



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

Office of Inspector General Report to the Congress

Number 9

for the six-month period
October 1, 1982 to March 31, 1983

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

Report to Congress of the Inspector General for the Period
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In accordance with the Inspector General Act of 1978, I am transmitting this Inspector General's Semiannual Report to the appropriate committees and subcommittees of Congress.

The Office of the Inspector General is responsible for audit, investigation, fraud control and designated security 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 systematic improvement in Government, steps have been taken to remedy management problems, and to identify and correct inadequacies in the accounting and purchasing areas.

The Under Secretary has responsibility for the implementation of the recommendations of the Committee on Fraud, Waste and Mismanagement, and is working with the Office of Inspector General and each office within the Department to make needed changes. The Department continues to cooperate with the Inspector General on all issues, and to provide requested information and suggest possible areas for investigation.

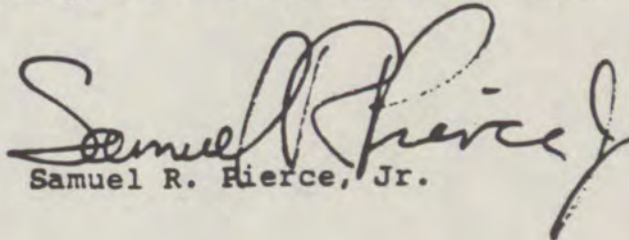
During the time frame covered by this report, the Department worked closely with the Inspector General on several issues. There was significant cooperation in areas which deserve specific recognition.

- o The Lump Sum Drawdown Program: This program has failed to leverage private funds for rehabilitation loans while allowing grantees to earn program income at substantial expense to the Government. The Office of Community Planning and Development reviewed the program, agreed that it should be eliminated, and is supporting legislation in the House and Senate for repeal of the program.
- o Mismanagement of CDBG funds by the City of Boston: The City of Boston used over \$5 million of its CDBG program for non-program related costs. The Office of Community Planning and Development supported the Inspector General's audit findings, and, as a result, investigations of CDBG-funded programs have been requested by the United States Attorney. HUD, OIG and other Federal investigative agencies are cooperating in the investigation.
- o OIG/Office of Finance and Accounting Joint Review: The OIG/OFA Review was a one-year effort designed to establish a systematic approach to identifying vulnerable accounting systems, document existing controls, and assess their effectiveness in preventing fraud, waste, abuse and mismanagement. Eight control reviews were completed and subsequent changes planned and implemented.

I would like also to submit some updated comments on a few specific issues addressed by the Report.

- o Inadequate Internal Controls Over Voucher Processing Invite Fraud: HUD's Office of Housing has agreed to corrective action via a memorandum dated April 26, 1983, "Audit of Control over Processing of Vouchers in Field Offices" to all Regional Administrators, Area Managers and Service Office Supervisors.
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- o Urban Renewal Land Sales: Adequate policies and procedures now exist to correct the problems identified by the Office of Inspector General if a grantee fails to comply with regulations requiring that land proceeds received after closeout be treated as program income and used before draw-downs occur under the Letter of Credit procedure. Monitoring should prevent further occurrences of this type.
- o Urban Project in Springfield, Massachusetts: The Area Office has taken action to resolve the audit findings cited.

In conclusion, I emphasize that HUD shares with the Office of Inspector General a desire to eliminate costly mismanagement within the Department, and anticipates continuing cooperative efforts.


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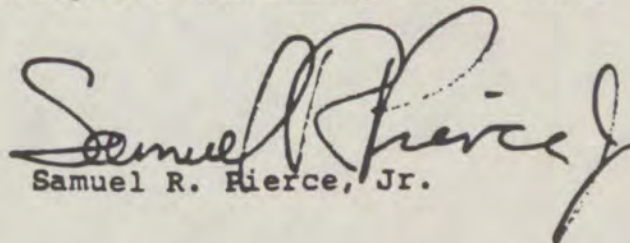
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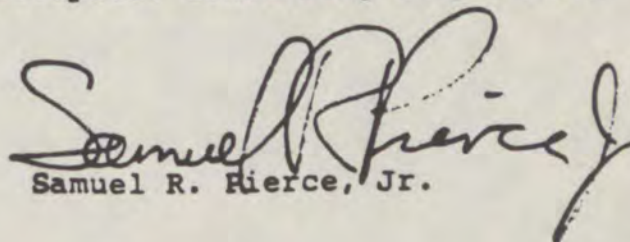
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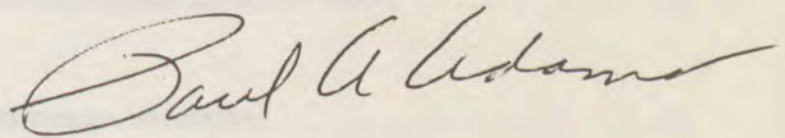
Foreword

This is our ninth report to Congress. This report presents highlights of our audit, investigation, and fraud control activities during the past six months. Cash recoveries and savings from audits amount to over \$21 million, and recoveries from investigations are a record \$6 million. We are actively involved in programs to promote prevention techniques both within our agency and in cooperation with other Federal efforts.

This report, as required by the Inspector General Act, provides a summary of the significant problems and recommendations made during the period. In general, the problems discussed focus on weaknesses in cash management and program compliance by the participants in HUD's programs. We are working with program managers to resolve and correct these problems.

One particularly frustrating item needs to be mentioned here. For almost two years our office has been working with program management to obtain legislation that would enable the Department to collect and use data for computer matches of applicant eligibility. The proposals have not been brought to the Congress for a vote due to a variety of reasons. Our efforts and related problems have been reported in the last two semiannual reports and now in this current one. We urge the Congress to take note of this matter and assist in the passage of this sorely needed legislation.

On February 24, 1983, Charles L. Dempsey was appointed Acting Inspector General at the Environmental Protection Agency.



Paul A. Adams
Acting 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 Rescissions 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
October 1, 1982
to
March 31, 1983

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Audit Activities

● Cash Recoveries/Savings (OIG and Non-Federal Audits)	\$21,501,000	59
● Questioned and Disallowed Costs Sustained (OIG and Non-Federal Audits)	\$47,970,000	59
● Internal Audit Reports Issued	51	76
● External Audit Reports Issued	182	76
● Non-Federal and Other Agency Reports Accepted	2,455	—
● Audit Findings Issued	3,694	60
● Audit Findings Resolved	3,613	60

Investigation Activities

● Cash Recoveries	\$6,338,725	32
● Total Fines Levied	\$365,125	32
● Investigation Cases Opened	753	30
● Investigation Cases Pending (3/31/83)	1,490	31
● Investigation Cases Referred for Prosecution	176	32
● Persons/Firms Indicted	170	32
● Persons/Firms Convicted	121	32
● Total Years of Prison Sentences	103 yrs.	32
● Total Years of Probated Sentences	251 yrs.	32
● Debarments of Persons/Firms Doing Business with HUD (years)	346 yrs.	—
● Suspensions of Persons/Firms Doing Business with HUD (years)	54 yrs.	—
● Personnel Actions Initiated Against HUD Employees	55	—
● HUD Employees Indicted	4	—
● HUD Employees Convicted	4	—
● Withdrawal of Mortgage Approval	1	—

Fraud Control Activities

● Special Fraud Control Projects Undertaken in Cooperation with HUD's Committee on Fraud, Waste, and Mismanagement	3	—
● Hotline Complaints Received	223	42
● Hotline Complaints Processed and Closed	280	43
● Hotline Complaints Pending (3/31/83)	296	—
● Proposed Legislative Bills and Regulations Reviewed	101	53
● Proposed HUD Handbooks/ Issuances Reviewed	122	53

Synopsis

This report contains selected operating results for the period October 1, 1982 to March 31, 1983. 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. Elimination of the \$266 Million Lump Sum Drawdown Program Recommended. The Lump Sum Drawdown program has failed to leverage private funds for rehabilitation loans while allowing grantees to earn program income at substantial expense to the Federal Government (page 11).

2. \$1 Million from Urban Renewal Land Sales Held by Grantees. Urban Renewal grantees failed to report and use about \$1 million in proceeds from land sales, thereby costing the Federal Government over \$90 thousand in interest expenses (page 12).

3. Better Monitoring of Program Income Could Result in Savings. HUD has not adequately monitored CDBG grantees to assure accountability and use of program-generated income (page 13).

4. Over \$5 Million in CDBG Funds Mismanaged. The city of Boston, Massachusetts, mismanaged its Community Development Block Grant program by using over \$5 million for non-program related costs (page 13).

