other financing variables were fixed, indicating that the mortgage itself influenced how estimates were determined.

These problems were created in part by poor communications between the staff in the management and development divisions. Another contributing factor was pressures to meet HUD production goals.

Recommendations were to emphasize to HUD staff that the quality of processing should not be compromised and to revise handbook procedures regarding estimates.

Status

The audit report, "Management Input into Processing Multifamily Housing Projects," was issued on July 6, 1982, to the Assistant Secretary for Housing. Program officials have concurred with the report and are in the process of taking corrective actions.

Violations of Regulatory Agreements Persist

Problem

Owners and management agents have improperly disbursed over \$7.7 million of HUD multifamily insured project funds for ineligible and unsupported costs in violation of their Regulatory Agreements.

Discussion

As a condition of providing mortgage insurance on multifamily projects,

owners sign a Regulatory Agreement with HUD. If approved by HUD, the owners may delegate authority for operating the project to a management agent for which the terms of the Regulatory Agreement remain binding. Provisions in the Regulatory Agreement specify that expenditures must be reasonable and necessary to the project, and limit the circumstances and manner under which cash may be taken out of a project by the owner.

In three audits of two management agents and an owner, the provisions of the Regulatory Agreement were disregarded. The projects involved were: The Uplands Apartments A, Uplands Apartments B and the Freedom Apartments of Baltimore, Maryland; Glenarden Apartments of Glenarden, Maryland; and Yellowbird Limited of Xenia, Ohio.

The management agent of the Uplands Apartments A and B and the Freedom Apartments improperly spent over \$2.8 million of project funds on ineligible expenses, repayment of loans, and unauthorized and excessive management fees; and spent \$3.2 million of project funds for unsupported or unreasonable expenses.

The management agent of Glenarden Apartments similarly expended \$1.3 million on questionable and disallowed expenses.

The owner of the Yellowbird Limited improperly withdrew \$0.2 million from the project's bank account for non-project purposes, and improperly spent another \$0.2 million for unsupported and questionable expenses.

Recommendations were to seek reimbursement of all funds spent improperly, obtain adequate supporting documentation for questionable expenditures and require compliance with the Regulatory Agreement.

Status

The audit report, "Multifamily Management Agent-Community Services

Inc.," was issued on August 31, 1982, to the Area Manager, Baltimore Area Office. Comments are due on October 30, 1982.

The audit report, "Glenarden Apartments, Glenarden, Maryland," was issued on April 29, 1982, to the Area Manager of the Washington, D.C. Area Office. He has sustained the findings and placed the \$1.3 million in claims collection.

The audit report, "Yellowbird Limited, Xenia, Ohio," was issued on May 19, 1982, to the Acting Regional Administrator, Chicago Region, the Acting Area Manager, Columbus Area Office, and the Service Office Supervisor, Cincinnati Service Office. On September 29, 1982, the Acting Area Manager sustained \$344,000 and required the project owner to reimburse the project by November 4, 1982.

HUD's Committee on Fraud, Waste, and Mismanagement is conducting a project related to the Regulatory Agreement. This is described in Chapter 3.

\$1.7 Million in Damage Awards Not Remitted to HUD

Problem

A multifamily project owner has a balance of \$1.7 million in damage awards in an escrow account that is not under HUD's control. Nearly \$300,000 of these funds have already been used to make questionable disbursements for legal and engineering services.

Discussion

HUD provides mortgage insurance to finance rental or cooperative multifamily housing for low- and moderate-income households. Roxse Homes (owner) is a project of Roxbury, Massachusetts. HUD was assigned the mortgage in 1975 because of the owner's failure to make mortgage payments. No payments have been made since 1975.

Due to construction defects when the project was completed in 1972, the owner filed suits against the general contractor and architect. Both cases were settled and Roxse Homes, Inc., received \$1 million in July 1979 from the general contractor and \$1.2 million in January 1982 from the architect. The funds received from the settlements were deposited in an escrow account in addition to nearly \$350,000 from the project's operating account, and another \$350,000 in interest earned on the settlement funds. Of the total \$2.9 million, about \$900,000 was spent on project-related repairs. However, about \$300,000 was used to make questionable disbursements for legal and engineering services in connection with the negotiation of workout agreements and legal action against the Department of Transportation.

The balance of \$1.7 million remains in the control of the owner. According to the mortgage note, these types of proceeds are to be paid to the mortgagee (who in this case is HUD) who may apply these funds to the mortgage delinquency. As of April 30, 1982, the mortgage was delinquent by over \$4 million. HUD should have had the opportunity to determine the application of the funds or been given some control over the escrow account.

Recommendations were for HUD to: (1) initiate legal action to gain control over the funds remaining in the owner's escrow account; (2) instruct the owner to refrain from making any further disbursements from the escrow account without HUD approval; and (3) determine whether funds expended for project repairs were for eligible expenses, and if not, instruct the owner to reimburse the project.

Status

In response to our August 6, 1982 audit report, "Roxse Homes, Inc.," the Boston Area Manager sent a letter on August 26, 1982, apprising

the project owner of the report findings and requesting that control of the project funds be transferred to HUD. On September 10, 1982, the Boston Area Manager requested HUD Headquarters to take legal action to obtain control of the project funds.

Owners Submit Inflated Development Cost Statements

Problem

Two owners certified development costs for their projects at amounts greater than could be justified. Disallowance of these amounts should result in mortgage prepayments or reductions of \$523,000 and \$294,000, respectively.

Discussion

In its multifamily mortgage insurance program, HUD generally insures 85 to 90 percent of either the estimated or the allowed actual cost of each project's land and improvements, whichever is lower. Unpaid or unsupported costs are not allowed and HUD can require a mortgage reduction or prepayment to recover such amounts. Following are two examples of inflated development costs.

One project, Meadowview Court Apartments, Bowling Green, Ohio, consists of 190 units. It was assigned to HUD on September 21, 1981, and currently is delinquent in its mortgage by over \$500,000. The development costs for the project were not totally supported. Repairs of \$137,000, plus \$592,000 of the purchase price were not documented. This resulted in a

\$523,000 overstatement of the mortgage. The recommendation was for the Cleveland Multifamily Service Office Supervisor to take available legal action to reduce the outstanding mortgage amount by \$523,000.

Another project, Morristowne Apartments, Livonia, Michigan, consists of 176 units. The mortgage was assigned to HUD on July 29, 1981. As of December 31, 1981, certified project development costs totaling \$438,083 remained unpaid due to unresolved litigation with subcontractors. If the unpaid costs are not resolved, the current mortgage amount may not be justified and a mortgage reduction of \$249,710 could result. Recommendations were for the Area Manager to closely monitor the disposition of the unpaid development costs and to assure recovery of the other funds totaling \$209,864 cited in the audit. The owner should submit quarterly status reports to HUD on the remaining unpaid costs.

Status

The audit report on Meadowview Court Apartments was issued on August 26, 1982, to the Acting Chicago Regional Administrator, Columbus Area Office Manager, and Cleveland Service Office Supervisor. Comments on the audit report are not due until October 25, 1982.

The audit report on Morristowne Apartments was issued on May 7, 1982, to the Detroit Area Office Manager. On September 14, 1982, the Area Manager agreed with our findings and instructed the owner to begin submitting quarterly status reports on the unpaid development costs. In addition, costs totaling \$209,864 are still due.

Community Planning and Development

Title I of the Housing and Community Development Act of 1974, as amended, authorizes the Secretary to make grants to units of general local governments and States for the funding of local community development programs. The 1982 budget appropriation of \$3.5 billion was

intended to provide assistance to 37 States, about 1,700 localities, and 732 entitlement communities.

In addition, \$440 million for Urban Development Action Grants were provided to assist severely distressed cities in the revitalization of deteriorated neighborhoods.

\$15 Million in Urban Renewal Funds Diverted

Problem

The Denver Urban Renewal Authority withdrew \$15 million in urban renewal program revenues from the federally aided Skyline Urban Renewal project and placed the monies in other non-federally aided project accounts. Part of the monies were used to finance over \$770,000 of a non-federally aided renewal project.

Discussion

The HUD contract with an Urban Renewal Authority specifies that program revenues generated from the operation of a federally aided project are to be applied against project costs and used to reduce the total amount to be financed by the HUD capital grant.

On February 28, 1982, the Denver Urban Renewal Authority withdrew \$15 million in Skyline project revenues from the project accounts and deposited them into other non-federally aided project accounts. Over \$770,000 of these funds have been used to finance ineligible activities even though HUD has provided the Denver Urban Renewal Authority with oral and written instructions to use the Skyline monies for eligible Skyline project activities only.

The Denver Urban Renewal Authority contends that the revenues stemming from interest on project investments, parking lot receipts and sales, and other proceeds are funds contributed by the locality to finance part of the project costs, and since such monies are no longer needed, the Authority may withdraw them at any time.

The HUD contract with the Authority specifies that this revenue is project income and is to be used to offset project costs, and as a result, reduce the total HUD capital grant to be paid. Therefore, the \$15 million are not

contributed monies from the locality since the revenues were actually generated from the Skyline project itself.

The recommendation was for the Denver Urban Renewal Authority to replace the \$15 million in the federally aided Skyline project accounts and use these funds as project income to reduce total Skyline expenses.

Status

On July 1, 1982, we briefed the Assistant Secretary for Community Planning and Development on our draft audit findings on the Denver Urban Renewal Authority. Draft findings, which were supported by Community Planning and Development staff, were presented to the Authority on July 23. The Authority provided us with comments which generally expressed disagreement with the findings. The Denver Urban Renewal Authority's comments and OIG rebuttals have been incorporated into the final audit report, which was issued on October 15, 1982.

CDBG Grantees Misuse Letters of Credit-Over \$12 Million Overdrawn

Problem

The County of Los Angeles and the City of Vallejo, California, mismanaged Community Development Block Grant (CDBG) funds by misusing letters of credit and subsequently costing the Federal Government over \$3.5 million in unnecessary interest expense.

Discussion

HUD provides CDBG funds to grantees that must comply with program requirements and demonstrate the capacity to administer and monitor the timely progress of approved programs. Grantees obtain funds for program operations by drawing down grant funds under a letter of credit, but generally are only

permitted to do so for immediate cash needs. Problems with lump sum drawdowns were found in two separate audits.

The County of Los Angeles did not comply with required conditions of the grant and improperly obtained and invested a \$12 million lump sum drawdown under its CDBG letter of credit, earning \$3.21 million in interest. The drawdown cost the Federal Government \$3.22 million in interest expense.

Failure to monitor and the inability to assess cash requirements by the City of Vallejo allowed the City to make improper lump sum cash drawdowns of \$0.3 million on its CDBG letter of credit. This cost the Federal Government \$55,500 in unnecessary interest expense.

Recommendations in the reports were that unspent drawdowns and and unnecessary interest costs of \$12 million in the County of Los Angeles, and \$0.3 million in the City of Vallejo, be returned to the Federal Government.

Status

On June 10, 1982, the audit report, the "Community Development Block Grant Program, County of Los Angeles, California," was issued to the Los Angeles Area Office Manager. The finding concerning the \$12 million in drawdowns and interest will be referred to Headquarters for resolution.

The audit report, "Community Development Block Grant Program, City of Vallejo, California," was issued on July 16, 1982. On September 7, 1982, the San Francisco Area Manager sustained \$433,871 resulting from improper drawdowns and other matters reported. HUD has recovered \$321,458 from the City of Vallejo and the remaining \$112,413 were uncollected at September 30, 1982.

Cities Misuse UDAG and CDBG Funds

Problem

The Cities of Utica, New York; Paterson, New Jersey; and Seattle, Washington; may have misused HUD funds totaling \$2,480,258 by failing to adequately administer their respective Urban Development Action Grants (UDAG) and Community Development Block Grants (CDBG) and by using grant funds for unauthorized purposes.

Discussion

Both UDAG and CDBG funds are awarded to city governments through an agreement with HUD stating that funds are to be used solely for authorized purposes. HUD regulations require that any significant changes to such agreements be approved by the HUD Area and Headquarters Offices.

Audits of the UDAG and CDBG programs in each of the mentioned cities revealed similar misuses of program funds.

In Utica, New York, the City charged salaries and fringe benefits of City employees to CDBG funds, executed prohibited cost-plus-a-percentage-of-cost contracts, granted loans in violation of the City's guidelines for eligibility and failed to achieve the objectives of its Economic Reinvestment Program. Due to these deficiencies, costs totaling \$853,307 were disallowed and \$428,519 were questioned.

In Paterson, New Jersey, the City failed to reduce its costs to HUD by the amount of income it realized from the sale of property, charged the CDBG program for excessive administrative costs, and failed to maintain records to support salaries and wages charged to the program. In addition, the City assigned a City-owned vehicle to the Director of the CDBG program for both personal and

official use, made unnecessary and excessive drawdowns from its CDBG letter of credit, and failed to comply with certain procedural requirements of the CDBG program. Due to these deficiencies, costs totaling \$311,737 were disallowed and \$565,231 were questioned.

In Seattle, Washington, the City used CDBG funds for ineligible architect fees and UDAG funds for items not approved by HUD. In addition, the City used prohibited contracting procedures by not providing for maximum competition, used cost-plus-a-percentage-of-cost contracts, and failed to determine if contractors were debarred, suspended or ineligible. Due to these deficiencies, costs totaling \$61,082 were disallowed and \$260,382 were questioned.

Recommendations were for the Area Offices to require the respective cities to reimburse the disallowed UDAG and CDBG program costs from non-Federal funds; and determine the eligibility of the questioned costs.

Status

The audit report, "Community Development Block Grant Program and Urban Development Action Grant Program, City of Utica, New York," was issued July 9, 1982, to the Buffalo Area Office Manager. At September 30, 1982, we had not received a response from the Area Office.

In response to our June 10, 1982 audit report, "Community Development Block Grant Program and Urban Development Action Grant Program, City of Paterson, New Jersey," the Newark Area Office Manager sustained costs of \$151,091 on September 30, 1982. An additional \$725,877 of costs identified in the report were sustained on October 8, 1982.

In response to our audit report, "Community Development Block Grant Program and Urban Development Action Grant Program, City of

Seattle, Washington," issued on July 8, 1982, the Seattle Area Office Manager sustained \$260,382 of questioned costs. Also, based on our report, the Area Office reviewed additional architect fees and identified \$34,655 of improper costs.

\$477 Thousand in CDBG Funds Benefit Affluent Neighborhoods

Problem

The Town of Huntington, New York, failed to maintain adequate financial records or comply with Federal and local procurement procedures to assure the proper and allowable use of Community Development Block Grants (CDBG).

Discussion

CDBG funds were awarded to local communities for projects and activities to principally benefit low- and moderate-income persons; aid in the prevention or elimination of slums and blight; or meet other community development needs of particular urgency.

Contrary to the purposes and regulations of the CDBG program, the Town of Huntington, New York, expended \$477,973 of CDBG funds for public works and improvements in its affluent villages, where the median family income ranged between \$30,000 and \$60,000, and the average sales price of single-family homes ranged between \$80,000 and \$225,000.

Also, an additional \$15,333 was disallowed and \$115,307 questioned for program administration deficiencies including improper awarding of contracts, ineligible payments for salaries and services and failure to comply with HUD financial management requirements.

Recommendations were for the Area Office to sustain and recover disallowances totaling \$493,306 from the

Town of Huntington, and determine the eligibility of questioned costs totaling \$115,307.

Status

The audit report, "Community Development Block Grant Program, Town

of Huntington, New York," was issued on July 21, 1982, to the New York Area Manager. At September 30, 1982, a response had not been received from the Area Office to this report. Final response is due from the Area Office by November 18, 1982.

General Administration

Problems in general administration of programs with overlapping issues are discussed below.

Controls Needed for Timely Collection of Mortgage Insurance Premiums

Problem

HUD does not have adequate controls to ensure the timely updating of the Insurance-in-Force File for newly issued mortgages. Controls are necessary to provide assurances that premium amounts due are collected.