5. Grantees Fail to Achieve Objectives in Rehabilitation Programs. Three grantees failed to achieve objectives in their rehabilitation programs by spending funds on ineligible recipients, allowing unauthorized improvements or repairing homes inadequately (page 14).

6. UDAG Project Funds in Jeopardy — May Cost HUD \$2.8 Million. The city of Springfield, Massachusetts, did not administer its Urban Development Action Grant program in compliance with HUD regulations or act appropriately to reduce costs to HUD (page 15).

7. Lending Institution Indicted and Convicted in the Title I Program. Sherwood & Roberts, a Title I lender, engaged in fraudulent schemes with mobile home dealers in order to obtain HUD financing for mobile home loans which did not qualify under the HUD program (page 16).

8. Over \$246 Million in Reserve Accounts Can Be Reduced or Recaptured. Over \$246 million maintained in Section 8 Annual Contributions Contract Reserve Accounts in the Philadelphia, Atlanta, Kansas City, and Seattle Regions can be either reduced or recaptured (page 17).

9. Inadequate Internal Controls over Voucher Processing Invite Fraud. Internal controls over the processing and approval of vouchers in HUD Field Offices are not adequate to provide management with reasonable assurance that resources are safeguarded from misuse. Such inadequate controls have led to the misappropriation, through voucher fraud, of \$373,000 within the last year by HUD employees at three Field Offices (page 18).

10. Accountability and Controls over Government Transportation Requests Inadequate. Five Regional Offices and Headquarters failed to establish and/or extend adequate controls over Government Transportation Requests (page 19).

11. Government Vehicles Used for Prohibited Purposes. During the period from their confirmation in 1981 through mid July 1982, certain HUD officials used government vehicles and drivers for transportation between their residences and place of employment (page 20).

12. Promised Actions on Audit 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 21).

13. Public Housing Agencies Let Contractors Overbill HUD in Excess of \$26 Million. Improper contracting procedures by the Housing Authority of Houston, Texas, and the Georgia Residential Finance Authority allowed project developers and owners to submit inflated acquisition and rehabilitation cost information, resulting in inflated rents (page 21).

14. HUD Needs to Collect Increasing Debt from Longmont Housing Authority. HUD needs to pursue collection of \$425,198 in development advances and \$117,977 in accrued interest from the Longmont, Colorado Housing Authority for a previously terminated project (page 22).

15. Problems at Public Housing Authorities Persist. The Housing Authorities of Kansas City, Kansas; Danville, Virginia; and the Virgin Islands did not maintain proper administrative, accounting, or contracting practices resulting in a loss of HUD funds and failure to provide safe and sanitary housing (page 23).

16. HUD Needs to Improve Monitoring of Project Financial Reports. Inadequate controls failed to assure the timely receipt and review of annual audit reports and supplemental cost certifications needed by HUD for proper servicing of direct and insured loans (page 25).

17. Improved Processing Needed on Projects. Deficiencies in the Area Offices' processing, loan closing, and monitoring of the Foundation for Cooperative Housing Services, Inc., a management agent for cooperative multifamily projects, resulted in excessive and duplicative fees and unsupported costs of \$323,226 (page 26).

18. HUD Takes Unnecessary Risk by Insuring Project. HUD may have accepted a substantial and unnecessary risk by agreeing to insure the South Roanoke Village Apartments, a project built on improperly excavated and compacted areas of fill land (page 27).

19. Regulatory Violations Continue—Result in \$4.3 Million Misspent. Owners and management agents have improperly disbursed over \$4.3 million of HUD multifamily insured project funds for ineligible and unsupported costs in violation of their Regulatory Agreements (page 28).

Fraud Control Activities

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:

Adequacy of Departmental Bonding Requirements (page 38). This Committee project is examining the Department's present construction bonding procedures and practices to determine whether they protect the Department from loss or exposure in cases of general contractor default.

To date, this project has identified weaknesses in present bonding practices. The project has also shown that HUD employees are in need of training concerning their role in assuring construction completion on HUD-insured projects.

Involvement of State and Local Governments (page 38). As more Federal programs are turned over to State and local governments, management and oversight responsibilities are also shifted. The Committee undertook this project to involve State, local, and private entities in HUD's efforts to reduce fraud, waste, and mismanagement.

Review and Analysis of HUD Administrative Sanctions (page 39). As discussed in our prior Semiannual Report, this Committee project is evaluating the sanctions HUD uses to discipline program participants. During this reporting period, the Committee report was issued. The report calls for better administrative guidance, an automated tracking system, an awareness program on sanctions, and a study of possible new sanctions.

Internal Control Handbook (page 39). Over the past few years, the Department has attempted to improve its internal control systems by initiating internal control related programs. A project has been established to prepare a consolidated and comprehensive Departmental handbook on HUD's internal control policies and procedures.

Fraud Reform Legislation (page 40). Previously, a Committee Project developed legislative recommendations that would help HUD establish computer matching techniques. The Department hopes to get these provisions in Fiscal Year 1984 legislation.

Employee Awareness Program (page 41). 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 issued two Fraud Information Bulletins entitled, "Single Family Property Disposition: Repair and Maintenance Activities," and "Accountability Monitoring." A digest version of the last Semiannual Report to Congress was issued to all employees.

Hotline Activities (page 42). Our office received and processed 223 hotline complaints during the period. Of 280 complaints closed, 23 percent were found valid and resulted in corrective actions.

Cooperative Efforts

President's Council on Integrity and Efficiency Projects. We participated in the following projects sponsored by the President's Council on Integrity and Efficiency (PCIE).

Prevention Committee (page 46). The PCIE established a standing committee, led by our office, to develop and recommend policies and procedures for the Council to consider in fostering efforts to prevent fraud, waste, mismanagement, and error. Initially, the Committee conducted a survey to obtain information and ideas on current prevention activities in the IG community.

As a result of the survey, an action plan was proposed for implementation during the balance of the year by three subcommittees.

Suspensions and Debarments (page 47). As reported in our prior Semiannual Report, in June 1982 the Inspectors General of HUD and the General Services Administration accepted responsibility for coordinating a government-wide review of suspension and debarment systems. 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.

In our report, issued on November 23, 1982, to the Chairman of the President's Council, we recommended that the report be distributed, for analysis and comment, to members of the Assistant Secretaries for Management Group and agency General Counsel offices.

Letter-of-Credit (page 48). In response to the concern for better cash management, the PCIE endorsed a review of cash management practices in six selected Federal agencies having a large volume of letter-of-credit activities. Our review of HUD disclosed that HUD's system is consistent with and meets requirements established by the U.S. Treasury Department.

Intradepartmental Projects (page 48). The OIG and HUD management are cooperating on two projects, described as follows:

- The Joint Accounting Review was a project established to review the vulnerabilities in current accounting systems.
- OMB Circular A-123 and the Federal Managers' Financial Integrity Act continue to be implemented through the combined efforts of the OIG and the Assistant Secretary for Administration.

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: Community Planning and Development; Single Family Housing; General Administration; Assisted Housing; and Multifamily Housing.

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 1983 budget appropriation of \$3.5 billion was intended to provide assistance to nearly 800 entitlement communities and 48 states and Puerto Rico.

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

Elimination of the \$266 Million Lump Sum Drawdown Program Recommended

Problem

The Lump Sum Drawdown program has failed to leverage private funds for rehabilitation loans while allowing grantees to earn program income at substantial expense to the Federal Government.

Discussion

Federal regulations for the Community Development Block Grant (CDBG) program permit grantees to draw down funds from their letter-of-credit in a single lump sum to establish a fund for the purpose of financing the rehabilitation of privately-owned properties. A primary benefit from the lump sum drawdown is the leveraging of CDBG funds so that participating financial institutions commit private funds for rehabilitation loans in amounts substantially

in excess of the lump sum drawdown. Prior to the draw down of funds, the recipient must execute a lump sum deposit agreement with the financial institution specifying the benefits to be obtained in accordance with Federal regulations. The benefits should be commensurate with the amount of lump sum deposit.

At the request of the Assistant Secretary for Community Planning and Development, we reviewed the Lump Sum Drawdown program. The program has not achieved economical use of Federal funds because: (1) agreements provided for only limited benefits or benefits that were not viable; (2) lump sum drawdowns exceeded grantees' needs; and (3) drawdowns were used for activities which could be accomplished more economically by the normal direct letter-of-credit drawdown. Based on a review of agreements executed by 41 grantees, costs totaling \$1,473,294 and \$42, 217,129 have been disallowed and questioned, respectively.