Discussion

HUD insures mortgages on 4.8 million single-family homes. Mortgage insurance premiums are charges that borrowers pay HUD for the mortgage insurance on their homes. The charge is computed at one-half of one percent of the mortgage amount.

In the past, HUD's Office of Finance and Accounting billed mortgage lenders monthly for the annual premiums coming due during the month. The lenders pay HUD the total annual premium from funds collected during the year from the borrowers and held in escrow for them.

A change in the National Housing Act by the Housing and Community Development Act of 1980 provides that "... the Secretary shall require that payment of premiums shall be made promptly upon their receipt from the borrower. . . ." "Promptly" has been interpreted to mean that HUD must require mortgagees to remit mortgage insurance premiums received each month by the 10th day

of the following month, beginning in September 1982.

HUD updates its Insurance-in-Force File for newly issued mortgages two months after mortgage insurance starts. Delays in updating the File will decrease the reliability of projected estimates of mortgage insurance premiums computed by a new automated system. The Office of Finance and Accounting plans to use estimates computed by a new automated system as control over premium collections.

The recommendation was to establish audit trails which can be used to ensure timely updates of the Insurance-in-Force File, and collection of future mortgage insurance premiums.

Status

The audit report on "Mortgage Insurance Premiums" was issued on September 27, 1982, to the Assistant Secretary for Administration. In concurring with the recommendation, the Assistant Secretary for Administration stated that her office will work with the Office of Housing to develop additional controls over the processing of insurance transactions.

Promised Actions on Closed Findings Not Taken

Problem

Audit findings were closed on promises by HUD managers that they would follow certain plans for corrective action. However, these plans for corrective action are not always implemented.

Discussion

In our March 31, 1982 Semiannual Report to Congress, we reported that, in some cases, HUD officials were not carrying out promised actions to correct deficiencies cited in audit reports. We performed a review for all 10 Regions and made an analysis of promised actions for 272 audit findings that were closed at June 30, 1982. For 70 of the 272 (26 percent) audit findings reviewed, promised actions were not adequately implemented by HUD officials. This was especially true for Regions IV (Atlanta, 14 of 38), V (Chicago, 27 of 30), and VIII (Denver, 13 of 30).

Regional Administrators had been advised by us during the audit that actions had not been taken, and followup should be made.

We provided the Under Secretary the results of our review on October 22, 1982.

Status

Followup was made October 8, 1982, to determine how many of the 70 recommended actions were not implemented. As of October 8, 1982, promised corrective action had not been taken for six of the 70 audit findings. Appendix 3 lists the five reports and the officials who were responsible for the promised actions on these six findings.

Single-Family Insured Programs

HUD's best known program is FHA mortgage insurance for single-family homes. This program area also includes insurance of home improvement loans and loans for mobile home purchases. During Fiscal Year 1982, HUD insured 244,092 of these type loans valued at \$1.84 billion.

Mortgagee Violations Result in Penalties

Problem

Mortgagees have made false statements to HUD and failed to comply with HUD regulations concerning net worth requirements and mortgage origination, closing and servicing practices.

Discussion

The Mortgagee Review Board was established in September 1975 to strengthen HUD's monitoring and control of mortgagees' performance. Findings in audit reports are directed

to the Board which has the authority to take sanctions against mortgagees up to and including the withdrawal of HUD-approved status.

During this reporting period, sanctions were imposed against three mortgagees referred to the Mortgagee Review Board by the OIG. Shearson-American Express Mortgage Company used strawbuyers and falsification of documents; World Mortgage Corporation overcharged closing costs to mortgagors; and Downey Savings and Loan Company provided HUD with incomplete and incorrect loan origination information.

Status

Of the three mortgagees that were referred to the Board by the OIG, HUD-FHA approval was permanently withdrawn from World Mortgage Company. The Board also entered into settlement agreements with the two other mortgagees, providing for indemnification to HUD for any losses resulting from claims, and implementation of a Quality Control Plan.

Chapter 2

Investigation Activities

The following is a summary of investigative activities during the period April 1, 1982 to September 30, 1982. These include criminal matters in-

vestigated which resulted in prosecutions and convictions as well as investigations of violations of departmental regulations and policies.

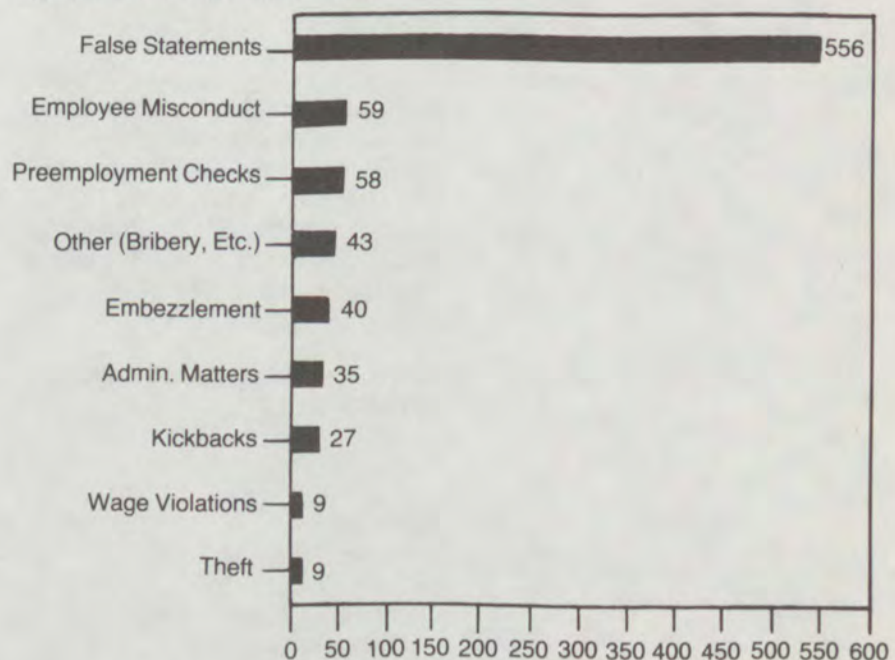
Investigation Cases Opened

We opened 836 new investigation cases involving HUD personnel and/or persons or firms doing business

with HUD. The table below provides a breakdown of these cases by category of investigation.

New Investigation Cases Opened by Category of Investigation April 1, 1982 to September 30, 1982

Total Number of New Cases = 836



Pending Cases

A pending case refers to the status of an investigation during that period between the opening of the case and dissemination of the investigation report(s) to a HUD official for action. Investigations in this category include those in which the investigation has not been completed by the OIG, the

FBI or another agency, or in which a completed investigation is pending with a prosecutive official. At September 30, 1982, we had 1,656 investigation cases either in process or awaiting investigation. Of these cases, 781 were FBI/other cases and 875 were cases of the OIG.

Closed Cases

A case is closed when all official actions have been accomplished. An investigation case may be closed when prosecutive or final administrative action has been accomplished,

and when a Disposition Report has been completed by the designated action official. The OIG closed 1,042 investigation cases during the reporting period.

Investigation Cases Referred For Prosecutive Consideration

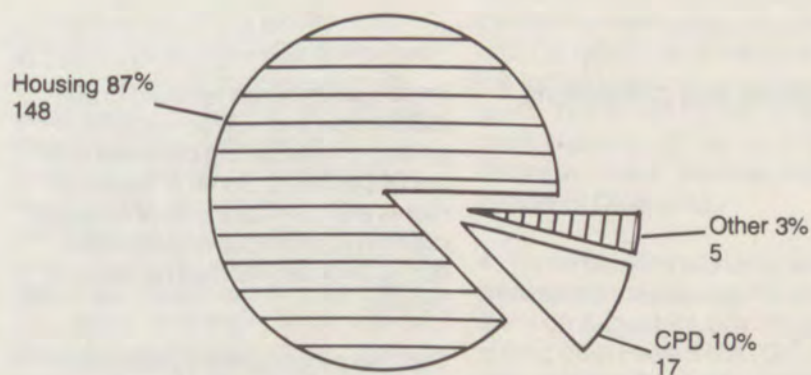
The OIG referred 170 completed investigation cases for prosecutive consideration, including 47 cases relating to HUD employees, as shown in the table below:

<i>Referred by OIG to:</i>	<i>No. of Cases</i>
FBI (Prima Facie-OIG Investigation)	37
FBI (No OIG Investigation)	4
Department of Justice	129
Total	170

Although the FBI is not a prosecutive authority, referrals to it may result in the presentation of a case for prosecutive consideration.

A breakdown of the 170 investigation cases by major HUD organizational component is shown below.

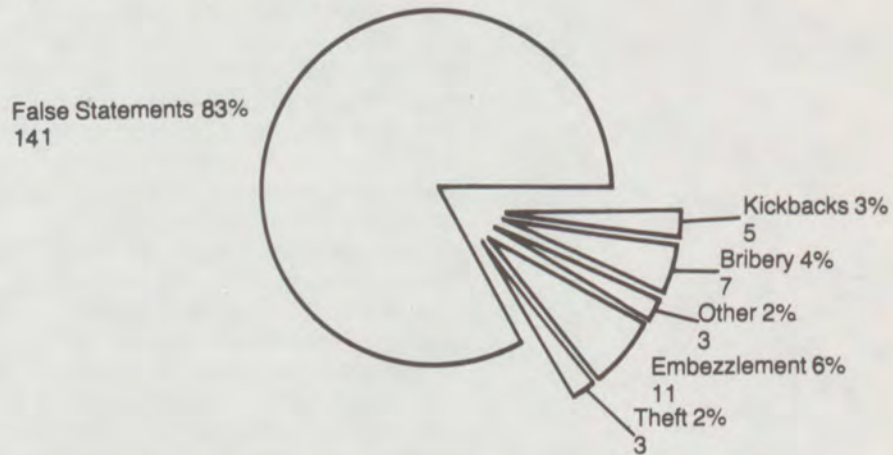
Distribution of Cases Referred for Prosecution by Program Area
April 1, 1982 to September 30, 1982



Total cases referred for prosecution = 170

A summary of the 170 investigation cases by major category of investigation is shown below.

Distribution of Investigation Cases Referred For Prosecution by Type
April 1, 1982 to September 30, 1982



Total Cases Referred for Prosecution = 170

Prosecutions and Convictions

Investigation cases resulted in 202 indictments and 188 convictions of persons/firms having business with the Department. Some of the indictments and convictions were on cases referred to prosecutive authorities during prior semiannual reporting periods.

The 188 persons/firms convicted during the current semiannual reporting period received a total of 146 years imprisonment, 416 years probation, suspended sentences of 33 years and fines amounting to \$338,437. In addition, monetary recoveries to HUD and others from investigations amounted to \$1,305,079.

Prosecution was declined on 425 investigation cases during the semi-annual reporting period. Many cases for which prosecution was declined involved those referred to prosecutive authorities in prior reporting periods.

In deciding whether or not to accept a case for action, prosecutive agencies must consider a number of factors. Elements of proof, significance of criminal and other acts, jury appeal, and current workload in the prosecuting agency are examples of the many factors which are taken into consideration before a case is accepted. Moreover, there are criminal cases in which the prosecuting agencies decide not to seek an indictment, but instead grant immunity in order to obtain testimony.

Description of Selected Prosecutive Actions

Below is a brief description of some of the indictments and/or convictions which occurred during the reporting period. Some of these resulted from investigation cases referred to prosecutive authorities prior to April 1, 1982.

False Statements

- The President and Comptroller of a HUD-insured hospital were indicted on July 7, 1982, by a Federal Grand Jury in San Juan, Puerto Rico, for submission of false statements/information, conspiracy, and aiding in the submission of false statements. The hospital received a HUD-insured loan of \$12.4 million for renovation and purchase of new equipment. The defendants allegedly purchased equipment from companies under their control at inflated prices. The indictment also charges the defendants with filing false cost reports with the Medicare Program administered by the Department of Health and Human Services and with making false oaths in bankruptcy proceedings. (United States v. Edgar Stella Perez and Guillermo A. Alemany Rivera, District of Puerto Rico.)
- The President of a former HUD-approved mortgagee was sentenced on May 28, 1982, to three years imprisonment and fined \$5,000 for submission of false statements. The mortgagee falsely certified to payment of prior liens totaling over \$347,500 on 21 HUD-insured loans originated by the company. The mortgagee also made monthly payments on existing liens in an effort to prevent detection and to prolong the fraudulent scheme. (United States v. Jamie Luis Carlo, District of Puerto Rico.)
- A contractor performing rehabilitation work funded through the Community Development Block Grant Program was charged on April 28, 1982, with two counts of conspiracy and submission of false statements. The contractor was awarded seven rehabilitation contracts totaling more than \$233,000 from 1978 to 1980. At least 50 payrolls submitted by the contractor contained false information regarding employee wage rates. Restitution totaling \$25,000 is due employees. On May 5, 1982, the contractor was sentenced to three years probation, fined \$5,000, and ordered to make restitution of \$25,000. He was also debarred from participation in HUD programs. (United States v. James N. Balay, Eastern District of Pennsylvania.)
- An illegal alien was sentenced on August 23, 1982, for submission of false statements to HUD. The individual submitted false income certifications in order to qualify for Section 8 housing assistance. The false certifications caused an overpayment of over \$4,000 from June 1980 to November 1981. He was sentenced to three years probation, fined \$750, and ordered to make restitution of \$4,060 to the Federal Government. Deportation proceedings are underway. (United States v. Daniel Bruce Agymefrah, District of Colorado.)
- A tenant pled guilty on July 9, 1982, to one count of submitting false statements to HUD. The tenant falsely certified seven financial statements in order to qualify for assistance under the Indian Housing Mutual Help Program. The tenant agreed to make restitution of \$3,072 to HUD. (United States v. John K. Postoak, Eastern District of Oklahoma.)
- Three housing authority tenants were sentenced on July 19, and three more on August 24, on charges resulting from Project MATCH, a computer-assisted matching technique participated in by the Offices of Inspector General of the Departments of HUD, Health and Human Services, and Agriculture. The tenants were charged with multiple counts of fraud involving unauthorized receipt of rental assistance, food stamps, and aid to dependent children, through submission of false statements. The first

three tenants were placed on five years probation and ordered to make restitution to the three Departments totaling \$8,237. The latter three were placed on probation for three years and ordered to pay restitution of \$6,000, collectively. (United States v. Doreatha Brazzle, Barbara A. Morrow, Natalie Carmichael, Odessa Guice Reynolds, and Willie J. and Carolyn V. Jackson, Northern District of Alabama.)

- A resident manager of an FHA project pled guilty on August 13, 1982, to submitting false statements to HUD. The manager failed to notify HUD when tenants were no longer eligible for Section 8 assistance. She continued to collect the HUD assistance in addition to the market rents from the tenants. The manager was sentenced to six months confinement, five years probation to begin upon release from confinement, and was ordered to make restitution of \$7,534 to HUD. (United States v. Patsy M. Lowseth, District of Wyoming.)

- On August 16, 1982, a District of Columbia (DC) employee pled guilty to submitting false statements to HUD in order to receive Housing Assistance Payments under the Section 236 program. The employee failed to disclose income received from the DC Government and erroneously claimed that two dependent children were residing with him. The employee also pled guilty to submitting false statements to the Department of Agriculture (USDA) and the Veterans Administration (VA). The false statements caused an overpayment of \$4,977 in rental assistance by HUD; resulted in the receipt of food stamps totalling \$5,330 from USDA; and increased disability payments totaling \$6,362 from the VA. Investigations by HUD, USDA, and the VA were simultaneously coordinated with the U.S. Attorney's office. On September 24, 1982, the employee was sentenced to three five-year jail sentences to run concurrently and was fined \$21,000. The management agent reported that this matter has

had a profound impact on the tenants within the HUD project, resulting in an increase in the housing project rent rolls. (United States v. Milton L. Perry, District for District of Columbia.)

Kickbacks

- Three City employees in Connecticut were sentenced on April 1, 1982, on Racketeer Influenced and Corrupt Organization (RICO) charges. The three individuals were employed by the City's HUD-funded rehabilitation program and all pled guilty to receiving kickbacks from homeowners participating in the program. One employee was sentenced to four years imprisonment and two employees were sentenced to two years each. (United States v. Benito R. Gallucci, Robert H. Johnston, and Constantine Francischiello, District of Connecticut.)

Theft and Forgery

- A Block Grant Program Administrator was charged on June 29, 1982, with two counts of theft and two counts of forgery. The Administrator misappropriated \$33,000 of an \$825,000 grant made in 1981. He was sentenced to three years probation and ordered to make full restitution. His bonding company has already disbursed the \$33,000. (State of North Dakota v. David A. Barendt.)

Embezzlement

- The former Executive Director of a Housing Authority in Illinois was sentenced on July 16, 1982, to ten years each on two counts (running concurrently) for embezzling \$23,300 in Housing Authority funds. He had previously pled guilty to all counts of a sixty-seven count indictment. (United States v. David L. Townsend, Central District of Illinois.)

Extortion, Conspiracy, and Bribery

- A HUD Area Management Broker (AMB), an employee of the AMB, and a repair contractor were indicted by a

Federal Grand Jury on April 16, 1982, for extortion, conspiracy, and bribery. The AMB allegedly required contractors to kick back a portion of the contract price on HUD-acquired properties in order to receive repair contracts. He also allegedly discounted contractors' invoices for a seven percent fee through a subsidiary company. The AMB has issued repair contracts totaling \$1.6 million in the past two years. All three individuals have been suspended from participation in HUD programs. (United States v. Frank Del Re, Mandy Guidry, and Elijah Norwood, District of New Jersey.)

Title I Fraud

- A Title I loan recipient was convicted on August 3, 1982, for submitting false statements to HUD. The recipient received an FHA-insured Title I home improvement loan of \$10,975 in 1979. He defaulted on the loan, resulting in a HUD-paid claim of \$9,782. The home improvements for which the loan was granted were not made, and the recipient converted the loan proceeds to his personal use. He was placed on two years probation and ordered to make resti-

tution of \$9,782 to HUD. (United States v. James R. Heth, Jr., District of North Dakota.)

- A Title I borrower was indicted by a Federal Grand Jury on August 16, 1982, for submitting false statements to the Government. The borrower allegedly used \$7,500 in home improvement loan proceeds to purchase partial interest in three racehorses. He defaulted on the loan, causing HUD to reimburse the lender \$6,870. (United States v. Leland L. Arnold, Eastern District of Washington.)

Bribery, Conspiracy, and False Statements

- A HUD Realty Specialist and a contractor were indicted by a Federal Grand Jury on September 16, 1982, on 13 counts of bribery, conspiracy, and submitting false statements to the Government. From July 1979 to April 1982, the two individuals billed HUD for repair work on two HUD-owned properties and collected approximately \$168,000 for work which was never done. (United States v. James W. Lampley and Howard A. Jones, District of New Jersey.)

Administrative Actions Against HUD Employees

In its report on the Fiscal Year 1981 Supplemental Appropriations and Rescission Bill, the Senate Committee on Appropriations indicated that if fraud within the Government is to be contained and curtailed, then appropriate administrative action must be taken in cases where employees have been found to have acted improperly.

Examples of administrative actions taken against HUD employees during the semiannual reporting period, in connection with audits and investigations, are shown below.

- An attorney advisor was terminated from Federal service for engaging in a private law practice without prior approval of the General Coun-

sel, and for conducting activities associated with the law practice during HUD business hours. The attorney advisor also continued to provide legal representation to HUD and others while suspended from the practice of law by the Supreme Court of the State of Oklahoma.

- A loan specialist was suspended for five days without pay for falsifying his travel voucher. A portion of his claim was subsequently disallowed.
- An equal opportunity specialist was suspended for 14 days for violating HUD's Standards of Conduct. The specialist conducted personal business on Government time; used her official position to gain preferential

treatment from contractors; accepted money on behalf of others from a developer who was a cosponsor of a seminar with HUD; and abused telephone privileges.

- A construction specialist was suspended for five days for misusing a Government vehicle and for conducting personal business while on official duty.

- A maintenance engineer was suspended for 15 days and directed to repay an overpayment he received as a result of the falsification of his travel voucher. The engineer claimed a rental fee for a small airplane which he owned and used for official travel.

- A secretary resigned from Federal service and agreed to reimburse HUD \$700 in lieu of other action contemplated by an Assistant U.S. Attorney. The secretary falsely reported and received pay for overtime, while at the same time being absent from her office for extended periods of time.

- An attorney advisor was given an official letter of reprimand for doing legal work for a HUD-approved mortgagee. He also made trips at the mortgagee's expense while traveling with his wife, who was employed by the mortgagee.

- A supervisory realty specialist received a letter of reprimand for utilizing a HUD contractor to perform work on his personal residence in violation of HUD's Standards of Conduct. The specialist paid the contractor based on the original cost estimate, although the actual cost was greater.

- An appraiser was suspended for 10 days after being involved in an accident while driving a GSA automobile and filing an inaccurate accident report. His use of GSA and/or private vehicles was also restricted and he was reassigned to duties not requiring official travel pending completion of a HUD-sponsored counseling program.

- An occupancy clerk received a letter of reprimand for using her official position for personal gain and for failing to disclose an increase in income resulting in the payment of ineligible HUD rental assistance.

- An acquisition/relocation specialist received a 14-day suspension for the submission of a false travel voucher as well as for absence from duty without leave.

- A realty specialist was suspended from duty for 30 days after OIG investigation confirmed that he obtained building materials from a contractor doing business with HUD and neglected to pay for the materials.

- A construction analyst resigned from Federal service while adverse action for his removal was pending. The analyst had submitted several travel vouchers for payments which investigation determined were false.

- A HUD employee was terminated for submission of false medical certificates. The employee submitted seven medical certificates using a fictitious physician's name and address.

Chapter 3

Fraud Control Activities

The HUD Secretary and Principal Staff continue to maintain a high interest in obtaining the involvement of all departmental managers and employees in the fight against fraud and

abuse. Several activities during the past six months have been initiated or continued in an attempt to overcome problems discussed in Chapter 1 of this report.

Special Projects or Task Forces

As reported in our prior Semiannual Reports, OIG staff have participated in two special task force projects. An update on these projects follows.

1. Alien Issues

Section 329 of the Omnibus Reconciliation Act of 1981 restricts the use of assisted housing to U.S. citizens or certain eligible aliens. During this reporting period, proposed regulations were published in the Federal Register and public comments received. OIG staff assisted in analyzing the comments and revising policies and procedures as appropriate. On October 4, 1982, final regulations were published. They will become effective after 30 continuous session days of Congress or sooner if a waiver of the waiting period is granted. Also during the period, OIG staff assisted in the preparation of handbooks and training materials. Initial contact was made with the Immigration and Naturalization Service and the Social Security Administration in order to develop cooperative agreements for computer matching projects. Such projects would be used to verify the eligibility status claimed by recipients of assisted housing benefits.

2. Program Participant Monitoring

A Task Force was established by the Secretary in April 1981 to implement a monitoring concept called "Accountability Monitoring." This concept, a result of a study conducted by the Committee on Fraud, Waste and Mismanagement, is a general term used to describe the Department's efforts to conserve and redirect its limited resources by target-

ing them to high risk recipients and high exposure program areas. For implementation purposes, high exposure program areas are those which historically have been shown to be susceptible to fraud, waste and mismanagement.

During this reporting period, the following accomplishments were made by the Task Force to implement Accountability Monitoring.

Changing departmental monitoring policies and procedures:

In addition to the accomplishments identified in our last Semiannual Report on the efforts undertaken to change the Department's monitoring policies and procedures, the Assistant Secretary for Housing has taken the following steps:

- Requested input from program offices to identify high risk/exposure areas.
- Identified officials within HUD who will be held accountable to combat fraud, waste and mismanagement through their Performance Appraisals.
- Established training requirements for monitoring skills.

Training accomplishments:

In April 1982, our staff participated with the Office of Community Planning and Development (CPD) personnel in training 41 Senior CPD representatives from all Field Offices at our National Training Center in Columbia, Maryland. These sessions were designed to provide an overview of the Accountability Monitoring concept and methods that monitors

should employ to identify indicators of fraud, waste and mismanagement.

After completing the course, the attendees trained their respective Field Office staffs. A total of 846 CPD professional staff members have received this training. Our Regional

Inspectors General for Audit and Investigation participated with Regional and Field Office staffs in presenting the Accountability Monitoring Module in each Region. This brought the total number of program personnel trained in Accountability Monitoring during Fiscal Year 1982 to about 1,300.

Committee on Fraud, Waste and Mismanagement

As outlined in prior Semiannual Reports, the Committee on Fraud, Waste and Mismanagement advises the Secretary on policy matters relating to prevention and detection techniques. During the past six months, several significant activities were initiated or completed as a result of Committee studies and recommendations.

1. Fraud Reform Legislation

We reported in the previous Semiannual Report that a Committee work group developed legislative recommendations to strengthen HUD's ability to identify fraud, waste and mismanagement in various programs.

The recommendations focused on eliminating legal obstacles to developing and conducting computer matching projects which would detect program participant fraud. Generally, the legislation proposes requiring program participants to provide Social Security numbers or employer identification numbers, as well as to sign consent forms allowing their eligibility for HUD programs to be verified with government agencies or private sources. The legislation also proposed authorizing State unemployment agencies to release certain income information to HUD. A final proposal was to allow program benefits to be denied to tenants who misrepresent income and other eligibility factors.

This legislation was included in S.2607 introduced on May 28, 1982, and was part of a bill entitled "Hous-

ing and Community Development Amendments of 1982." This bill was not brought to a vote by the end of the congressional session on September 30, 1982. The Department plans to resubmit these provisions as part of its Fiscal Year 1984 legislative proposals.

2. Conflict or Identity-of-Interest Situations

HUD programs lend themselves to situations where it is possible and often advisable to have business transactions between related parties. However, such conflict/identity-of-interest situations also increase the risk of possible abuse. A Committee work group recently completed a study of the documents and procedures HUD employs in attempting to identify and control the conflict/identity-of-interest situations.

On October 22, 1982, the Secretary approved the Committee recommendations and forwarded them to appropriate Principal Staff for implementation. The recommended changes are designed to improve HUD's ability to first identify and then review those significant areas where HUD's exposure to potential abuse is high. More importantly, the recommendations, when implemented fully, should serve to assure that both HUD and program participants clearly understand the need to avoid conflict/identity-of-interest situations that provide unfair advantages at program expense. It is hoped such improvement will alleviate the problems discussed on page 18.

3. In Process – HUD Sanctions

As discussed briefly in our prior Semiannual Report, a Committee work group initiated an evaluation of the sanctions HUD uses to discipline program participants or employees. During this reporting period, data concerning the imposition of current sanctions was obtained and analyzed. Also, officials at Headquarters and Field Office locations were interviewed to determine the adequacy and usefulness of current sanctions and possible development of new sanctions. Based on the results of the study to date, we anticipate that the Committee will forward recommendations to the Secretary during the first quarter of Fiscal Year 1983. These recommendations should include: (1) a series of revised policy statements regarding the use of sanctions; (2) revision of current procedures to facilitate the imposition, and increase the effectiveness, of current sanctions; (3) the development of performance standards for certain program areas and related sanctions for poor performers; and (4) the provision of training to program managers on sanctions and their proper use.

4. Internal Control Policy and Procedures

Over the past several years, the Department has taken steps to improve methods for designing or evaluating management controls as a means to prevent and detect fraud and abuse. Recently, both OMB and Congress have added additional requirements for Federal agencies. Because of the apparent overlap of the new and old requirements, a work group was established to prepare a

consolidated and comprehensive set of policy statements and operating guidelines. There is a need to assure that program managers have a clear understanding of their role and responsibilities. By pulling the various requirements, procedures and operating guidelines together in a single issuance, the Department should be better prepared to comply with OMB Circular No. A-123, Internal Control Systems, and the Federal Managers' Financial Integrity Act.

5. Ongoing Work Groups

Two additional work groups were established to serve in a continuing capacity on planning and coordinating detection and prevention activities at Field Offices as follows:

All Regional Administrators and Principal Staff Members were requested to submit suggestions for possible Committee projects during Fiscal Year 1983. The planning group is currently analyzing the input received in order to develop an agenda of studies and evaluations to be undertaken in the future.

Several Regional and Field Offices have initiated fraud control measures locally based on actions taken at the Headquarters level. While these initiatives, including local fraud committees, training and other matters, should be encouraged, it is also necessary to coordinate these activities in order to prevent any possible duplication or wasted efforts and to assure that good ideas and information are shared nationwide. Consequently, a work group is currently designing methods and procedures to implement coordinated efforts.

Management Control Improvements

Activity has intensified within HUD during the last six months to strengthen all facets of management controls (see Intradepartmental Projects, page 44). Our staff continues to be actively engaged in developing,

coordinating and advising on the Fraud Vulnerability Assessment System (FVAS) and Management Control Assessment System (MCAS). In addition, we are performing Vulner-

ability Assessments on the OIG's own operations to comply with HUD's Departmental Directive and Plan for Implementing OMB Circular No. A-123. A summary of these activities follows.

1. Fraud Vulnerability Assessment System

This system focuses on designing and implementing management controls at the inception of new programs or functions. In our view, it is the most effective point to do so, and as such, is an essential supplement to the OMB Circular No. A-123, Internal Control Systems, evaluation process.

During the current six-month period, 10 new fraud vulnerability assessments were planned or in progress, bringing the total to 21 as of September 30, 1982. Delays in legislative enactment of major housing programs have led to deferral of several planned assessments. To strengthen the assessment process, we took some added initiatives. First, with the cooperation of the Office of General Counsel, steps were taken to establish that vulnerability assessments are considered an integral part of the Department's formulation of regulations. Second, we also provided technical assistance to the Office of Housing to establish a model fraud vulnerability assessment for future use by various organizations within HUD's largest organizational component. Third, the current fraud vulnerability assessment Handbook will be part of a new comprehensive HUD Handbook on Assessing and Maintaining HUD's Management Controls. Changes to further strengthen the present Fraud Vulnerability Assessment System, based upon our past experience, will be incorporated into the revised Handbook.

2. Management Control Assessment System

This system was used by program and functional managers to evaluate controls in HUD's existing systems. Because of the staff effort needed to implement OMB Circular No. A-123, the Under Secretary temporarily deferred initiating any new management control assessment evaluations after March 31, 1982. However, 15 evaluations already in process were completed after March 31, 1982, involving 57 recommendations to correct 54 identified control weaknesses. Another assessment was cancelled and there remain 13 more to complete as of September 30, 1982. We continued to furnish technical assistance on assessment coordination and guidance to HUD program and functional staff personnel throughout the period.

Currently, our staff is working with a sub-group of the Committee on Fraud, Waste and Mismanagement to revise and update the management control assessment model. The purpose of the revision is to conduct internal control reviews under OMB Circular No. A-123 requirements beginning later in Fiscal Year 1983.

3. Vulnerability Assessments

As part of HUD's requirements to implement OMB Circular No. A-123, our staff has been actively involved during the last six months in training, coordinating and performing vulnerability assessments throughout the OIG. These assessments cover various aspects of audit, investigative, fraud control and management activities. As of September 30, 1982, 38 assessments had been completed. Of these, 20 vulnerability assessments were submitted to the Assistant Secretary for Administration for review and comment. An Overall Review Team, consisting of representatives from each of our principal offices

and the immediate Office of the Inspector General, will be reviewing and ranking all of the OIG's vulnerability assessments in the first quarter of Fiscal Year 1983. This team will

identify the priority areas for later Internal Control Reviews and assist in preparing a report to the Inspector General on the overall vulnerability assessment results.