Although the purpose of the program is to promote leveraging, interest subsidy and/or administrative benefits, only \$700,000 of such benefits were obtained. Interest income of \$11.6 million also was earned but earning interest is not the objective of the lump sum drawdown program. It cost the Federal Government \$12.9 million to provide these advances.

Recommendations were that the \$266 million Lump Sum Drawdown program be eliminated, that normal direct letter-of-credit drawdowns be used, and that grantees be required to return to the government any interest earned on lump sum drawdown funds not used in accordance with the Federal regulations.

Status

A copy of the draft audit report on the "Lump Sum Drawdown Program" was provided to the Assistant Secretary for Community Planning and Development on January 17, 1983. The Assistant Secretary responded on March 23, 1983, that he concurred with the report. House of Representatives Bill 1901 was introduced on March 3, 1983, to repeal the lump sum provision. A similar provision was introduced in the Senate earlier on March 1, 1983 (S-644).

\$1 Million from Urban Renewal Land Sales Held by Grantees

Problem

Urban Renewal grantees failed to report and use about \$1 million in proceeds from land sales, thereby costing the Federal Government over \$90 thousand in interest expenses.

Discussion

The HUD contract with Urban Renewal grantees specifies that program revenues generated from the operation of Federally-aided projects are to be applied against project costs and used to reduce HUD grants.

HUD Community Planning and Development (CPD) officials have failed to establish effective policies and procedures to monitor or control the proper disposition of land following the close out of Urban Renewal projects. Consequently, there is no assurance that proceeds from land sales are reported and used by

grantees to reduce subsequent drawdowns of Community Development Block Grant (CDBG) funds.

Seven projects were reviewed with land sales proceeds totaling \$2,858,520. In four of the projects, approximately \$1 million were held but not reported or used by grantees to reduce subsequent drawdowns of HUD funds. This retention of funds, for up to two years in one case, cost the Federal Government about \$90,280 in unnecessary interest expenses, while the grantees earned only \$54,000 in interest on the funds they held.

Recommendations to CPD officials were to recover additional interest earnings resulting from grantees' investment of land sales proceeds; send out formal instructions to applicable grantees for remitting income in excess of immediate needs; monitor all grantees with Urban Renewal land sales in the past year; develop administrative control systems for disposition of Urban Renewal project land; and obtain a legal opinion as to whether income such as land sales proceeds can be construed to be excess drawdowns.

Status

The audit report, "Proceeds from the Sale of Land Under the Early Closeout of Urban Renewal Projects," was issued November 5, 1982, to the Acting Denver Regional Administrator. On November 16, 1982, the Office of Regional Community Planning and Development responded by taking steps to maintain surveillance over land sales transactions for both the Urban Renewal and CDBG programs through improved reporting and monitoring controls. A legal opinion was requested by CPD officials as to whether program income, such as land sales proceeds, can be construed to be excess drawdowns. The Office of General Counsel is currently researching the issue.

Better Monitoring of Program Income Could Result in Savings

Problem

HUD has not adequately monitored CDBG grantees to assure accountability and use of program-generated income.

Discussion

Community Development Block Grant (CDBG) funds are provided to grantees to carry out approved activities or services. Some activities generate program income which must be reported and used by grantees in funding ongoing activities prior to using Federal grant funds. HUD is required to monitor grantees to assure that program income is properly reported and used.

HUD monitoring failed to identify that grantees were not properly reporting, budgeting, or using program income. Of 10 grantees, seven did not include \$3.3 million as a source of funding in planning grant activities. Two of these grantees failed to report or utilize an additional \$474,000 of program income. Another grantee improperly used Federal funds in lieu of income while investing the unreported income in an interest bearing account. This same grantee pledged future program income as collateral for a loan that was used for an ineligible activity. HUD monitoring also failed to disclose another deficiency, similar to one disclosed in a prior audit, in that a grantee had not used \$136,000 of program income for ongoing program activities.

Recommendations were to improve HUD's monitoring system to ensure that grantees are held accountable for the receipt and use of program income generated by CDBG activities. This should include an emphasis on monitoring of program income; better procedures; and more training of Field Office staff.

Status

On December 15, 1982, the Assistant Secretary for Community Planning and Development agreed with the recommendations contained in the draft report. The final audit report, "Survey of Program Income Under the Community Development Block Grant Program," was issued on January 14, 1983.

The Assistant Secretary took corrective action in March 1983, by issuing revised monitoring procedures.

Over \$5 Million in CDBG Funds Mismanaged

Problem

The city of Boston, Massachusetts, mismanaged its Community Development Block Grant program by using over \$5 million for non-program related costs.

Discussion

HUD provides block grant funds to local governments that must comply with program requirements and demonstrate the capacity to administer and monitor the timely progress of approved projects or services.

The city of Boston expended \$1.9 million of Community Development Block Grant (CDBG) funds for non-program related payroll and administrative expenses, and \$3.2 million to support 100 percent of the payroll and administrative expenses of the Mayor's Office of Housing, which only accomplished 15.8 percent of its planned activities.

Contracting and procurement practices did not comply with HUD's requirements as the city did not provide for open and free competition; failed to execute change orders in a timely manner, if at all; and provided for compensation based upon an unallowable cost-plus-a-percentage-of-cost basis.

Additionally, the grantee wasted program funds by not following the recommendation of a consultant to deduct \$43,494 from a subgrantee for nonperformance and by not reporting at least \$180,000 of program income.

Recommendations were to impose the strongest corrective and remedial actions and require the city to repay or reprogram the disallowed and questioned costs of over \$5 million.

Status

On October 8, 1982, we briefed the Assistant Secretary for Community Planning and Development on our draft findings. The draft findings, which were supported by the Assistant Secretary's staff, were presented to the city on October 14, 1982. The Assistant Secretary attended this meeting. The city provided us with comments which generally expressed disagreement with the findings. These comments and OIG rebuttals were incorporated into the final audit report which was issued on December 3, 1982.

As a result of the findings developed during the audit, and information provided by other sources, investigations of CDBG-funded programs have been requested by the United States Attorney. Other investigations are also underway of HUD-funded commercial rehabilitation programs, including a \$50,000 research contract awarded to a State official, and city employees' payroll costs in the CDBG program.

The OIG and other Federal investigative agencies are cooperating in the investigations. Over 29,000 files and 18,000 checks drawn on CDBG-funded accounts involving programs under the Mayor's Office of Housing have been obtained by the OIG. Automated data processing techniques are being utilized to examine the data obtained in this case to identify areas for further investigation.

Resolution of the audit findings will not be accomplished until completion of the investigation.

Grantees Fail to Achieve Objectives in Rehabilitation Programs

Problem

The county of Athens, Ohio; town of Orange, Massachusetts; and city of Hannibal, Missouri, failed to achieve objectives in their rehabilitation programs by spending funds on ineligible recipients, allowing unauthorized improvements or repairing the homes inadequately.

Discussion

Community Development Block Grant (CDBG) funds are awarded to local governments to address community development needs including rehabilitation of homes. For each HUD-approved activity or project, the grantee agrees to achieve certain objectives described in the grant or loan application, and to administer the program funds in accordance with HUD regulations. Significant deviations from such agreements must be approved by HUD. Section 312 Rehabilitation Loans are made to homeowners to bring their properties up to applicable standards prescribed by HUD.

Three audits of the CDBG and Rehabilitation Loan programs for each of the grantees revealed similar misuses of program funds.

Athens County, Ohio, used CDBG funds to rehabilitate residential structures which remained substandard because repairs were not completed. The county also failed to comply with requirements by: paying ineligible relocation claims; failing to remit interest earned on improper fund advancements; violating HUD standards for procurement of services; and diverting program funds for salaries and services which were not part of the HUD-approved plan. Due to these deficiencies, costs totaling

\$72,447 were disallowed and \$690,698 were questioned.

The town of Orange, Massachusetts, awarded grants to ineligible recipients and incurred excessive costs by not verifying the income eligibility of recipients or preparing work orders and cost estimates for grant-supported improvements.

The city of Hannibal, Missouri, did not administer its Section 312 Rehabilitation Loan program in accordance with HUD guidance by using loan funds for ineligible improvements and refinancing, failing to obtain supporting documentation for loan proceeds disbursements, and accepting loan applications without verifying ownership of property by the applicants. Also, the city did not make adequate inspections of work, failed to assure adequate competition for contracts by making untimely bid advertisements, and did not give loan priority to low and moderate-income residents. Due to these deficiencies, costs totaling \$77,768 were disallowed and \$246,760 were questioned.