Employee Awareness Program

Our office continues to play an active part, along with other departmental components, in attempting to heighten all employees' awareness of their responsibilities to prevent, detect and report on the occurrence of fraud and program abuse. Recent activities in carrying out this program include:

- In April 1982, we presented our training course on the "Detection and Prevention of Fraud and Program Abuse" to OIG staff in the Boston Region. This course increases OIG professionals' awareness of fraudulent schemes and sharpens their skills and knowledge in techniques for protecting the integrity of HUD programs. During the first half of Fiscal Year 1982, the course was presented to all other OIG professionals.
- Our staff has participated on a regular basis in training top and middle HUD managers. These sessions are designed to explain respective roles and to solicit the active support of managers in freeing HUD programs from waste and inefficiency.
- The eighth in our series of Fraud Information Bulletins was issued in April 1982. This bulletin, entitled "Departmental Efforts to Combat Fraud and Abuse," was forwarded to all HUD employees. It describes the various activities initiated by HUD that are aimed at deterring fraud, waste and mismanagement. The bulletin also highlights some signifi-

cant audit and investigative reports as a means of alerting employees to some of the ways program participants have abused HUD programs in the past. Three additional bulletins are scheduled for issuance in the near future. These deal with Accountability Monitoring, Single-Family Property Disposition and Ineligible Aliens Residing in Assisted Housing Units.

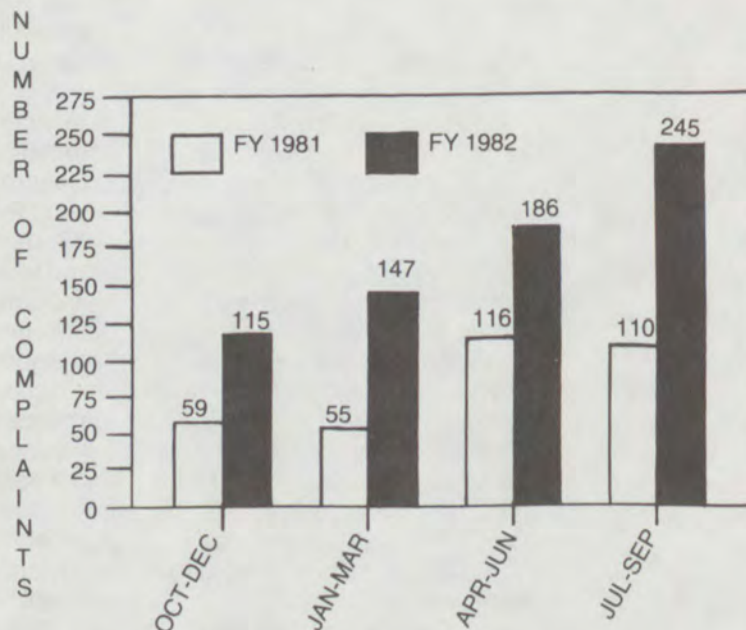
- In order to widen availability of the information in our Semiannual Report to Congress, we issued a condensed version to HUD employees in August 1982. Using a folding pamphlet referred to as a "slim-jim," the digest was distributed as a part of the ongoing employee awareness program. The digest highlights significant problems, cooperative efforts, and performance results. In addition, it provides a listing of Regional OIG Audit and Investigation phone numbers and the HUD Employee's Hotline number to facilitate the reporting of irregularities. It is hoped that the digest will help improve HUD operations by promoting greater awareness and understanding of problems in the Department and efforts being taken to correct them.

Hotline Activities

The level of hotline activity continues to increase. The 431 complaints received from April 1, 1982 to September 30, 1982, represent a 64 percent increase over the previous six-

month period. The accompanying graph depicts the upward trend over the past two fiscal years. The number of complaints has increased 400 percent since the first quarter of Fiscal Year 1981.

Total Hotline Complaints Received
By Quarter for Fiscal Years 1981 vs. 1982

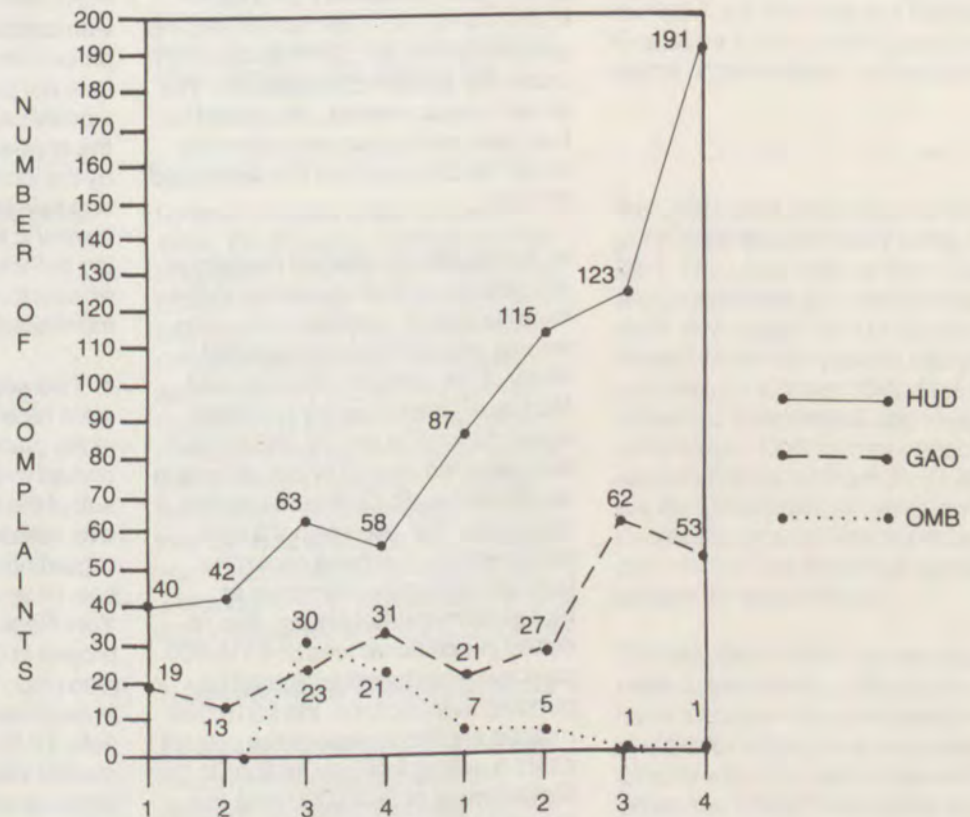


HUD hotline complaints may originate from either HUD employees or the public. Of the 314 complaints received on the HUD hotline during the past six months, 96 were from HUD employees and 218 were from the

general public. In addition, other complaints are referred to HUD by the General Accounting Office and the Office of Management and Budget. The following graph illustrates the distribution of complaints by these three sources.

Sources of Hotline Complaints Received (HUD, GAO, OMB)

By Quarter - FY 1981 Thru FY 1982



The greatest increases have been in the number of HUD hotline complaints. They have increased from approximately 66 percent of the total complaints received during the first quarter of Fiscal Year 1981 to 79 percent of all complaints received during the most recent quarter.

The increase is attributable to our continuing efforts discussed earlier to educate HUD employees and the general public to recognize, prevent

and report fraud, waste and mismanagement.

All hotline complaints are screened thoroughly. Approximately 21 percent of the complaints closed this period were found valid and resulted in such actions as fines, prison sentences, recovery of funds, termination of assistance and exclusion from participation in HUD programs. The following synopses illustrate the range of hotline complaints substantiated during this reporting period.

- A complainant alleged that a tenant provided false information concerning family composition and income to receive a Section 8 subsidy. Investigation determined the tenant had defrauded the Government of \$10,113 in Section 8 housing assistance and \$1,582 in excess rent under the Section 236 program. The tenant was convicted, sentenced to five years probation and ordered to repay the Government the defrauded amount.

- A complainant alleged numerous deficiencies and irregularities in the construction of a Section 8 housing project. An audit determined that many of the allegations were valid. Moreover, based on the problems noted during the review, this project was included as part of the sample in an internal audit. During this review, it was noted that tax-exempt funds were used to purchase securities held by the bond underwriter at higher-than-market prices. This resulted in additional fees of \$316,000 paid to the underwriter. Based on pending legal actions, the \$316,000 may be applied to reduce the project costs resulting in a total savings to the Government of \$938,000 over the period of the contract.

- It was alleged that a tenant in a Section 236 housing project had failed to make proper rental pay-

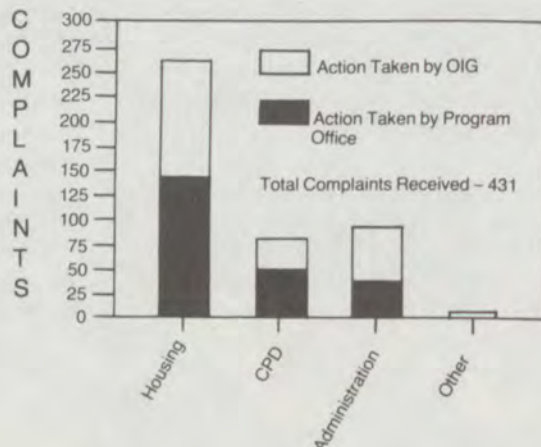
ments. The allegation was substantiated and the tenant signed a promissory note to repay the Government \$1,510.

- A caller alleged noncompliance with contract requirements and improper and duplicate billing for services not performed and for bills previously paid. An audit determined that the contractor was overpaid \$13,064 by the local housing authority. In addition to initiating procedures for recovering these funds, the local housing authority took corrective action to ensure that billings are more closely monitored.

- Two separate hotline complaints were received alleging improprieties in the planned sale of several HUD-owned multifamily projects. As a result of the hotline complaints, an audit was initiated to review the allegations regarding the proposed negotiated sale of seven projects in the New York Region for \$10.9 million and one project in Colorado for \$3.1 million (see page 16). The audit revealed that, in negotiating to sell the eight projects, HUD underestimated the fair market value and the high probability of future foreclosures. HUD also failed to adhere to its own regulations and directives issued on negotiated sales. Subsequently, the proposed sales were rescinded and alternative proposals sought.

Distribution of Hotline Complaints By Program Area

April 1, 1982 to September 30, 1982



Cooperative Efforts

During the current semiannual reporting period, we participated in several special cooperative efforts with other Federal and State agencies. These activities, as required by the Inspector General Act of 1978, relate to the promotion of economy and efficiency and the prevention and detection of fraud and program abuse. The

cooperative efforts, as described below, are in addition to our regular coordination with non-Federal auditors, other Offices of Inspector General and agencies, various Congressional Committees, Intergovernmental Audit Forums, the Federal Executive Audit Council, and professional organizations and societies.

President's Council on Integrity and Efficiency

By an Executive Order in March 1981, the President established the President's Council on Integrity and Efficiency (PCIE). The Council, which is chaired by the Deputy Director, Office of Management and Budget, and includes the Deputy Attorney General, the Director of the Office of Personnel Management, the Executive Assistant Director of Investigations of the FBI, all statutory Inspectors General and other key officials, was established as an integral part of a broader plan to attack fraud, waste, and inefficiency in Federal programs.

1. Suspensions and Debarments

As reported in our prior Semiannual Report, we recommended on January 19, 1982, that the PCIE initiate a project to review the feasibility and desirability of implementing a single governmentwide suspension and debarment system. Such a system would be applicable to all individuals and entities who do business with the Government, either as contractors or participants in Federal programs, or who receive Government assistance and/or benefits. The basic premise for such a system is that an entity or individual determined to be unfit to deal with one agency/department is unfit to deal with the Government except in demonstrated exceptional cases.

In June 1982, the Inspectors General of HUD and the General Services Administration accepted responsibility for coordinating the suspension and debarment project. The effort involves reviews at 19 Federal departments and agencies. On June 24,

the Office of Management and Budget (OMB) issued Policy Letter No. 82-1. The Letter sets forth the policies and procedures governing debarment and suspension of contractors throughout the Executive Branch and provides for a consolidated list of debarred, suspended, and ineligible contractors. Contractors debarred or suspended under the Policy Letter are excluded from receiving contracts unless the agency head or designee determines that there is a compelling reason for such action.

To date, the review indicates that most departments and agencies have a suspension and debarment system for contractors who deal directly with the Federal Government. When the OMB Policy Letter is fully implemented, all departments and agencies will have a system. However, in the meantime, very few suspension and debarment actions are being taken. During our 33-month review period, no suspension and/or debarment actions were taken by nine of the departments and agencies included in our review. Only four of the 19 agencies have a suspension and debarment system pertaining to participants other than contractors, e.g., grantees and third party recipients. Even though they do not have, or may not be effectively using, a suspension and debarment system, most departments and agencies have other mechanisms for excluding unfit participants from their programs. The mechanisms do not, however, provide for information exchange between agencies.

When the project is completed, a report will be issued to the Chairman of the PCIE. The report will outline the project findings regarding the feasibility and desirability of a governmentwide suspension and debarment system, address any obstacles which may hinder implementation, and suggest alternatives where appropriate.

In a related action, the PCIE has established a committee, chaired by the Inspector General of the General Services Administration, to be the focal point for expediting and monitoring the implementation of Policy Letter 82-1 described above.

The HUD-OIG is working with the HUD Office of Procurement and Contracts to ensure timely implementation of the Policy Letter. The final regulations should be issued before the target date of January 4, 1983. The Office of Procurement and Contracts is also working on revising its existing training course for contracting officers to include a section on debarment and suspension procedures.

We will monitor the progress of the regulations and training course revisions to ensure that the established target dates for implementation are met.

Intradepartmental Projects

1. Office of Inspector General/ Office of Finance and Accounting Joint Review

As reported in our last Semiannual Report, we are participating in a joint review of the internal controls of the accounting systems within HUD's Office of Finance and Accounting. The project, which began in December 1981, is staffed from the OIG and Office of Finance and Accounting. The objectives of the project are to establish a systematic approach to identify selected vulnerable accounting systems, document existing internal controls, and assess their effectiveness in preventing fraud, waste, abuse and mismanagement.

The project team has identified the financial accounting systems within the Office of Finance and Accounting, developed a vulnerability ranking of these systems, devised an approach and methodology for the actual reviews, and selected the systems for review. To date, the team has completed four internal control reviews:

- Review of Controls Over Advances of Funds to Public Housing Authorities (PHA's). This review disclosed that neither the Office of Finance and Accounting nor HUD Field Offices kept accurate or readily accessible

records of monies advanced to PHA's for project development and modernization. Consequently, HUD advanced \$538 million to PHA's in excess of their immediate needs for which the Government pays about \$40 million a year in interest. The project team recommended changing the existing system so Field Office staff who approve advances will have readily available information on outstanding advances. Additional details of this problem within PHA's are provided in Chapter 1.

- Review of the Urban Homesteading Program. This review, encompassing \$55 million in appropriations, identified the need for establishing fund controls. Due to the lack of proper controls, the Office of Finance and Accounting failed to charge \$2.4 million to Urban Homesteading funds for the period in which the transactions occurred. In addition, program officials allocated funds to Area Offices without notifying the Office of Finance and Accounting. The project team recommended, among other things, that HUD establish controls over allocation, obligation, and expenditure of funds.

- Review of Interest Reduction Payments for Insured Section 236 Projects. This review disclosed that the Department's existing procedures do

not provide adequate control to prevent overpayments and disbursements to unauthorized payees. Presently, HUD requires mortgagees to bill the Department for interest reduction payments. Eliminating this requirement and installing an automated system to calculate interest due to mortgagees and provide data needed for proper disbursement could save both HUD and mortgagees time and money.

- Review of Section 235 Mortgage Subsidy Payments. This review showed that the Department does not have effective and efficient controls over the \$200 million which HUD pays annually for Section 235 subsidies. The project team recommended methods for the Department to assure that payments are made only to HUD-approved mortgagees and to prevent duplicate payments.

The final results of the joint project will be reported by December 31, 1982.

2. Office of Management and Budget Circular No. A-123, Internal Control Systems

The Director of the Office of Management and Budget issued a directive to Government agencies on October 28, 1981, requiring a tighter system of internal controls. This directive, OMB Circular A-123, sets standards for internal controls and directs each agency to review and update its present system.