Recommendations were for the Area Offices to determine the eligibility of questioned costs, and recover disallowances. Specific recommendations were for the county of Athens to correct all rehabilitation repair deficiencies; for the town of Orange to inspect properties and return funds for ineligible rehabilitation costs to HUD; and that the city of Hannibal be suspended from further program participation until all deficiencies are resolved.

Status

The audit report on the "Community Development Block Grant Program of Athens County, Ohio," was issued on December 23, 1982, to the Acting Regional Administrator of the Chicago Regional Office, and to the Area Manager of the Columbus Area Office. No response had been received at March 31, 1983.

The audit report, "Community Development Block Grant Program, Town of Orange, Massachusetts," was issued on January 7, 1983, to the Boston Area Office Manager. The Area Office is currently in the process of resolving the audit findings and estimates that an additional \$40,000 will be disallowed for the grants to ineligible applicants, grant overpayments, and excessive costs cited in the audit report.

The audit report, "Section 312 Rehabilitation Loan Program, Hannibal, Missouri," was issued on January 21, 1983, to the St. Louis Area Office Manager. In February 1983, the grantee was notified that the \$77,768 disallowed in the report must be repaid to HUD. The grantee plans to repay the ineligible costs plus one questionable loan. Repayments will exceed \$80,000. The grantee's documentation for the \$246,774 in questioned costs will be reviewed during an Area Office site visit in April.

UDAG Project Funds in Jeopardy—May Cost HUD \$2.8 Million

Problem

The city of Springfield, Massachusetts, did not administer its Urban Development Action Grant program in compliance with HUD regulations or act appropriately to reduce costs to HUD.

Discussion

Urban Development Action Grants (UDAG) assist cities and urban counties which are experiencing severe economic distress to help stimulate economic development through a combination of public and private investment.

Urban Development Action Grants are awarded to grantees that must use program funds solely for authorized purposes and comply with program requirements including monitoring the work of subgrantees and drawing down grant funds only for immediate cash needs.

Funding for two UDAG projects was jeopardized when a private investor withdrew financing from one project forcing the remaining project to bear the full cost of \$2.4 million for the acquisition and development of a site intended to serve both UDAG projects. In addition, the city of Springfield purchased the project site for full appraised value of \$1.7 million, but did not acquire clear title because the property was subject to over \$1 million in tax liens.

Recommendations were for HUD to deobligate the total \$2.9 million funding approved for the UDAG project from which the investor withdrew financial support. HUD should also develop a plan to provide funding necessary to complete the other UDAG project. Other recommendations were that the grantee obtain free and clear title to the land acquired for the UDAG projects, and submit documentation verifying unsupported costs.

Status

The audit report, "Community Development Block Grant Program, City of Springfield, Massachusetts," was issued on March 1, 1983, to the Area Manager of the Boston Area Office. The Area Office is currently in the process of resolving the audit 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 the first quarter, HUD insured 52,139 of these type loans valued at \$2.58 billion.

Lending Institution Indicted and Convicted in the Title I Program

Problem

Sherwood & Roberts, a Title I lender, engaged in fraudulent schemes with mobile home dealers in order to obtain HUD financing for mobile home loans which did not qualify under the HUD program.

Discussion

On March 4, 1983, Sherwood & Roberts, Inc., a Seattle based lending institution owned by The Old Stone Corporation, pled guilty to a 20-count indictment charging the company in a scheme to defraud the Department of Housing and Urban Development from March 1978 to

August 1981. The criminal charges are the first filed against a lender under the mobile home loan program Congress authorized in 1969. In 1980, Sherwood & Roberts was the second largest mortgage banker in this mobile home loan program in the country.

The Sherwood & Roberts investigations began in 1980. Nevada law enforcement authorities initially developed cases involving fraudulent mobile home loans originated by three mobile home dealers in the Reno, Nevada, area. At the same time, the FBI was conducting a similar investigation of a mobile home dealer in Las Vegas, Nevada. OIG entered into this investigation in 1981, initially providing investigative assistance in Nevada. Later, as other evidence of fraudulent mobile home sales in the Pacific Northwest was uncovered, the FBI and OIG jointly conducted the investigations there.

In addition to Sherwood & Roberts, 32 mobile home dealers have been under investigation in Nevada, Oregon, Washington, and Idaho. In

each of these states, one or more Sherwood & Roberts employees were also under investigation for their participation in the fraudulent schemes. To date, nine dealers have entered guilty pleas and more indictments of the dealers are expected.

The schemes varied from state to state and dealer to dealer. In Nevada, some claims were submitted on mobile home sales that never occurred. On other claims, the manufacturer's invoice was altered to show a higher sales price on which the HUD-insured claim was computed. In the Pacific Northwest, many of the schemes involved false downpayments. Dealers would allow borrowers to forego payments in return for stripping accessories from the mobile home. In many instances air conditioners, wheels and axles, skirting and/or appliances were taken from the mobile homes in lieu of a downpayment. In other instances, the placement certificate (certifying the mobile home was placed on an FHA-approved site) and the water and sewer permits were falsified. Thereafter, Sherwood & Roberts would report these loans to HUD, knowing that the loan applications contained material false statements.

Status

A United States District Judge accepted Sherwood & Roberts' guilty plea to the charges and imposed the maximum fine of \$200,000. In addition, a civil consent order was entered arising from civil false claims action the United States filed against the company. The consent order required Sherwood & Roberts to repay HUD \$2,300,238 which was accomplished on March 21, 1983. It also required Sherwood & Roberts to withdraw claims pending with HUD in the amount of \$1,830,000 for 224 defaulted loans.

Sherwood & Roberts was also required by the consent order to buy back approximately 350 loans from Government National Mortgage Association investor pools which it estimates will cost approximately \$900,000. Further, if false or altered invoices are discovered in processing future Sherwood & Roberts claims, the original cost of the amount of the falsification will be deducted by Sherwood & Roberts from any claim to HUD.

This investigation was conducted by the HUD-OIG and the FBI. It was coordinated in Seattle by a Special Assistant United States Attorney working in association with the Economic Crime Enforcement Program, Criminal Fraud Section, Department of Justice.

General Administration

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

Over \$246 Million in Reserve Accounts Can Be Reduced or Recaptured

Problem

Over \$246 million maintained in Section 8 Annual Contributions Contract Reserve Accounts in the Philadelphia, Atlanta, Kansas City, and Seattle Regions can be either reduced or

recaptured.

Discussion

Public Housing Authorities (PHA's) enter into a five-year Annual Contributions Contract with HUD in which HUD provides rental subsidies under the Section 8 Existing Housing Program. The amount of the total commitment is about five times the annual local Fair Market Rents set by HUD. However, actual rents entered into by tenants will (on average) be less than the Fair

Market Rent. The commitment is made at the higher amount to cover preliminary costs, administrative costs, and 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. Each Field Office is responsible for enforcing contract provisions with PHA's and project owners. The Regional Accounting Divisions have a financial management responsibility for monitoring reserve account balances and working with the Field Offices to determine the validity of those balances.

For 40 projects participating in the Section 8 Existing Housing Program, \$246 million was accumulated because: (1) some PHA's have not achieved estimated levels of occupancy; (2) portions of tenant rents were added to the Reserve Account; or (3) assumptions on rent and tenant income changes did not occur.

Recommendations were that monitoring procedures be developed in order that the Regional Accounting Division and Housing Management staffs will ensure that fund balances in the Reserve Account are valid. Specific criteria should be established to enhance the financial management of these funds. Field Office Management staffs should then be required to examine all projects with the express purpose of reducing or recapturing excess funds identified.

Status

The draft nationwide report on "Regional Accounting Division Operations" was issued to the Assistant Secretaries for Administration and Housing—Federal Housing Commissioner on February 25, 1983. Comments in general agreement with the recommendations were

received on April 5, 1983, from both Assistant Secretaries.

Inadequate Internal Controls over Voucher Processing Invite Fraud

Problem

Internal controls over the processing and approval of vouchers in HUD Field Offices are not adequate to provide management with reasonable assurance that resources are safeguarded from misuse. Such inadequate controls have led to the misappropriation, through voucher fraud, of \$373,000 within the last year by HUD employees at three Field Offices.

Discussion

HUD Field Offices annually approve and process vouchers totaling about \$100 million for work performed on properties conveyed to HUD under the mortgage insurance program and as a result of construction complaints on single family homes sold by HUD. Recent instances of fraud have indicated that internal controls over the processing of these vouchers are not adequate and that HUD's vulnerability to fraud and waste of government funds is substantial.