As we reported in our last Semi-annual Report, HUD issued its Internal Control Directive and Plan to implement the Circular on March 31, 1982. The Directive's objective is to ensure that internal controls for all programs and functions are in place and operating properly. The Assistant Secretary for Administration is responsible for developing HUD's overall internal control policies and procedures as well as monitoring and administering the requirements of the Circular. These include, among others, completion of Vulnerability

Assessments by December 31, 1982, and commencing Internal Control Reviews immediately afterwards.

Since the Directive was issued, HUD has made progress in implementing the Circular. A key facet of HUD's initiatives has been the continuous cooperation between the Office of Administration and the Office of Inspector General. Major accomplishments are summarized below.

The Office of Administration, with OIG assistance, has held briefings for top level managers to familiarize them with the Circular. In addition, a task force led by the Office of Administration with representatives from the OIG and several program offices, has developed and provided training to approximately 175 departmental personnel on performing vulnerability assessments.

To disseminate policy decisions and reinforce training, the Office of Administration is issuing written guidelines in the form of a series of questions and answers. The OIG reviews and comments on the draft material. Various offices have also developed their own internal guidelines for meeting the Circular and HUD Directive objectives. The OIG has issued its own "Guide for Conducting Vulnerability Assessments" and offered it to other offices for their use. The OIG was assigned through the departmental Committee on Fraud, Waste and Mismanagement (CFWM) to develop HUD's consolidated internal control handbook. The OIG staff will work closely with other Headquarters Primary Organization Heads to combine all internal control requirements into a single integrated system of control. This is discussed in greater detail in Chapter 3.

A planning group of the Committee on Fraud, Waste, and Mismanagement periodically meets to identify and resolve policy issues relative to the Circular's implementation. Also, the Office of Administration and the OIG

meet on a regular basis to review progress, problems, and plans. They also meet with program offices to facilitate their implementation efforts. The Office of Administration is in process of developing a tracking system to ascertain the status of completion of vulnerability assessments.

To carry out the OIG's independent overview of agency compliance with the Circular, we plan to conduct a comprehensive review of the vulnerability assessment phase of the Directive requirements in FY 1983. Ongoing audits will continue to include reviews of internal controls.

3. Joint Review of the Headquarters Performance Evaluation Process

Headquarters Performance Evaluations are site reviews of Field Offices by a team of Headquarters staff. A project was undertaken at the request of the Deputy Under Secretary for Field Coordination in response to his concerns over the efficiency and

effectiveness of Headquarters Performance Evaluation Reviews of Regional Offices. In discussions with the Inspector General (IG), an agreement was made to have a member of the IG staff accompany the Headquarters teams on the remaining two reviews for the fiscal year. The purpose was to observe the review process and, working with Office of the Deputy Under Secretary for Field Coordination staff, to develop suggestions or comments for improving the reviews.

The resulting project report identified the need to more clearly focus the objectives of the reviews and target on problem-prone offices. In addition, several specific suggestions were made for improving routine review practices which would increase the effectiveness of the teams' efforts. The results were discussed with the Deputy Under Secretary for Field Coordination on October 8, 1982, who thereafter directed his staff to implement many of the suggested changes.

Interagency Projects

1. Project MATCH

In our last three Semiannual Reports, we reported on a cross-match effort undertaken by Department of Agriculture (USDA) auditors in Tennessee concerning recipients of food stamps in Memphis. During the current semiannual reporting period, HUD staff in Atlanta, Georgia, participated in the computer matching project with USDA. Our participation included reviewing cases referred by USDA to identify those individuals who received rental housing assistance and determine whether they are oversubsidized because of unreported income; and referring for prosecution or administrative action those cases which involve excess subsidies.

During the last six months, 177 cases were referred for investigation. Unreported annual income on these cases amounted to \$761,000. Based on this figure, annual rents would

have increased by \$121,000 if such income had been reported as required.

During this reporting period, our staff also started to implement the tenant income verification program at the Atlanta Housing Authority. A file containing tenant-supplied income data was obtained from the Authority. The Department of Labor's Inspector General staff in Atlanta matched the tenant data to wage and unemployment compensation data from the State of Georgia. We are refining the resulting matches for use in identifying program participants who underreported their income.

This approach, which involves a direct match of tenant-supplied income data to other income data sources, differs significantly from our prior matching efforts. Previously, we reviewed only cases involving persons who underreported income for

food stamps. The new approach will enable us to determine the extent to which underreporting of income for housing subsidies is independent of underreporting for food stamps.

Our staff also initiated a similar project for verifying income data which tenants supplied to the Public Housing Authorities (PHA's) serving Washington, D.C., Montgomery and Prince Georges Counties in Maryland, and Fairfax County and the City of Alexandria in Virginia. Computer programs were developed to extract

needed data from the PHA's automated files.

In addition, we have used automated techniques at the PHA in Washington, D.C., to determine whether cases referred to HUD by the USDA Inspector General, which involve income underreporting for food stamps, also involve income underreporting for housing subsidies. We plan to follow up in fiscal year 1983 on cases referred to us by the USDA Inspector General.

State and Local Government Projects

1. Implementation of the Single Audit Concept

Attachment P to OMB Circular A-102, "Uniform Administrative Requirements for Grants-in-Aid to State and Local Governments," issued in 1979, provides for a single audit that encompasses all grants or activities of an organization that receives Federal funds. Federal agencies have been required to issue regulations necessary to implement the provisions of the Circular.

During the semiannual reporting period, we have participated in the implementation of the single audit concept through programs of orientation and education. In June 1982, we conducted a one-day seminar for our Regional Inspectors General for Audit (RIGA's) to provide them with material that could be used to develop uniform presentations. The RIGA's will orient grantees, auditors, and program staffs. They are coordi-

nating their efforts with the Regional Intergovernmental Audit Forums. Some features of their plans are to: (1) contact recipient organizations for which HUD is the cognizant agency (if contact has not already been made); (2) contact officials in Regional and Area Offices and Headquarters and arrange/offer to conduct briefings for the program staff; (3) initiate regional training programs for Independent Public Accountants conducting audits of federally-assisted programs or offer to make presentations on Attachment P to State Societies of Certified Public Accountants; and (4) continue coordination and cooperation with HUD program staff on any matters related to Attachment P.

To date, briefings of HUD program staff have begun, and contacts have been made with several State Societies of Certified Public Accountants. We are continuing our cooperation with the State Societies and the Intergovernmental Audit Forums in working toward completion of this project.

Review of Legislation and Regulations

During the current semiannual reporting period, we reviewed a number of legislative bills and regulations relating to the economy and efficiency of programs and operations and the prevention and detection of fraud and abuse. This included a review of 58

proposed/revised regulations, and 68 legislative bills.

Some of the more significant legislative proposals on which we commented are described as follows.

Legislation

S.2274 amends the Inspector General Act of 1978, P.L. 95-452, to establish Inspectors General in the Departments of Defense, Justice, and Treasury, and makes other technical and reporting changes. We favor all proposals except the one extending the Inspectors General subpoena authority to include testimonial evidence. We agree with the Legislative Committee of the President's Council on Integrity and Efficiency position that this proposal might infringe upon traditional Grand Jury functions and, under certain circumstances, could hamper their deliberations. Experience with our present subpoena power shows that we have sufficient power to develop evidence. Other specific comments are:

- Amending Section 3 to establish conditions for tenure or removal of Inspectors General from office to enhance their status and credibility as objective and nonpolitical officials is favored. Any inference that Inspectors General could be subjected to political pressure would be avoided.
- Amending of the authority to designate acting Inspectors General to enhance the continuity of OIG operations in the event of unplanned absences of Inspectors General is supported. Further, we recommend broadening the amendment to become a general succession of authority rather than limiting delegation to the Deputy Inspector General.
- Requiring uniform reporting periods for all Inspector General reports to Congress is endorsed. However, we continue to support the present semiannual reporting periods rather than an annual one, in order to

maintain management attention and the prompt resolution of those matters reported.

- Amending Section 6(c) to authorize separate appropriations for Offices of Inspector General is favored. Control of budget submissions and execution enhances Inspector General independence. Greater operating stability could result where Inspector General appropriations are not delayed in awaiting approval of agency appropriations.

H.R. 6266, the Waste and Abuse Information Collection Act, extends Federal protections and awards to private sector personnel who report fraud, waste, or abuse under any contract, loan application, or cooperative agreement to Federal authorities. We have serious reservations concerning the need for and the administrative practicality of this Bill. Instead, we prefer a bill to encourage private sector employers to strengthen their own systems using Federal technical assistance or cost sharing. The primary matters that concern us are:

- Establishing an Office of Management and Budget (OMB) toll-free telephone "hotline" duplicates existing facilities at the Federal Bureau of Investigation, General Accounting Office, and the Offices of Inspector General in various Federal Departments and Agencies.
- Providing employee confidentiality as described in the Bill may obstruct investigations or prosecutions.
- Extending Federal employee "whistleblower" protections to private sector employees and investigating numerous allegations of adverse em-

ployer actions would be costly and difficult to administer. Past experience shows that about 75 percent of all allegations are not substantiated.

- Failing to provide guidelines or procedural safeguards in the Bill may result in a lack of consistent application throughout the Government.

- Excessively encouraging private sector employees to make allegations to obtain overly generous awards will unnecessarily reduce the quality of such allegations and may be costly and disruptive to employers. Further, the Bill could create State and local government jurisdictional problems through encouraging employees to bypass existing organizations established to deal with State or local violations.

H.R. 5433 amends the Housing Act of 1937 to provide public housing agencies (PHA's) more flexibility in their use of allocated funds. We believe this amendment weakens an important fiscal control of financially troubled PHA's and recommend retaining separation between the funding of current operations and new developments. Specific matters that concern us are:

- Inefficient and wasteful practices could be perpetuated by making capital construction funds available for operating purposes.

- Policies adopted by the Municipal Finance Officers Association for State and local government accountability recommend the separation of current operating funds from capital funds. PHA's, as quasi-governmental units, should adhere to these policies.

S.2363 amends the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 to: (1) reduce Federal intrusions and burdens on State and local government; (2) broaden the classes of displaced persons; (3) raise the ceiling for moving expenses to compensate for inflation; and (4) eliminate windfalls, program duplication and abuse in the implementation process. Specific matters that concern us are:

- Limiting the receipt of relocation assistance to U.S. citizens and certain legal aliens.

- Clarifying Title II (Section 213) provisions requiring agencies to effectively monitor policies, issues or problems as well as perform other duties.

- Maintaining the Federal right of preemption of State or local laws concerning acquisition of real property. The proposed Title III (Section 301) limits such rights to either national security reasons or other specific provisions by the Congress.

Regulations

Amendments were proposed to **24 CFR (Parts 215 and 880-886)** implementing statutory preferences for persons involuntarily displaced into substandard housing. We did not concur with the proposed amendments as they did not provide sufficient program eligibility verification procedures to prevent potential abuse, nor would they apply uniformly among Public Housing Authority administrators. Our specific recommendations were that:

- Documentation of applicants' incomes for eligibility should be more specific and uniform.

- Verification of applicants' documentation should be specified prior to determination of eligibility.

The draft regulations were revised to accommodate our concerns, by referencing eligibility and personal income verification requirements contained in another HUD Handbook.

24 CFR (Parts 201, 207, 220, 232 and 250) amends sections of the National Housing Act to provide for interest charges on delinquent remittances of mortgage insurance premiums from mortgagees.

We did not concur in this proposed rule as it provided for a fixed rate of interest to be established by the Sec-

retary rather than complying with governmentwide Department of Treasury requirements for an interest rate which floats with the current cost of Treasury borrowing. We also believe that the HUD Office of Finance and Accounting would be unable to bill interest charges to mortgagees for specific mortgages, thus weakening HUD's administration of the rule.

Requests for Information Or Assistance

As required to be reported by law, the following describes any instances in which information or assistance requested by the Inspector General was unreasonably refused or not provided. It also includes cases during the reporting period in which we exercised subpoena authority.

1. Unreasonable Refusal or Non-Provision of Requested Information or Assistance – No instances were reported to the HUD Secretary during the semiannual reporting period.

2. Subpoenas Issued

During the reporting period, we found it necessary to exercise our subpoena authority in fourteen cases. Four of the subpoenas were issued with respect to investigations, and ten were issued in connection with audits. We are seeking enforcement in District Court of seven subpoenas issued in connection with audits.

Debt Collection

The Supplemental Appropriations and Rescission Act of 1980 and related Appropriations Act of 1981, with respect to HUD and other Independent Agencies, require each applicable agency to take immediate action to: (1) improve collection of overdue debts; (2) bill interest on delinquent debts; and (3) reduce the

amounts of debts written off as uncollectible. The Debt Collection Act of 1982 was passed by the Congress during this reporting period. This Act will require each independent agency with outstanding debts to report annually to the Director of the Office of Management and Budget and the Secretary of the Treasury on the status of loans and accounts receivable.

The actions being taken by HUD in response to the current Acts were initially covered in our report to the Congress for the six months ended September 30, 1981. Additional actions taken by HUD were also described in our report for the six months ended March 31, 1982. Significant actions taken since that date include:

- Focusing on debt management, delinquency reduction, and cash collections.
- Alerting the Department to the size of its debt management responsibility (\$14.9 billion in debt and \$1.4 billion in delinquencies at June 30, 1982).
- Improving cash collections and reducing delinquencies in a period of sharp economic decline. For example, improving collections in Title I to their highest level in 48 years and collecting \$8 million in delinquent pre-

miums by the Office of Finance and Accounting.

- Establishing specialized debt collection groups in Regional Offices.
- Initiating comprehensive long-term changes to improve debt collection. For example, the effective implementation by HUD of the Single-Family Monthly Premium Collection System.
- Awarding a two-year \$2.89 million contract to help administer HUD's debt collection activities.

Information contained in the above narrative and in the accompanying table was provided by HUD's Task Force on Debt Collection and Loan Servicing. This data has not been audited by our office. The Statistical Data, as of June 30, 1982, is the latest data available.

Debt Centers Ranked by Priority Tiers
(Dollars in Million)

June 30, 1982
(Prepared 8/17/82)

	No. of Accounts	Total Debt From Public		No. of Accounts	Dollars Owed Delinquent	Dollars Owed
		Total	Dollars Owed Delinquent			
I. First Tier						
MF Mortgage Notes	2,110	\$ 4,110.66	\$ 981.54 2/ 3/	1,206	\$ 866.70 2/ 3/	
Title I Defaulted Notes	62,261	166.80 9/	166.80 2/ 9/	62,261	166.80 2/ 9/	
SF Mortgage Notes	24,655	555.54	80.68 2/ 4/	17,778	168.29 2/ 4/	
Section 312 Loans	64,771	757.06	21.81 5/	2,411	20.38 5/	
Section 202 Loans	1,682	3,474.38	18.17	106	10.24	
II. Second Tier						
Housing:						
MF 106b Nonprofit Loans	133	2.23	.91	45	.91	
MF Premiums	191	10.22	1.14	20	.29	
SF Premiums	5,173	291.38	7.63	2,338	3.44	
Public Housing:						
Loan Fund (86x4098):						
Permanent Loans	2,256	160.85	5.47 6/ 7/	183	4.84 6/7/	
Preliminary Loans	782	22.95	1.89 7/	49	1.49 7/	
Administrative Loans	4	5.79	4.11 7/	4	4.11 7/	
Other	6	1.38	1.19 7/	6	1.12 7/	
Loan Fund Subtotal	3,048	190.97	12.66	242	11.56	
Housing Payments (86-0139):						
Section 8	144	3.43	2.28	46	.82	
Section 23	24	.93	.48	8	.22	
Residual Receipts	410	4.11	4.11	360	3.30	
Capitalized Interest	6	.22	.22	6	.22	
Rent Supplement	61	.09	.07	28	.03	
235 Mortgage Interest Overpayments	29	.03	.03	13	.01	
236 Interest Reduction	3	.32	.32	3	.32	
Housing Payments Subtotal	677	9.13	7.51	464	4.92	
GNMA:						
Emergency Mortgage Purchase Assistance	2,766	905.76	.56	18	.40	
Mortgage-Backed Securities	812	12.90	2.42	12	2.39	
Special Assistance Fund	54,851	3,632.43	5.24	312	4.31	
Management & Liquidation	28,023	113.79	.47	137	.37	
III. Third Tier						
CPD:						
Urban Renewal	6	2.80	.02	1	.02	
CPD Sustained Audit Findings	230	59.44	52.81	188	42.19	
NCDC	30	27.25	1.52	3	1.52	
Housing:						
Revolving Fund (Liquidating Programs) (86x4015)						
Public Facility Loans	1,437	429.53	8.85	48	8.61	
Public Works Planning	1,296	30.32	.70	34	.44	
Public Agency Loans	14	2.85	.63	2	.61	
Other	5	.98	.03	2	.02	
Revolving Fund Subtotal	2,752	463.68	10.21	86	9.68	
SF Deficiency Judgments	N/A	N/A	N/A	N/A	N/A	
Title I Premiums	664	.56	.56	48	.05	
MF Appalachian Housing Assistance	16	.40	.39	15	.39	
Sustained Audit Findings	51	26.06	26.06	44	25.93	
Other	N/A	28.65	6.57	N/A	5.98	
Administration	210	.39	.37	110	.33	
Total	255,112	14,842.48	1,406.05	87,845	1,247.09	
Other Receivables						
Housing:						
FHA Sustained Audit Findings	3	.11	.11	3	.11	
MF Delinquent Rents (Tier II)	7,346	3.47	3.47	N/A	N/A	
SF Delinquent Rents (Tier II)	4,381	4.54	4.54	N/A	N/A	
Alaskan Remote Housing Program (Tier III)	1	.80	.80	1	.80	
Administration:						
Travel Advances (Tier II) 8/	2,091	.63	.14	126	.06	
Emergency Salary Advances	56	.03	.03	54	.03	
Subtotal	13,878	9.58	9.09	184	1.00	
Grand Total	268,990	14,852.06	1,415.14	88,029	1,248.09	

1/ Represents amounts overdue for more than ninety days.

2/ Includes debt delinquent under the terms of the original debt instrument, i.e., rescheduled or workout agreements are not represented.

3/ Includes accelerated debt in foreclosure of \$563.3 million as of March 31, 1982. At September 1981, debt in foreclosure was \$521.4 million.

4/ Includes accelerated debt in foreclosure of \$17.2 million as of June 30, 1982. At September 1981, debt in foreclosure was \$11.0 million.

5/ Estimated by CPD.

6/ Reduction in delinquency is due to a change in the basis. Delinquency is determined on the final actual development cost certificate versus the minimum development cost certificate.

7/ Represents delinquent balances as of May 31, 1982.

8/ Does not include Chicago Regional information.

9/ Includes \$13.4 million estimated for claims received but not paid and \$4.68 million estimated for 1,437 claims paid which have not been forwarded to the Field Offices for collection. In addition, it does not include \$304 thousand estimated for 152 accounts closed out by the Field Offices but not yet processed by the accounting system.

Audit Resolution

The Inspector General Act requires the reporting of all significant recommendations described in previous Semiannual Reports to Congress which remain unresolved, and for which corrective action has not been completed.

The Supplemental Appropriations and Rescission Act of 1980 and the Appropriations Act of 1981 require that any new audits involving questioned costs be resolved within six months, and that the Inspectors General include in their reports to Congress a summary of unresolved audits including total numbers, dollar amounts, status, age and other related information.

These provisions have resulted in a twofold problem. The first concerns the resolution of findings for which corrective action may not be ultimately achieved. For example, we reported that resolution was achieved on action taken on findings at the Philadelphia Housing Authority.

Many of the findings involve disallowed costs and recommendations for the return of those funds. However, from a practical standpoint, the return of the funds is unlikely. This is because of the dollar magnitude of the problem coupled with the fact that the Housing Authority receives its funding from Federal subsidies. We plan to study this issue, identify the extent to which it is occurring, and recommend appropriate measures to prevent future occurrences.

A second issue is definitional. There are differences in requirements between the Inspector General Act and the Supplemental Appropriations Act of 1981 in that the first requires "completion" and the latter "resolution." Completed action may be broadly interpreted, and there are currently some differences as to whether resolution and completed actions may be understood to mean the same. Both OMB and Congress are aware of the interpretational differences and are reviewing the matter.

Followup on Audit Findings

- Open audit findings at 3/31/82 – 1,699
- Audit findings issued during the period – 3,869
- Audit findings resolved during the period – 3,916
- Audit findings unresolved at 9/30/82 – 1,652

All significant audit recommendations from our last Semiannual Report have been resolved. HUD management has provided the OIG with written determinations of the corrective actions to be taken. In addition, they have initiated and, in many cases, completed corrective actions.

Following is a listing of eight unresolved audits which were over six months old at the end of the period.

<i>Title</i>	<i>Date Issued</i>	<i>No. of Findings</i>	<i>Amount</i>
Crow Creek Housing Authority (80-DE-202-1047)	1/8/80	1	\$ -0-
City of Santa Paula, CA – CDBG (80-SF-244-0018)	7/10/80	3	\$ 462,728
Blackfoot Indian Housing Authority (80-DE-202-2059)	9/2/80	4	\$ -0-
City of Miami, AZ – CDBG (82-SF-243-2004)	10/6/81	2	\$ 173,763

<i>Title</i>	<i>Date Issued</i>	<i>No. of Findings</i>	<i>Amount</i>
Whitman Park Townhouses (82-PH-109-0001)	10/6/81	1	\$ -0-
City of Leesburg, FL - CDBG (82-AT-203/243-1004)	10/23/81	1	\$ 25,242
Lincoln County, MN - CDBG (82-CH-243-1047)	2/18/82	1	\$ 250,000
County of Beaver, PA - CDBG (82-PH-241-1021)	3/19/82	2	\$1,193,888
TOTAL		15	\$2,105,621

Resolution of General Accounting Office Findings

In addition to internal and external audit finding followup and clearance, HUD managers are responsible for taking appropriate action on the recommendations addressed to the Department in GAO reports. The corrective actions are to be initiated promptly on recommendations in draft as well as published reports. Our GAO Liaison Officer acts as a focal point for accumulation of information from Primary Organization Heads on actions promised and/or taken by HUD on GAO recommendations. Using the input from various offices in HUD, we furnish the Under Secretary with a summary report each quarter on the status of corrective actions on all GAO report recommendations. Information furnished is measured against established criteria for resolving

ing GAO findings. When HUD's response satisfactorily addresses a GAO recommendation, or when HUD management nonconcurs in a recommendation for valid reasons, the recommendation is reported as closed. The final authority for resolving GAO audit findings is vested in the Under Secretary who is HUD's audit follow-up official.

- Recommendations open at 4/1/82 - 76
- Recommendations issued during the period - 23
- Recommendations closed during the period - 56
- Recommendations open at 9/30/82 - 43

Cash Recoveries/ Savings

During the semiannual reporting period, Office of Inspector General and non-Federal audits of HUD program participants were instrumental in recovering significant amounts of improperly used funds and identifying possible waste, noncompliances and program abuses. Highlights for the six-month period are as follows:

- Cash recoveries/savings resulting from audits - \$28.5 million.
- Questioned/disallowed costs sustained by HUD management - \$45.1 million.
- Value of unresolved audit findings - \$46.7 million.

The following table provides additional details:

Audit Findings and Cash Recoveries/Savings

(Dollars in Thousands)

	Dollar Value of Reported Audit Findings			Current Activity						Amounts Due		
				Audit Findings Sustained			Cash Recoveries/Savings					
	OIG	Non-Federal	Total	OIG	Non-Federal	Total	OIG	Non-Federal	Total	OIG	Non-Federal	Total
<i>Activity on Audits Issued From April 1, 1982 to September 30, 1982</i>												
Housing	15,156	24,384	39,540	3,564	13,824	17,388	350	3,917	4,267	3,213	10,135	13,348
CPD	23,399	19,959	43,358	850	4,102	4,952	99	775	874	751	3,320	4,071
Admin.	842	0	842	270	0	270	2	0	2	24	0	24
Other	72	0	72	67	0	67	0	0	0	67	0	67
Subtotal	39,469	44,343	83,812	4,751	17,926	22,677	451	4,692	5,143	4,055	13,455	17,510
<i>Activity on Audits Issued Prior to April 1, 1982</i>												
Housing	53,297	61,856	115,153	5,409	1,533	6,942	4,362	2,260	6,622	23,143	30,351	53,494
CPD	92,051	330,292	422,343	2,037	13,103	15,140	2,332	14,480	16,812	21,631	26,542	48,173
Admin.	4,255	0	4,255	351	0	351	1	0	1	483	0	483
Other	5	0	5	0	0	0	0	0	0	1	0	1
Subtotal	149,608	392,148	541,756	7,797	14,636	22,433	6,695	16,740	23,435	45,258	56,893	102,151
Total	189,077	436,491	625,568	12,548	32,562	45,110	7,146	21,432	28,578	49,313	70,348	119,661

Appendix 1

Background, Organization, and Staffing

Establishment

The Office of the Inspector General (OIG), Department of Housing and Urban Development (HUD), was established on January 29, 1972, and became a matter of law with the signing of the Inspector General Act of 1978, P.L. 95-452, on October 12, 1978.

Role and Authority

The HUD Inspector General heads an independent organization responsible for audit, investigation, fraud control and designated security services relating to programs and operations of HUD.

The Inspector General reports directly to the Secretary of HUD and has authority to inquire into all programs, grants and activities of HUD and related parties. These inquiries may be in the form of audits, surveys, criminal and other investigations, personnel security checks or other inquiries, as appropriate.

Pursuant to the Inspector General Act of 1978, the Inspector General is responsible for providing leadership, supervision and coordination; for recommending policies to promote economy, efficiency, and effectiveness; and for detecting and preventing fraud and abuse in the administration of programs and operations of the Department. In this regard, the Inspector General is responsible for keeping the Secretary and the Congress fully and currently informed about problems and deficiencies in HUD programs and operations, and the necessity for, and progress of, corrective actions.

Organization and Staffing

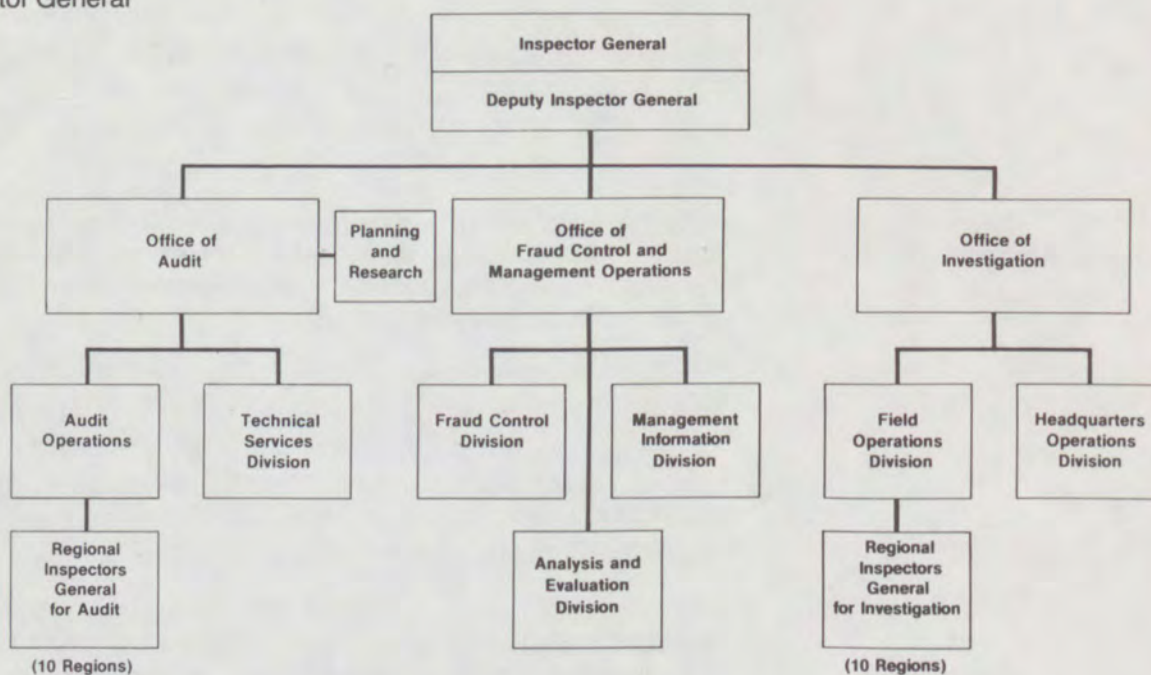
The Office of the Inspector General consists of three major offices, each headed by an Assistant Inspector General. These offices are the: (1) Office of Audit; (2) Office of Investigation; and (3) Office of Fraud Control and Management Operations.

Within each of HUD's ten Regions is a Regional Inspector General for Audit and a Regional Inspector General for Investigation who direct a staff of auditors and investigators, respectively, and who report to the appropriate Assistant Inspector General in Headquarters.

Organizational and Staff Distribution Charts follow.

**Department of Housing and
Urban Development**

Office of Inspector General



**Staffing Distribution
FY 1982**

	Headquarters	Field	Total
Inspector General	6	—	6
Office of Audit	64	300	364
Office of Investigation	20	84	104
Office of Fraud Control & Management Operations	36	—	36
Total	126	384	510

Glossary of Terms

Accounting System Evaluation	An external review to determine whether a recipient's accounting system is capable of furnishing accurate and timely financial reports consistent with the requirements of the Department.
Cash Recoveries/Savings	Cash recoveries and cash savings include those sustained questioned or disallowed costs for which money is: (1) returned to HUD; (2) reimbursed to programs or projects funded by HUD; (3) reimbursed to projects whose mortgage loans are made or insured by HUD; or (4) offset against future grants. These recoveries/savings result from external, and in some cases internal, audits and are reported only after evidence has been received that the Department's program costs have actually been reduced.
Committee on Fraud, Waste, and Mismanagement	A departmental committee established in November 1978 to advise the Secretary on policy matters associated with minimizing occurrences of fraud, waste, and mismanagement in HUD programs and activities.
Debarment	Debarment means an exclusion from participation in HUD programs for a reasonable, specified period of time commensurate with the seriousness of the offense or failure, or the inadequacy of performance.
Disallowed Costs	These are costs charged to a HUD-financed or insured program or activity which are not allowable by law, contract, or Federal, State or local policies or regulations.
External Audit	A review of the records and performance of grantees, borrowers, mortgagors, mortgagees and other contractors to determine compliance with the statutes, regulations, and terms and conditions of the agreements under which Federal funds are made available. The appropriate disposition of funds granted, loaned, or contributed is also determined.
Final Resolution	Final resolution occurs when the necessary corrective action on an audit finding and the selected recommendation as agreed upon by HUD management have been fully implemented or completed.
Finding, Closed	A finding in an issued audit report on which the recommended action has been completed or where sufficient action has been taken for all related recommendations to reasonably assure that corrective action will be completed to satisfy the intent of the finding. Therefore, the finding is no longer tracked under the Audits Management System.
Finding, Opened	A finding contained in an issued audit report that is being tracked under the Audits Management System. Either corrective action has not been completed or there is insufficient assurance that it will be completed.
Finding, Resolved	A finding on which HUD management has made a determination with respect to the action that is to be taken. This determination can be made when an agreement is reached between the OIG and action official or when a decision is made by an Audits Review Group or a higher level in the audit clearance process.