Serious internal control deficiencies existing at five HUD Field Offices reviewed were: (1) lack of adequate separation of duties; (2) inadequate supervision; and (3) inadequate reviews of vouchers and supporting documentation prior to signature by authorized certifying officers. These deficiencies were attributable to a lack of detailed guidelines for personnel involved in authorizing and inspecting work performed or processing vouchers. Procedures at these five offices are representative of the internal control systems used in HUD's other offices nationwide.

During the past year, instances of voucher fraud at three Field Offices have led to the misappropriation of \$373,000. In each case, internal control weaknesses were the major reasons why the frauds occurred. Basic internal controls are required in Office of Management and Budget Circular A-123, Internal Control Systems. (OIG efforts on internal controls and OMB Circular A-123 are discussed in Chapters 3 and 4.)

Ten specific recommendations were made to improve internal controls at HUD Field Offices and thereby reduce vulnerability to fraud, and bring the Department into compliance with Circular A-123.

Status

The audit report on "Review of Controls Over Processing of Vouchers in Field Offices" was issued on March 28, 1983, to the Assistant Secretary for Housing—Federal Housing Commissioner and the Assistant Secretary for Administration. Preliminary discussions indicate a commitment to respond favorably to the recommendations.

The three employees involved in the voucher frauds have been convicted. In our prior Semiannual Report, we reported that one employee was indicted along with a contractor for bribery, conspiracy, and false statements. On January 10, 1983, the employee was sentenced to 2½ years imprisonment. The contractor was sentenced to three years with all but 60 days suspended and two years probation. Civil action is also anticipated to place liens on the employee's assets including retirement funds. The other two employees pled guilty during this reporting period. Details are provided in the first two items under Selected Prosecutive Actions in Chapter 2.

Accountability and Controls over Government Transportation Requests Inadequate

Problem

Five Regional Offices and Headquarters failed to establish and/or extend adequate controls over Government Transportation Requests (GTR's).

Discussion

The General Services Administration issues GTR's to HUD so that HUD's employees can procure passenger transportation services. The General Services Administration and HUD have procedures that provide safeguards and proper accountability for GTR's.

In five Regions (New York, Philadelphia, Atlanta, Chicago, and Fort Worth) and Headquarters, the handling of GTR's lacked control. The Regional inventory of GTR's could not be reconciled to General Services Administration's issuance records. GTR's were transferred between Regional Offices, transferred between HUD and other Federal agencies, or obtained directly from the General Services Administration by Area Offices. In addition, all receipt forms were not maintained. The on-hand inventory of GTR's was stored in unlocked safes, cabinets, and drawers. Annual reconciliations were not made of the on-hand inventory with the accountability records. Unused or partially used carrier tickets were not processed for refunds, and related travelers' vouchers did not state that a ticket was being returned.

The problems found were primarily due to staff not knowing GTR procedures and inadequate and incomplete existing procedures.

Recommendations contained in each of the six reports were to correct the problems found in that specific office. Some specific recommendations common to most offices were to: (1) adequately secure unused GTR's; (2) establish accountability records for all GTR's on hand and perform annual reconciliations; (3) recover all GTR's which are still in the hands of former employees; and (4) account for GTR's that were voided.

Status

Regional reports were issued in the New York, Philadelphia, and Fort Worth Regions on March 25, 1983; January 31, 1983; and March 23, 1983; respectively. The other three draft reports have been provided to management for comment. Management has agreed with the recommended courses of action contained in the issued reports.

A series of Regional Office notices have been issued to Regional and Area Office employees advising them of the accountability procedures which must be followed. Headquarters issued a Staff Bulletin advising the staff of the limitation on the use of cash to purchase transportation services and advising the HUD travelers of their personal liability. Corrective action has been started in many of the Regional Offices audited.

Government Vehicles Used for Prohibited Purposes

Problem

During the period from their confirmation in 1981 through mid July 1982, certain HUD officials used government vehicles and drivers for transportation between their residences and place of employment.

Discussion

The Appropriations Acts for 1981 and 1982 with respect to HUD and other Independent Agencies, and

Title 31 of the United States Code prohibit the use of government vehicles for transportation between a person's domicile and place of employment. Daily vehicle logs maintained by HUD's Motor Vehicle Section showed that from 1981 to 1982, certain HUD officials used government vehicles and drivers about 280 times for transportation between or en route to their domiciles and place of employment. This unauthorized usage cost HUD about \$5,000 for overtime paid to drivers.

These officials also used government vehicles and drivers about 80 times for transportation between the HUD building and National Airport when less costly travel was available. HUD employees requested to be picked up by government vehicles and drivers at National Airport after normal duty hours when the use of taxi cabs would have been more economical than paying overtime wages to government vehicle operators.

Recommendations included: (1) recovering the costs incurred for travel determined to be prohibited; (2) including, within a Motor Vehicle Management Handbook, responsibilities and procedures for reviewing vehicle usage logs and reporting unauthorized vehicle usage; and (3) establishing a formal Departmental policy which contains more detailed guidance on the usage of vehicles.

Status

The audit report on the "Use of Government Vehicles by HUD Principal Staff" was issued to the Assistant Secretary for Administration on November 3, 1982. As a result of the report, the Secretary has directed that the officials involved arrange for the repayment of all prohibited travel costs. Also, HUD has taken action to ensure periodic review of vehicle usage logs and formal reporting of unauthorized usage, and has reiterated guidelines concerning the use of vehicles to HUD officials. A

Departmental Motor Vehicle Management Handbook has been drafted and submitted to our office for review.

Promised Actions on Audit Findings Not Taken

Problem

Audit findings were closed by OIG based on plans for corrective action developed by HUD managers. However, these plans for corrective action were not always implemented.

Discussion

In our last three Semiannual Reports 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 at all 10 Regions and Headquarters and made an analysis of promised actions for 342 audit findings that were

closed at December 31, 1982. As of March 1, 1983, 76 of these 342 (22 percent) audit findings included promised actions that were not adequately implemented by HUD officials.

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

We provided the Under Secretary with the results of our review.

Status

Follow-up was made March 31, 1983, to determine how many of the 76 recommended actions were not implemented. As of April 8, 1983, promised corrective action had been adequately taken for 66 of the 76 audit findings. Appendix 3 lists the 5 reports and the officials responsible for the promised actions on the 10 findings which were not corrected.

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 \$1.35 billion. Assistance payments for the .9 million Section 8 units exceed \$3 billion annually.

Public Housing Agencies Let Contractors Overbill HUD in Excess of \$2.6 Million

Problem

Improper contracting procedures by the Housing Authority of Houston, Texas, and the Georgia Residential Finance Authority allowed project

developers and owners to submit inflated acquisition and rehabilitation cost information, resulting in inflated rents.

Discussion

The Moderate Rehabilitation program is designed to provide freedom of choice in assisted housing units, prevent displacement of lower income families, and promote neighborhood preservation and revitalization. HUD provides housing subsidies and permanent financing in the form of rental assistance for new and rehabilitated units. The amount of financing and operating subsidies required is determined from cost estimates of substantial rehabilitation, new construction, acquisition, and other costs that the project is expected to incur.

The system used to fund Moderate Rehabilitation and operation of public housing projects has some inherent weaknesses. HUD relies upon public housing agencies to administer the Housing Assistance Payment Plan contracts for rehabilitation which eventually determine the amount of assistance to be paid by HUD.

In two separate audits, the administering authorities did not properly manage their respective Section 8 Moderate Rehabilitation programs by failing to detect tactics used by developers to inflate acquisition and rehabilitation costs. In each case, the administering authority accepted the information affecting project acquisition, rehabilitation, and operation costs submitted by developers without verifying its propriety or accuracy.

HUD entered into seven contracts with the Houston Housing Authority in which HUD agreed to provide \$3.3 million in annual funding. The costs estimated by the developers were inflated by \$.5 million. Further, the Houston Housing Authority increased acquisition costs by \$2.2 million and rehabilitation costs by \$160,000 without supporting documentation. This will cause a potential \$7 million in excess rents over the 15 years of the contract.

Recommendations were to recompute and reduce contract rents and return to HUD any excess payments.

The Georgia Residential Finance Authority (GRFA) entered into five contracts with HUD to administer 410 Section 8 moderate rehabilitation units. For 45 units completed, the contract prices to HUD totaled \$1,881,000. However, unsupported, excessive, and ineligible rehabilitation costs of almost \$300,000 were included in the contract rent computations. Projecting these inflated costs to all five contracts would allow the owners to obtain about \$1.2 million in excess assistance

payments over the life of the contracts.