Finding, Unresolved	A finding on which no determination has been made by HUD management on the corrective action to be taken.
Fraud Vulnerability Assessment System	A management control check system which applies to all new or substantially revised HUD programs. Basic elements of the system include: (1) an analysis of a proposed program's vulnerability; (2) a statement describing the management controls that will be incorporated into a program to minimize fraud, waste, and mismanagement; and (3) a summary for top management's consideration detailing the risks associated with a given program and the cost of management controls that could overcome identified risks.
Internal Audit	An independent review of programs and operations designed to determine: (1) the propriety of financial operations and reports; (2) compliance with laws and regulations; (3) the effectiveness of operating procedures; (4) the efficient management of resources; and (5) effective achievement of desired results and objectives.
Investigation Case Pending	Any open investigation case which is either being tracked by the OIG or conducted by the OIG, the FBI, or other authority, on which a final report of investigation has not been issued to a prosecuting authority or HUD action official, and which has not been closed.
Management Control Assessment System	A system wherein HUD Primary Organization Heads are responsible for completing quarterly management control assessments which are designed to measure the existence and effectiveness of management controls in HUD's existing programs and functions.
Questioned Costs	These are costs charged to a HUD-financed or insured program or activity whose eligibility cannot be determined at the time of audit. These costs require a future decision on the part of HUD program officials regarding their eligibility. This decision can involve a legal interpretation or clarification of departmental policies and procedures, or can be contingent upon review of supporting documentation.
Survey	A fact-finding review designed to obtain and analyze information on a program or activity to identify matters warranting detailed examination or analysis.
Suspension	Suspension means a disqualification from participation in HUD programs for a temporary period of time because a contractor or grantee is suspected upon adequate evidence of engaging in criminal, fraudulent, or seriously improper conduct.

Appendix 3

Listing of Officials - Actions on findings not Taken

As detailed in Chapter 1, "Promised Actions on Closed Findings Not Taken," the following is a listing of the responsible officials who were to

have taken action by September 30, 1982, to clear the audits where we found one or more findings uncorrected.

Audit Report Title and Number

Responsible Official (Report Addressee)

OIG Report on Audit of the Municipality of Guaynabo, Puerto Rico, Community Development Block Grant Program
(82-NY-241-1030)
Issued: 2/25/82

Jose E. Febres-Silva,
Area Manager, Caribbean
Area Office

*OIG Audit of Continental Management Corporation, Charleston, South Carolina, Multi-Project Management Agent
(81-AT-214-1046)
Issued: 5/12/81

Franklin H. Corley, Jr.,
Area Manager, Columbia
Area Office

IPA Audit of the City of Sanford, Florida, Public Housing Authority
(82-AT-202-2480)
Issued: 5/18/82

Harry I. Sharrott,
Area Manager, Jacksonville
Area Office

Audit of the City of Muncie, Indiana
(82-CH-241-2241)
Issued: 1/21/82

**Choice Edwards,
Acting Area Manager,
Indianapolis Area
Office

Audit of White Earth Reservation Indian Housing Authority
(82-CH-202-1001)
Issued: 10/1/81

Leon Jacobs, Director,
Office of Indian Programs,
Chicago Regional Office

* Promised Action was adequately implemented as of October 25, 1982.

**Denotes official no longer held the position shown at September 30, 1982.

Appendix 4

Audit Reports Issued

The Inspector General Act requires the identification of each audit report completed by the OIG during the reporting period. A graphic summary of reports issued is presented on page 71.

Internal Audit and Survey Reports

Report No.	Title	Issue Date
<i>Housing</i>		
82-BO-111-0004	Multifamily Workout Agreements for Secretary-Held Mortgages	07/16/82
82-PH-111-0008	Washington Area Office Actions Relating to the Monitoring of Glenarden Apartments	06/30/82
82-PH-111-0010	Review of Management Agents' Use of Identity-of-Interest Companies	09/28/82
82-AT-103-0008	Survey of Controls Over Data Reported by Tenants and Their Related Rent Payments	05/04/82
82-AT-112-0010	Physical and Financial Problems of Stonemont Forest Apartments	09/09/82
82-CH-112-0007	Review of Chicago Area Office's Processing of Change Orders	04/27/82
82-CH-113-0006	Effectiveness of Realty Specialists Monitoring of Project Managers - Detroit and Chicago Area Offices	04/23/82
82-CH-111-0009	Limited Review of Chicago Area Office's Operation of Southern Manor Nursing Home	06/08/82
82-KC-101-0005	Cochran Plaza - Turnkey Project	05/24/82
82-DE-103-0004	Section 8 Housing Assistance Payments Program	08/27/82
82-SF-101-0008	Los Angeles Area Office Processing of Selected Public Housing Agency Turnkey Projects	05/27/82
82-SE-101/111/113-0002	Special Review of Anchorage Area Office Housing Operations	05/12/82
82-AO-103-0007	Nationwide Audit of Year-End Spending Practices Under Section 8 Housing Assistance Payments Program	08/24/82
82-TS-111/112-0008	Management Input Into Processing Multifamily Housing Projects	07/06/82
82-TS-113-0010	Two Proposed Negotiated Sales of HUD-owned Multifamily Projects	07/19/82
82-TS-101-0011	Development and Modernization Funds Held by PHA's	08/12/82
82-TS-101-0012	Indian Housing Authority Architect Services and Fees	08/19/82
82-TS-113-0013	National Report on Transfer of Physical Assets in the Sale of Multifamily Projects	08/24/82

Report No.	Title	Issue Date
<i>Administration</i>		
82-BO-198-0005	Field Office Control and Use of IPA Audit Reports Which Are Not subject to OIG Review/Acceptance	09/28/82
82-NY-162-0005	Audit of Imprest Fund - Caribbean Area Office	04/27/82
82-PH-161-0009	Regional Accounting Division Operations	08/11/82
82-CH-169-0011	Survey of Overtime Use - Chicago Area Office	08/19/82
82-KC-162-0006	Control Over Receipt and Deposit of Funds Kansas City and Omaha Area Offices	07/29/82
82-DE-198-0005	Field Office Control and Use of Independent Public Accountant-Audit Reports Not Reviewed/Accepted by RIGA	09/21/82
82-AO-161-0006	Review of General and Program Accounting Groups Management, Practices and Procedures	04/16/82
82-AO-161-0008	Mortgage Insurance Premiums	09/27/82
82-TS-198-0005	Closeout of Internal Audit - Field Office Control and Use of Independent Public Accountant Audit Reports Not Review/Accepted by the OIG	04/27/82
<i>Fraud Control</i>		
82-CH-181-0008	Administrative Deficiencies Disclosed by Operational Survey - Cleveland Multifamily Service Office	04/28/82
82-TS-182-0009	Title I - Mobile Home Loans - Special Operational Survey	07/13/82
<i>Community Planning and Development</i>		
82-AT-145-0009	Compliance by CDBG Recipients with the Uniform Relocation Act	09/03/82
82-SF-156-0007	Internal Audit Survey - Grantee Bank Agreements for Community Development Block Grant Rehabilitation Financing of Loan Processing - San Francisco Regional Office	04/16/82
82-SF-141-0009	Monitoring of the City of Vallejo's Community Development Block Grant Program	08/24/82
82-SE-147-0003	Compliance by CDBG Recipient with the Uniform Relocation Act - Seattle Area Office	05/14/82
82-TS-141-0007	Monitoring and Controlling Operating Agencies	05/28/82

Report No.	Title	Issue Date
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New Communities Development Corporation

82-TS-175-0006	Closeout Review of Shenandoah, Ltd. New Community Project	04/30/82
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Fair Housing and Equal Opportunity

82-TS-174-0014	Pinecrest Manor - Congressional Complaint	09/02/82
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External Audit and Accounting System Evaluation Reports

Report No.	Title	Location	Issue Date
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Housing

82-BO-209-1033	Woonsocket Housing Authority	Woonsocket, RI	04/13/82
82-BO-222-1034	Blake Realty, Inc.	Quincy, MA	04/21/82
82-BO-202-1036	Lawrence Housing Authority	Lawrence, MA	05/07/82
82-BO-209-1039	Milford Housing Authority	Milford, CT	06/25/82
82-BO-212-1040	Roxse Homes, Inc.	Boston, MA	08/06/82
82-BO-214-1041	Promac, Inc.	Woonsocket, RI	08/16/82
82-NY-221-1039	Cortland Savings Bank	Cortland, NY	04/09/82
82-NY-221-1040	Vanguard Holding Corporation	East Meadow, NY	04/21/82
82-NY-221-1047	New York Guardian Mortgagee Corp.	Hempstead, NY	06/15/82
82-NY-221-1048	Southern Mortgage, Inc.	Ponce, PR	06/17/82
82-NY-202-1049	City of Asbury Park	Asbury Park, NJ	06/23/82
82-NY-212-1052	JEN-KEL, Inc.	Brooklyn, NY	07/06/82
82-NY-211-1056	Lexington Manor	Jersey City, NJ	08/13/82
82-NY-212-1059	Boro Management Corp.	Long Island City, NY	09/17/82
82-PH-214-1025	Glenarden Apartments	Glenarden, MD	04/29/82
82-PH-212-1026	Apartments for Modern Living	West Chester, PA	06/09/82
82-PH-219-1031	Congress Park	Washington, DC	08/12/82
82-PH-214-1032	Community Services, Inc.	Baltimore, MD	08/31/82
82-AT-212-1037	Eastridge Apartments Ltd.	Greensboro, AL	04/07/82
82-AT-211-1038	River Oaks Ltd.	Columbia, SC	04/22/82
82-AT-202-1040	City of Greensboro	Greensboro, NC	05/10/82
82-AT-209-1043	Asheville Terrace	Asheville, NC	05/24/82
82-AT-211-1046	Angel Apartments	Guntersville, AL	07/29/82
82-AT-212-1048	Eastland Terrace Apartments	Woodruff, SC	08/20/82
82-AT-211-1049	Rainbow Apartments Company	Rainbow City, AL	09/09/82
82-CH-212-1058	Karmenta Health Care Center	Madison, WI	04/30/82
82-CH-221-1055	Graham Mortgage Corporation	Southfield, MI	04/09/82
82-CH-211-1053	Edgewood Glen Apartments	Lansing, MI	04/01/82
82-CH-212-1059	Morristowne Apartments	Livonia, MI	05/07/82
82-CH-212-1061	Pinney Corporation	Indianapolis, IN	05/14/82
82-CH-212-1062	Yellowbird, Limited	Xenia, OH	05/19/82
82-CH-212-1063	Wexford Ridge Apartments	Madison, WI	05/21/82
82-CH-212-1064	Royal York Apartments	Columbus, OH	05/25/82

Report No.	Title	Location	Issue Date
82-CH-212-1065	Longwood Cooperative, Inc.	Cleveland, OH	05/27/82
82-CH-202-1066	Ypsilanti Housing Commission	Ypsilanti, MI	05/28/82
82-CH-222-1067	C.A. McCarthy & Associates	Midlothian, IL	05/28/82
82-CH-212-1073	Pierce North Apartments	Chicago, IL	07/27/82
82-CH-215-1074	Hallmark Management Associates Inc.	Cleveland, OH	07/30/82
82-CH-212-1075	Batavia Apartments	Batavia, IL	08/06/82
82-CH-212-1080	Lake Grove Village	Chicago, IL	08/24/82
82-CH-213-1082	Meadowview Court Apartments	Bowling Green, OH	08/26/82
82-CH-214-1077	Hallmark Management Associates Inc.	Cleveland, OH	08/10/82
82-CH-212-1084	Velora Apartments	Hiram, OH	09/15/82
82-CH-221-1085	The Northern Ohio Investment Company	Toledo, OH	09/27/82
82-CH-202-1086	Lansing Housing Commission	Lansing, MI	09/24/82
82-FW-212-1037	Marianna Manor Apartments	Marianna, AR	04/01/82
82-FW-202-1038	Housing Authority of Fort Worth	Fort Worth, TX	04/07/82
82-FW-202-1039	Special Operational Survey - Procurement and Construction Activities - Housing Authority of Texarkana	Texarkana, TX	04/09/82
82-FW-202-1040	Housing Authority of Austin - Cash Shortage	Austin, TX	04/28/82
82-FW-202-1041	Housing Authority of Austin - LIH Program	Austin, TX	04/28/82
82-FW-211-1043	Wesley Village Retirement Community	Oklahoma City, OK	05/28/82
82-FW-203-1044	Housing Authority of Kingsville	Kingsville, TX	06/03/82
82-FW-211-1046	Laguna Apartments, Phase II, Ltd.	Corpus Christi, TX	06/11/82
82-FW-212-1047	Apollo Plaza Apartments	Many, LA	06/29/82
82-FW-203-1048	Housing Authority of the City of Dilley	Dilley, TX	07/08/82
82-FW-203-1049	Housing Authority of the City of Dilley	Dilley, TX	07/08/82
82-FW-203-1050	Housing Authority of Cross County	Wynn, AR	07/08/82
82-FW-212-1051	Belton Gardens I and II Apart- ments, Belton, and Amarillo Garden Apartments, Amarillo	Belton & Amarillo, TX	07/13/82
82-FW-212-1052	Briarwood Apartments	Searcy, AR	07/16/82
82-FW-202-1056	Housing Authority of the City of Galveston	Galveston, TX	08/06/82
82-FW-211-212- 1057	Acadian Manor Apartments	Lafayette, LA	08/12/82
82-FW-203-1058	Housing Authority of City of Houston	Houston, TX	08/20/82
82-FW-203-1059	Oklahoma Housing Finance Agency	Oklahoma City, OK	08/27/82
82-FW-212-1061	Samuel Plaza Apartments	Corpus Christi, TX	09/10/82
82-FW-203-1064	Limited Review - Administrative Fees Claimed by San Antonio Housing Authority	San Antonio, TX	09/24/82

Report No.	Title	Location	Issue Date
82-KC-221-1011	Mid-American Equity Corporation	Independence, MO	04/06/82
82-KC-212-1014	Village Green Apartments	Peoria, IL	07/23/82
82-KC-212-1012	Hotline Complaint No. HHL-637- Lemay Manor Apartments	St. Louis Co., MO	07/13/82
82-KC-202-1015	Wichita Public Housing Authority	Wichita, KS	08/12/82
82-KC-211-1017	Castlewood Apartments	Davenport, IA	08/31/82
82-DE-215-1009	University Village Apartments	Bozeman, MT	05/14/82
82-SF-201-1022	Audit of the Procurement Function, City of Oakland Public Housing Agency	Oakland, CA	04/22/82
82-SF-201-1023	Audit of the Procurement Function, City of Los Angeles Public Housing Agency	Los Angeles, CA	04/22/82
82-SF-203-1024	Department of Housing and Community Development, State of California	Sacramento, CA	05/05/82
82-SF-212-1025	Capitol Manor	San Jose, CA	05/07/82
82-SF-214-1026	G&K Management Company, Inc.	Culver City, CA	05/28/82
82-SF-212-1027	Sierra Bonita Towers	Pasadena, CA	06/09/82
82-SF-212-1031	Watts Arms I	Los Angeles, CA	07/15/82
82-SF-212-1033	Univista Apartments, L & L Enterprises	San Francisco, CA	07/30/82
82-SF-202-1034	Fort Mojave Tribal Housing Authority	Needles, CA	08/11/82
82-SF-211-1035	Valley Mountain Regional Center, Inc.	Stockton, CA	08/13/82
82-SF-215-1036	CDC Management Corporation Westside Urban Development, Ltd.	Los Angeles, CA	08/20/82
82-SF-211-1038	President George Washington Manor I	Mt. Shasta, CA	08/31/82
82-SF-212-1039	Southgate Apartments	Carson City, NV	09/10/82
82-SF-202-1041	Sacramento Housing and Redevelopment Agency	Sacramento, CA	09/24/82
82-SE-209-1006	Idaho Housing Agency	Boise, ID	08/11/82
82-SE-211-1005	Greenwood Apartments	Nampa, ID	09/09/82
82-TS-221-1014	Western Pacific Financial Corporation	Newport Beach, CA	04/05/82
82-TS-229-1027	Limited Review - Vision Investment, Inc., et. al.	Waco, TX	07/07/82
82-TS-221-1020	World Mortgage Corporation	Caquas, PR	05/26/82
82-TS-221-1037	Pulte Home Corporation and ICM Mortgage Corporation	Lanham, MD	09/27/82