Recommendations were that contract rents be recomputed using only actual verifiable costs; the contracts to be amended or terminated, as appropriate; and any excess Housing Assistance Payment Plan contract payments made as a result of the incorrectly computed rent be reimbursed to HUD.

Status

The audit report, "Housing Authority of Houston, Texas, Section 8 Moderate Rehabilitation Program," was issued on December 3, 1982, to the Area Manager of the Dallas Area Office. For two of the seven projects, OIG had recommended rent reductions of \$953,280. Subsequently, the owners submitted additional information to the Area Office on these two projects. As a result, the rents on the projects were reduced over the 15-year term of the contract by \$516,680.

On March 2, 1983, the OIG concurred in the closing of the audit findings for the other projects based on promised action by the Area Office. The Area Office established a June 30, 1983, target date for completion of all corrective action.

The audit report, "Moderate Rehabilitation Program as Administered by the Georgia Residential Finance Authority," was issued on December 23, 1982, to the Acting Area Office Manager, Atlanta Area Office. On March 31, 1983, a response was received which is currently being evaluated.

HUD Needs to Collect Increasing Debt from Longmont Housing Authority

Problem

HUD needs to pursue collection of \$425,198 in development advances and \$117,977 in accrued interest

from the Longmont, Colorado Housing Authority for a previously terminated project.

Discussion

HUD provides development advances to housing authorities through an Annual Contributions Contract. Under the contract provisions, the Longmont Housing Authority was required to initiate development of a 50-unit low rent housing project. The Longmont Housing Authority defaulted on the contract requirement by failing to pursue the development of the project. HUD subsequently terminated the project, requiring the Authority to return all development advances of \$425,198 to HUD.

However, because the Authority has refused to repay the funds, and HUD has not taken all possible actions for collection, interest accruals of \$117,977 on the outstanding balance had increased the claim to \$543,175 as of October 31, 1982. The claim was referred to the Department's Claims Collection Officer on November 30, 1982.

Recommendations were that HUD officials freeze the bank accounts of the Authority under the provisions of the general depository agreement; all other HUD funds be withheld for other HUD programs administered by the Authority; and that HUD initiate legal action to seek recovery of all funds due HUD. Additional recommendations were that HUD determine if Federal funds are being used to pay the Authority's legal expenses, and if so, that HUD also require repayment of these costs.

Status

The finding and recommendations were developed from our review of an Independent Public Accountant's audit report on the Housing Authority of Longmont, Colorado, and transmitted to the Acting Regional Administrator of the Denver Regional Office on November 26, 1982.

In response to our recommendations, the Acting Regional Counsel advised us on December 28, 1982, that he: (1) would consider freezing the funds only if negotiations with the Authority regress; (2) would look into the use of HUD funds for legal costs; and (3) understood that applications for other HUD funds were not being considered until this claim is satisfactorily resolved.

The Acting Regional Administrator disagreed with our findings. Instead, he proposed to satisfy the claim by retaining the funds for a new proposed project. On December 29, 1982, we advised him that such action was contrary to the terms and conditions of the terminated Annual Contributions Contract as well as other HUD requirements applicable to the project. The Office of General Counsel is currently reviewing the matter to prepare for possible litigation against the Authority.

Problems at Public Housing Authorities Persist

Problem

The Housing Authorities of Kansas City, Kansas; Danville, Virginia; and the Virgin Islands did not maintain proper administrative, accounting, or contracting practices resulting in a loss of HUD funds and failure to provide safe and sanitary housing.

Discussion

In previous reports, examples of management problems at public housing authorities were noted. These problems continue as illustrated in the three examples that follow.

Also reported previously, there are obstacles to obtaining corrective actions for certain findings such as at the Philadelphia Housing Authority where there are no funds available to repay audit disallowances. A study of these obstacles and potential solutions was continuing at the close of this reporting period.

In three separate audits of public housing authorities, similar conditions were identified as follows:

HUD provides development, modernization, and operating funds to public housing authorities on the provision that the authorities follow sound management practices and specific requirements for procurement and control of receipts and expenditures.

The Kansas City, Kansas Public Housing Authority spent \$1,165,673 of HUD funds for rehabilitation work on existing units without assurance that the work was performed at the most reasonable cost and in an acceptable manner. The Housing Authority failed to: (1) prepare work specifications; (2) advertise work contracts; (3) accept competitive bids; (4) use change orders, (5) require formal contracts for work performed; (6) document inspection of work; and (7) monitor payment of prevailing wage rates by the contractor.

Recommendations were that the Kansas City Housing Authority reimburse the housing programs from non-Federal funds for \$57,779 in disallowed costs and that HUD: (1) monitor implementation of proper procurement procedures; and (2) determine the eligibility of \$284,285 in questioned costs.

The Danville, Virginia Redevelopment and Housing Authority failed to follow sound management practices or meet HUD requirements for procurement procedures, control over assets, or correcting known deficiencies. Numerous allegations of mismanagement and improprieties were voiced by tenants and former employees, especially concerning plumbing and gas leaks that persisted despite a recent \$2.9 million Modernization program.

During the audit, one employee of the Authority was terminated, and the maintenance supervisor, Executive Director, and a member of

the Authority's Board of Commissioners tendered their resignations.

Recommendations were for the Richmond Area Office to assist the Authority in establishing proper procedures for procurement and control of assets; assure that essential repairs are given priority and are funded by the Modernization program; and that a cost effective preventive maintenance program be established.

The Virgin Islands Housing Authority has allowed a large number of units to remain vacant for as long as 23 months because vacant units are not reported, repaired, and filled with new tenants timely. While units remain vacant, low-income families are not receiving the benefits of the program for which HUD makes sizable payments in the form of operating deficit subsidies.

Delays in completing repairs to vacated units as well as a lack of police protection, inadequate water supply, drug use, and theft have contributed to increasing vacancies and vandalism. All this further prolongs the time and increases the ultimate repair costs needed to make units habitable. Noncompliance with revised rent schedules along with excessive vacancies have resulted in rental income losses of about \$496,600.

Recommendations were to establish and implement procedures and corrective action to reduce vandalism and extended periods of vacancies, comply with HUD's Low-Income Housing Rent Schedule and have HUD monitor and verify the implementation of corrective action within a specified period or invoke administrative sanctions.

Status

The audit report, "Kansas City Public Housing Authority, Kansas City, Kansas," was issued on March 2, 1983, to the Area Manager, Kansas City

Area Office. The Area Office agreed to require the Housing Authority to repay disallowed costs of \$57,779 and support with proper documentation the \$284,285 questioned.

The audit report, "Danville, Virginia Redevelopment and Housing Authority," was issued on December 22, 1982, to the Area Manager, Richmond Area Office. The Area Manager has already initiated some sanctions against the Authority and has been given assurances by the City Council that corrective actions will be taken.

The audit report, "Low-Income Housing Program, Virgin Islands Housing Authority, St. Thomas, Virgin Islands," was issued on October 18, 1982, to the Area Manager, Caribbean Area Office. On January 17, 1983, the Caribbean Area Office advised the Virgin Islands Housing Authority to submit plans for rehabilitating units in need of repair. On February 28, 1983, the Caribbean Area Office verified that timely repairs were being made to units specifically identified by our audit. The Caribbean Area Office will follow up on implementation of the plans by April 30, 1983.

Multifamily Insured Program

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. These subsidy programs provide assistance to 682,000 households in privately-owned housing.

HUD Needs to Improve Monitoring of Project Financial Reports

Problem

Inadequate controls failed to assure the timely receipt and review of annual audit reports and supplemental cost certifications needed by HUD for proper servicing of direct and insured loans.

Discussion

In return for HUD mortgages and mortgage insurance, multifamily project owners agree to abide by the provisions of a Regulatory Agreement which gives HUD a measure of control over management through submission of audited certificates of development costs and annual audits of operations. Annual audits of operations are the key to effective loan servicing, because they disclose noncompliances and problems which jeopardize loan stability and safety. HUD Area Offices are to monitor the receipt of the financial data and review it for signs of financial problems.

Seventeen of 22 Field Offices reviewed lacked controls to assure timely receipt of supplemental cost certifications which are needed to assure that all development costs have been paid. A sample of 25 insured projects for which supplemental certifications were not received disclosed unpaid development costs exceeding \$14 million. The failure to reconcile development costs could result in over-insured mortgages, thereby increasing the risk to HUD.