Report No.	Title	Location	Issue Date
<i>Community Planning and Development</i>			
82-BO-249-1032	City of Norwich	Norwich, CT	04/12/82
82-BO-241-1035	City of Fall River	Fall River, MA	04/23/82
82-BO-249-1038	City of Waterbury	Waterbury, CT	06/25/82
82-BO-243-1042	Town of Old Orchard Beach	Old Orchard Beach, ME	09/27/82
82-NY-257-1041	City of New York, Housing Preservation and Development	New York, NY	04/27/82
82-NY-244-1042	Village of Herkimer	Herkimer, NY	05/10/82
82-NY-241-1044	City of Paterson	Paterson, NJ	06/10/82
82-NY-244-1045	Municipality of Juncos	Juncos, PR	06/11/82
82-NY-241-1046	Jersey City Redevelopment Agency	Jersey City, NJ	06/11/82
82-NY-257-1051	City of New York, Department of Parks and Recreation	New York, NY	06/30/82
82-NY-241-1053	City of Utica	Utica, NY	07/09/82
82-NY-241-1054	Town of Huntington	Huntington, NY	07/21/82
82-NY-257-1058	Virgin Island Water & Power Authority	St. Thomas, VI	09/21/82
82-PH-248-1028	Borough of State College	State College, PA	07/30/82
82-PH-248-1033	Bensalem Township	Bensalem, PA	09/14/82
82-PH-241-1034	City of Weirton	Weirton, WV	09/15/82
82-AT-241/242-1039	City of Tuscaloosa	Tuscaloosa, AL	05/05/82
82-AT-242/243-1041	City of Lexington	Lexington, TN	05/13/82
82-AT-249-1042	City of Atlanta	Atlanta, GA	05/21/82
82-AT-241-1045	Hillsborough County	Hillsborough Co., FL	06/25/82
82-AT-241-1047	City of Jackson	Jackson, MS	08/05/82
82-CH-241-1054	City of Ann Arbor	Ann Arbor, MI	04/03/82
82-CH-241-1060	City of Green Bay	Green Bay, WI	05/10/82
82-CH-241-1068	City of Kalamazoo	Kalamazoo, MI	06/02/82
82-CH-242-1070	City of Wabasso	Wabasso, WI	06/16/82
82-CH-241-1072	City of Flint	Flint, MI	07/13/82
82-CH-241-1078	Sheffield Township	Lorain, OH	08/13/82
82-CH-243-1079	Niles Township	Niles Township, MI	08/20/82
82-CH-248-1076	City of Pine River	Pine River, MN	08/09/82
82-FW-243-1042	City of Henryetta	Henryetta, OK	05/21/82
82-FW-248-1045	City of Plainview	Plainview, AR	06/09/82
82-FW-243-1053	Sulphur Springs	Sulphur Springs, TX	07/15/82
82-FW-241-1055	City of Laredo	Laredo, TX	08/06/82
82-FW-243-1060	Roma	Roma, TX	09/03/82
82-FW-248-1063	Victoria	Victoria, TX	09/23/82
82-KC-241-1013	City of Wichita	Wichita, KS	07/16/82
82-KC-243-1016	City of Raymond	Raymond, IA	08/27/82
82-DE-248-1008	City of Box Elder	Box Elder, SD	04/19/82

Report No.	Title	Location	Issue Date
82-SF-241-1028	County of Los Angeles	Los Angeles, CA	06/10/82
82-SF-241-1029	County of San Joaquin	San Joaquin, CA	06/15/82
82-SF-241-1032	City of Vallejo	Vallejo, CA	07/16/82
82-SF-241-1037	City of Seaside	Seaside, CA	08/30/82
82-SE-241/242-1004	City of Seattle	Seattle, WA	07/08/82
82-SE-241-1003	City of Eugene	Eugene, OR	09/03/82
82-AO-258-1023	International Downtown Executives Association	Washington, DC	09/28/82
<i>Administration</i>			
82-BO-261-1037	Halcyon, Ltd.	Hartford, CT	06/08/82
82-NY-261-1043	The National Development Council	New York, NY	05/20/82
82-NY-262-1050	Bedford Stuyvesant Restoration Corp.	Brooklyn, NY	06/30/82
82-NY-261-1055	ECODATA, Inc.	New York, NY	07/23/82
82-NY-262-1057	National Urban League, Inc.	New York, NY	08/11/82
82-PH-262-1023	University of Pittsburgh	Pittsburgh, PA	04/20/82
82-PH-261-1024	National Center for Housing Management	Washington, DC	04/21/82
82-PH-262-1027	The Urban Land Institute	Washington, DC	07/16/82
82-PH-262-1029	International Center for Social Gerontology	Washington, DC	07/30/82
82-PH-262-1030	Urban Land Institute	Washington, DC	08/02/82
82-AT-262-1044	Kentucky Rural Housing & Development Foundation, Inc.	Louisville, KY	05/27/82
82-CH-262-1056	International Association of Assessing Officers	Chicago, IL	04/16/82
82-CH-262-1057	Leadership Council for Metropolitan Open Communities	Chicago, IL	04/20/82
82-CH-262-1069	Gamze-Korobkin-Caloger, Inc.	Chicago, IL	06/09/82
82-CH-261-1071	Cleveland State University	Cleveland, OH	06/30/82
82-CH-262-1081	South Austin Realty Association	Chicago, IL	08/26/82
82-CH-262-1083	American Planning Association	Chicago, IL	09/08/82
82-FW-261-1054	Mexican American Research Center	Austin, TX	08/06/82
82-FW-262-1062	Southwest Research Institute	San Antonio, TX	09/16/82
82-DE-263-1010	Ashby, Armstrong, Johnson and Company	Denver, CO	09/22/82
82-SF-262-1030	Kenneth Leventhal & Co.	Los Angeles, CA	07/07/82
82-SF-262-1040	Berkeley Planning and Associates	Berkeley, CA	09/15/82

Report No.	Title	Location	Issue Date
82-SE-262-1007	Portland Development Commission	Portland, OR	09/15/82
82-AO-262-1013	National Academy of Code Administration	McLean, VA	04/06/82
82-AO-261-1014	Council of State and Community Affairs Agencies	Washington, DC	04/28/82
82-AO-262-1015	Maryland Department of Economic and Community Development	Annapolis, MD	06/18/82
82-AO-261-1016	Comprehensive Marketing	Washington, DC	07/28/82
82-AO-262-1017	Support Center	Washington, DC	09/02/82
82-AO-261-1018	National Association of Neighborhoods	Washington, DC	09/10/82
82-AO-261-1019	Arnold & Porter	Washington, DC	09/15/82
82-AO-261-1020	Bert W Smith, Jr., and Co., Chartered	Washington, DC	09/17/82
82-AO-261-1021	National Puerto Rican Coalition	Washington, DC	09/20/82
82-AO-261-1022	Council of State Community Affairs Agencies	Washington, DC	09/20/82
82-AO-262-1024	Expand Associates	Silver Spring, MD	09/30/82

Government National Mortgage Association

82-TS-271-1014	Western Federal Savings and Loan Association	Denver, CO	04/02/82
82-TS-271-1015	Majestic Savings and Loan Association	Denver, CO	04/23/82
82-TS-271-1016	South Coast Mortgage Company	San Antonio, TX	05/06/82
82-TS-271-1017	First Security Bank of Utah, N.A.	Salt Lake City, UT	05/12/82
82-TS-271-1018	Metropolitan Federal Savings and Loan Association	Fargo, ND	05/12/82
82-TS-271-1019	Carruth Mortgage Corporation	Metairie, LA	05/12/82
82-TS-271-1021	Georgia Railroad Bank and Trust Company	Augusta, GA	06/08/82
82-TS-271-1022	Anaheim Savings and Loan Association	Anaheim, CA	06/11/82
82-TS-271-1023	Ralph C. Sutro Co.	Los Angeles, CA	06/11/82
82-TS-271-1024	Securities Intermountain, Inc.	Portland, OR	06/24/82
82-TS-271-1025	Citizens Fidelity Mortgage Co.	Louisville, KY	06/29/82
82-TS-271-1026	F&M Mortgage Company	Richmond, VA	06/29/82
82-TS-271-1028	Ann Arbor Mortgage Corporation	Plymouth, MI	07/08/82
82-TS-271-1029	James F. Messinger and Company, Inc.	Oak Lawn, IL	07/08/82
82-TS-271-1030	Crown Mortgage Company	Oak Lawn, IL	07/08/82
82-TS-271-1031	First Savings Association of Wisconsin	Milwaukee, WI	07/16/82
82-TS-271-1032	International Mortgage Company	Santa Monica, CA	07/20/82
82-TS-271-1033	First Manufactured Housing Credit Corporation	Albany, New York	08/27/82
82-TS-271-1034	Fort Wayne Mortgage Company	Birmingham, MI	09/08/82
82-TS-271-1035	James E. McGehee and Company	Memphis, TN	09/27/82
82-TS-271-1036	Third National Mortgage Company	Nashville, TN	09/27/82

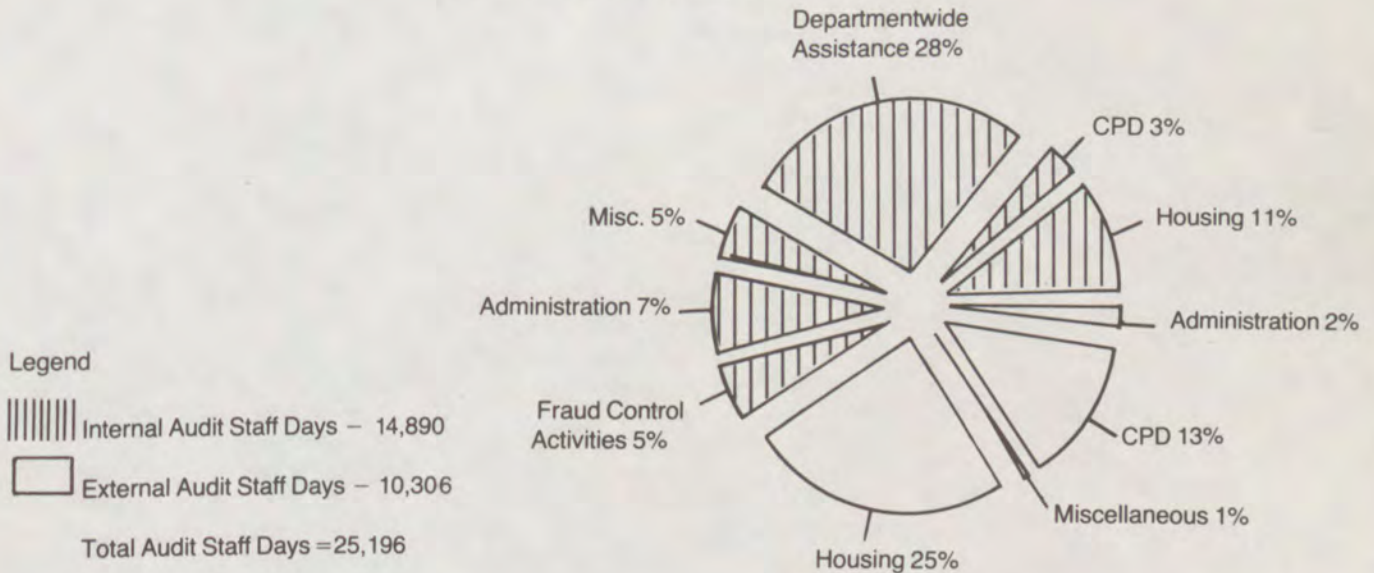
Assignment No.	Auditee	Region	Issue Date
<i>Audits Resulting in Memorandums Rather than Formal Audit Reports</i>			
1011026	Tax Exempt Financing of Section 8 Projects	Region V	07/30/82
<i>Terminated Audits/No Report Issued</i>			
1011110	Functional Audit of Public Housing Agencies	Region IX	04/23/82
1131119	Limited Review of the Disposition of Multifamily Project	Region I	09/30/82
2122038	Park Esplanade Apartments	Region VI	07/01/82
2142040	Multi Tech Management, Inc.	Region VI	08/30/82
2122017	Northwood Apartments	Region VII	08/01/82
2122011	Maple Hills Apartments	Region VII	05/13/82
2122061	Geneva Towers	Region IX	09/27/82
2122041	Acorn I and II	Region IX	08/09/82
2412039	City of Pawtucket	Region I	09/29/82
2412197	Denver CDBG Program	Region VIII	08/30/82
2412028	Richmond CDBG Program	Region IX	05/12/82
2412049	City of Lynwood CDBG	Region IX	09/23/82
2621012	National Urban Coalition	Headquarters	04/09/82

Audit Resources and Results

The charts below show distribution of audit staff time and reports issued by program area and type of audit.

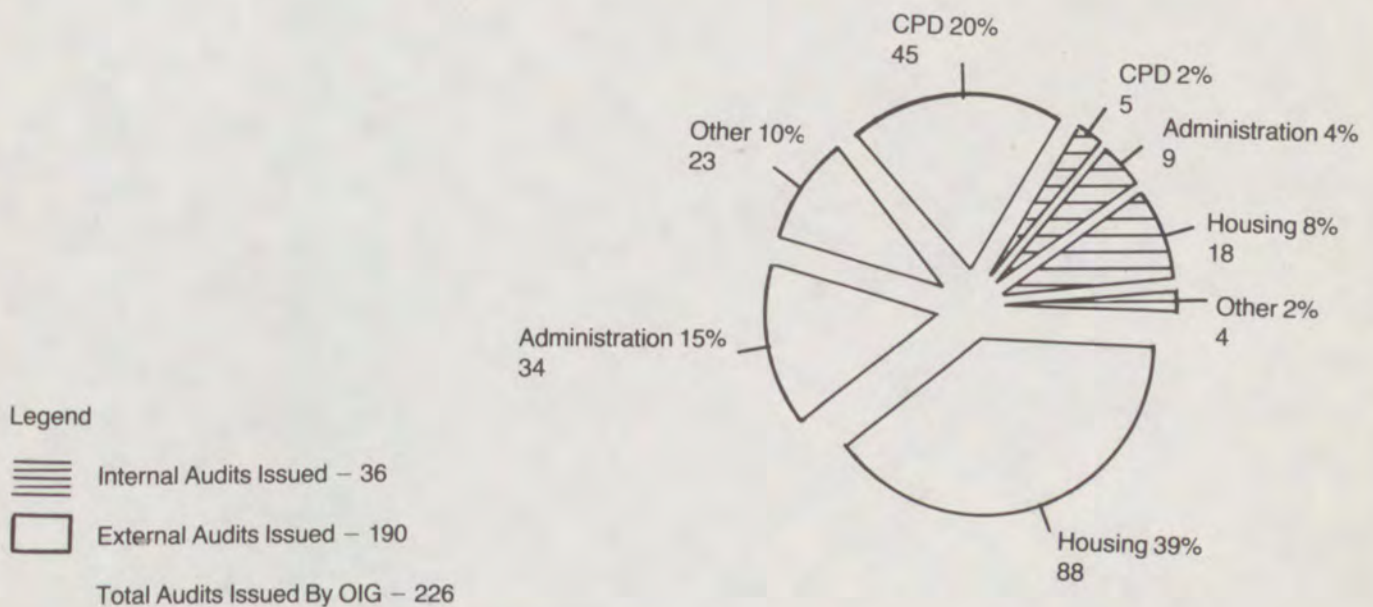
Distribution of Audit Staff Time by Program Area and Type of Audit

April 1, 1982 to September 30, 1982



Distribution of Audit Reports Issued By Program Area and Type of Audit

April 1, 1982 to September 30, 1982





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Room 8254

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