Fifteen of the 22 Field Offices did not assure the timely receipt of audits primarily because of the low priority HUD management assigned to this function. For audit reports that were received, HUD offices failed to: (1) review them in a timely manner; (2) pursue corrective actions when reports had essential data missing; and (3) follow up on obvious indications of regulatory violations and questionable practices or transactions.

Recommendations to the Regional Administrators were to place a higher priority on maintenance of control systems to ensure timely receipt and prompt quality reviews of the audit reports and supplemental cost certifications.

Status

Seven Regional audit reports on "Field Office Use and Control of Independent Public Accountant Audit Reports" were issued during the reporting period. The audit findings have been resolved in the New York, Philadelphia, Fort Worth, and Seattle Regions. The reports are still under review in the Atlanta, Chicago, and Kansas City Regions. A draft nationwide report was submitted to the Assistant Secretary for Housing—Federal Housing Commissioner on March 29, 1983.

Improved Processing Needed on Projects

Problem

Deficiencies in the Area Offices' processing, loan closing, and monitoring of the Foundation for Cooperative Housing Services, Inc. (FCH), a management agent for cooperative multifamily projects, resulted in excessive and duplicative fees and unsupported costs of \$323,226.

Discussion

In response to a request from the Assistant Secretary for Housing, the development and management of

cooperative housing projects located in the Philadelphia Region by FCH Services, Inc., was reviewed. The processing of two cooperative housing projects, Woodstock Mutual Homes, Inc., Philadelphia, Pennsylvania, and Chesterfield Square Mutual Homes, Inc., Richmond, Virginia, was examined.

Processing files for the two projects reviewed showed the Area Offices did not document the reasonableness of marketing expenses allowed FCH Services, Inc., totaling \$323,226 (\$154,632 for Chesterfield Square Mutual Homes and \$168,594 for Woodstock Mutual Homes). As a result, the total mortgage amounts for the two projects may be higher than necessary. Because the projects receive Section 8 housing assistance, increased mortgage payments will result in increased HUD subsidies to the projects.

FCH's conversion to a profit-motivated ownership in July 1980 caused significant conflicts of interest and resulted in financial benefits to FCH Services, Inc. Management agent agreements were modified and by-law changes were adopted, often without the sponsor's knowledge, enabling FCH Services, Inc., to become entrenched as management agent, consultant, and provider of insurance through its affiliate firm.

The Richmond Area Office did not identify and follow up on questionable items totaling \$257,219 including at least one identity-of-interest transaction shown on the Mortgagor's Certificate of Actual Cost, FHA Form No. 2330, and on the supplemental Mortgagor's Certificate of Actual Cost.

The by-laws of Chesterfield Square Mutual Homes, Inc., approved by the Area Office in April 1981, contain provisions that: (1) are advantageous to FCH Services, Inc., and disadvantageous to the cooperative and HUD's interests; and (2) result in conflicts of interest.

Recommendations were for HUD to review and adjust the existing agreements; determine the legal validity of a cost certification signed by an unauthorized person; and disallow costs and fees that were not reasonable or adequately documented.

Status

The audit report, "Processing of Cooperative Housing Projects Developed by FCH Services, Inc.," was issued on October 1, 1982, to the Regional Administrator, Philadelphia Region. The Area Offices have reviewed all the management agreements and contracts and amended them where necessary to remove the questionable provisions.

Two of the four findings from this report have been resolved. The other two regarding questionable processing and cost certification procedures have been referred to the Headquarters level. At March 31, 1983, we were working with Headquarters program officials to resolve these findings.

HUD Takes Unnecessary Risk by Insuring Project

Problem

HUD may have accepted a substantial and unnecessary risk by agreeing to insure the South Roanoke Village Apartments, a project built on improperly excavated and compacted areas of fill land.

Discussion

South Roanoke Village Apartments, multifamily dwelling units, were constructed with marginal subsurface conditions resulting from the contractor's failure to properly excavate and compact several large areas of fill, identified by HUD site analysis and engineering tests.

Seven of the 10 buildings in the project were constructed on the questioned fill. After one building's foundation

had to be torn out and relocated to more stable ground, and the other buildings began to develop hairline cracks in their foundations, HUD ordered more engineering tests to analyze the situation. Most of these tests were inconclusive.

In spite of these matters, HUD decided to allow construction to proceed, dispensed with additional soil tests, and required the mortgagor to provide an extended latent defects guarantee on the structural integrity of three buildings.

In our opinion, HUD has taken an unnecessary risk by agreeing to insure this project for the following reasons: (1) the contractor has not complied with the contract specifications relating to site preparations, rendering HUD without a sound basis on which to ensure that future ground settlement, erosion, and building damage will not affect rentability, and consequently the project's financial stability; and (2) the approved insurance policy endorsement does not provide the necessary protection, nor is it equivalent to the irrevocable 10-year letter of credit and conditions under which HUD decided to insure the project.

Area Office errors, omissions, and weaknesses in processing and monitoring may also have contributed to HUD's acceptance of an unnecessary risk by insuring this project.

Recommendations were that the Area Office pursue the steps still available at final endorsement to protect HUD's interest in the project, and that sanctions be initiated against responsible parties. Strengthening processing and monitoring were also recommended, particularly for known troubled projects.

Status

The audit report, "South Roanoke Village Apartments," was issued on March 31, 1983, to the Area Manager, Richmond Area Office. A status report from the Area Manager concerning corrective actions is due by May 30, 1983.

Regulatory Violations Continue— Result in \$4.3 Million Misspent

Problem

Owners and management agents have improperly disbursed over \$4.3 million of HUD multifamily insured project funds for ineligible and unsupported costs in violation of their Regulatory Agreements.

Discussion

Regulatory violations, as noted in our previous reports, continue to occur. Below are examples from seven audits of the types of violations that take place. 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 in which cash may be taken out of a project by the owner.

The owners or agents for multifamily projects disregarded the provisions of the Regulatory Agreement resulting in disbursements of over \$4.3 million that should be returned to project accounts. The projects involved in seven separate audits were: Lakeridge Apartments East, Reno, Nevada; Regency Park Towers I and II, Upper Moreland Township, Pennsylvania; Mid-Towne Apartments, Cincinnati, Ohio; Watts Arms Apartments I and II, Los Angeles, California; Miramar Plaza and Vic-

toria Gardens I and II, San Jose, California; Rivergate Townhouses II, Eagan, Minnesota; and Greenfield Estates, Groveport, Ohio.

The general partner who manages Lakeridge Apartments East withdrew funds from the operating accounts that reduced the cash equity investment below the required minimum; paid for expenses and forgave rents for an identity-of-interest tennis club; and paid for a personal loan of the partnership. For these items, and other violations, over \$1.2 million were questioned or disallowed.

The management agency of Regency Park Towers incurred costs for unauthorized loan and interest, renovation, and administrative and maintenance expenses. Costs of \$508,455 were disallowed and \$511,767 were questioned.

The owner of Mid-Towne Apartments made unauthorized withdrawals, provided rent-free units, failed to deposit vending machine revenues, and did not properly support project disbursements. Costs of \$217,832 were disallowed and \$439,187 questioned.

The owner of Watts Arms I and II could not account for \$390,837 paid to the project by HUD for rental assistance payments. According to available records, the funds were not deposited in the project's bank accounts. Another \$66,234 were questioned for unsupported disbursements.

Executive Services Company, the management agent for Miramar Plaza and Victoria Gardens I and II, used \$137,609 for unauthorized costs such as agent salaries, consultant fees, and non-project vehicle payments; \$103,041 for loans to individuals and other projects and companies; and \$109,106 for other excessive or unallowable distributions.

The owner of Rivergate Townhouses repaid loans to banks and an in-

dividual while the project was in default, and paid for unauthorized legal services and excessive management fees resulting in \$73,183 of disallowed costs. Another \$286,002 were questioned on expenses that were inadequately supported and for excessive accounting fees.

The owner of Greenfield Estates inappropriately distributed \$176,993 for direct payments to himself, and other expenditures for the owner's personal benefit such as personal loans, taxes, vehicle lease, and payments to the owner's fast-food restaurant.

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

In addition, recommendations to the Los Angeles Area Office Manager on Watts Arms were to continue to pursue actions to protect HUD's interests, including appointment of a receiver, legal action to recover disallowed costs, and debarment of the owner from further participation in HUD programs.

Status

The audit report, "Lakeridge Apartments East," was issued on February 18, 1983, to the San Francisco Area Manager. The Area Office reported that the mortgagor has brought the mortgage current, and negotiations for settlement of the disallowed costs are in process.

The audit report, "Regency Park Towers I and II," was issued on March 17, 1983, to the Area Manager, Philadelphia Area Office. The Area Office has agreed to take corrective action.

The audit report, "Mid-Towne Apartments," was issued on February 23, 1983, to the Acting Regional Ad-

ministrator, Chicago Regional Office, the Area Manager, Columbus Area Office, and the Supervisor of the Cincinnati Service Office. At March 31, 1983, no response had been received from the Area Office.

The audit report, "Watts Arms I and II," was issued on October 15, 1982, to the Area Manager, Los Angeles Area Office. In a December 14, 1982, response, the Area Manager sustained all questioned costs and agreed with the other recommendations. The Area Office had not received a response from the owner. In addition, the Area Office requested legal action to have a receiver appointed for the project.

The audit report, "Rivergate Townhouses II," was issued on December 23, 1982, to the Acting Regional Administrator, Chicago Regional Office, and the Area Manager of the Minneapolis/St. Paul Area Office. On January 12, 1983, the Area Office Manager requested documentation to support questioned and disallowed costs. The project owners failed to respond and the Area Office has proceeded with foreclosure. The Area Office has also taken action to debar the project owners from participating in future HUD programs.

The audit report, "Executive Services Company," was issued on October 22, 1982, to the San Francisco Area Manager. The audit findings were resolved on December 28, 1982, when the Area Manager agreed to have the company reimburse the projects for the disallowed costs and to comply with the Regulatory Agreement.

The audit report, "Greenfield Estates," was issued October 14, 1982, to the Acting Regional Administrator, Chicago Regional Office, and the Acting Area Manager of the Columbus Area Office. The Acting Area Manager agreed with the recommendations and disallowed \$134,510.

Chapter 2

Investigation Activities

The following is a summary of investigative activities during the period October 1, 1982, to March 31, 1983. These include criminal matters

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

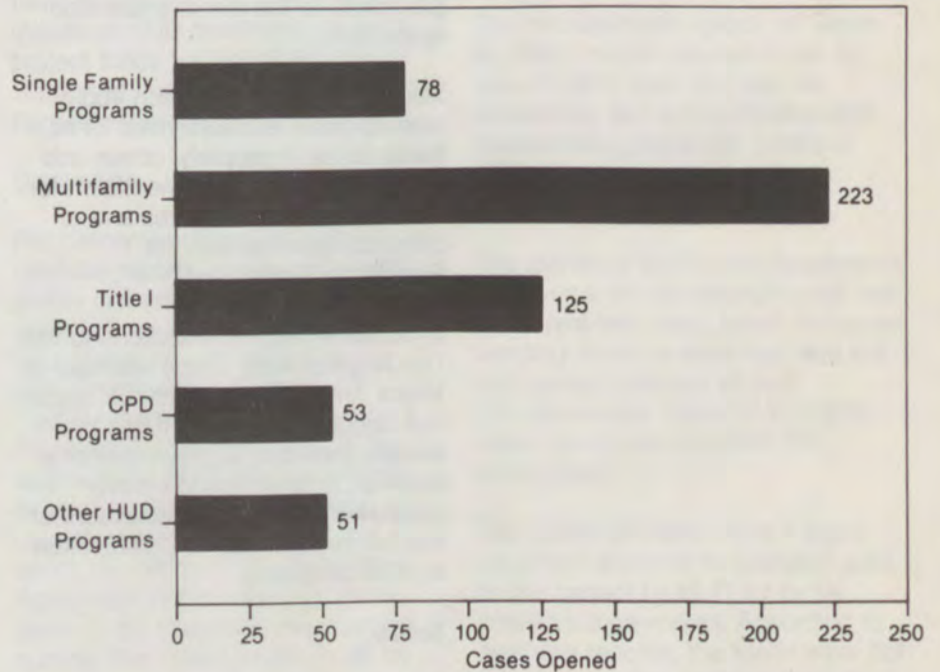
Investigation Cases Opened

We opened 753 new investigation cases involving HUD personnel and/or persons or firms doing business with HUD. The majority of

case openings are False Statement cases (530). The table below is a breakdown of these cases.

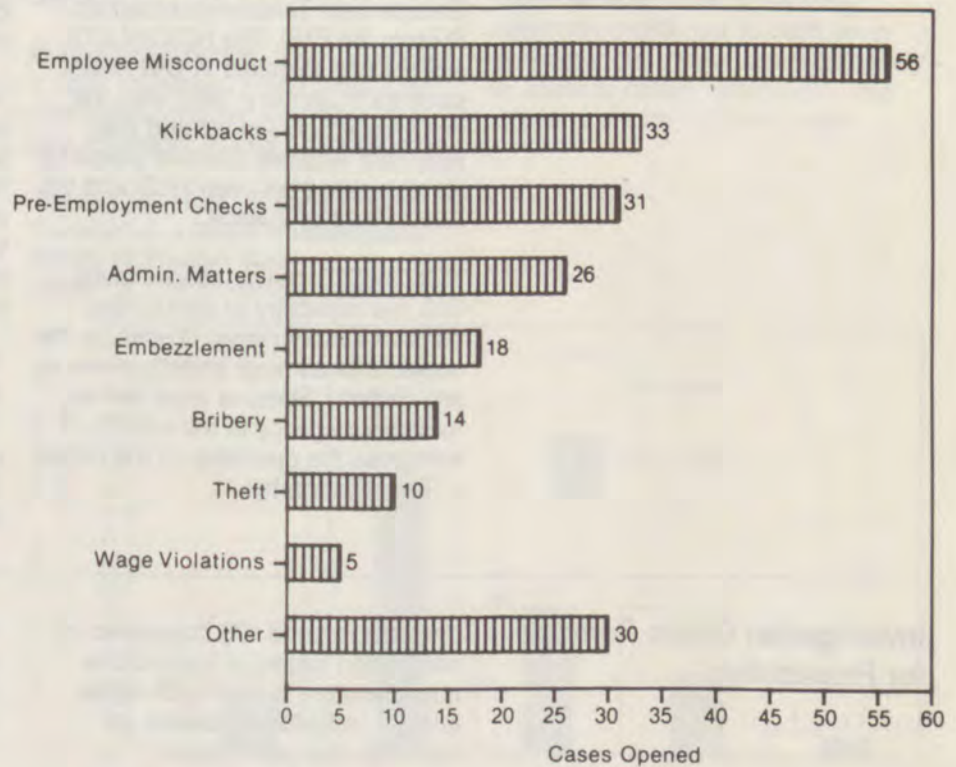
New Investigation Cases Opened Concerning False Statements by Program Area

October 1, 1982 to March 31, 1983



The remaining 223 cases are in categories displayed in the following table.

**New Investigation Cases Opened
by Other Categories of Investigation**
October 1, 1982 to March 31, 1983



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 March 31, 1983, we had 1,490 investigation cases either in process or awaiting investigation. Of these cases, 599 were FBI/other cases, 648 were cases of the OIG, and 243 were OIG completed cases pending with the U.S. Attorney.

Closed Cases

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

action has been accomplished by a HUD official, and when a Disposition Report has been completed by the designated action official. The OIG closed 899 investigation cases during the reporting period.

New Initiatives

During the semiannual reporting period, the Office of Inspector General obtained on-line access to the FBI National Crime Information Center (NCIC) and the National Law Enforcement Telecommunications System (NLETS). The NCIC/NLETS system was installed in OIG Headquarters in January 1983, after the HUD Inspector General and the Assistant Attorney General executed an agreement between HUD and the Department of Justice.

NCIC/NLETS on-line access gives OIG the capability of conducting criminal history record checks on the subjects of criminal investigations at any Federal, State, or local law enforcement agency in the country. It enhances the operation of the Office of Investigation by:

- Reducing personnel and travel costs to conduct these checks in person.
- Contributing to the safety of Special Agency personnel by offenders.
- Increasing local and Federal prosecutive interest in a HUD-OIG case when we can present the criminal history of a subject. In some instances, the subject of an OIG investigation may be on probation for other Federal, State, or local convictions.

The OIG began accessing the NCIC/NLETS system in February 1983. During the first two months of operation, 122 subject inquiries were made. Of these, 24 percent had a prior criminal history.

Investigation Cases Referred for Prosecution

The OIG referred 176 completed investigation cases for prosecutive consideration, including 39 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)	6
FBI (No OIG Investigation)	31
Department of Justice	139
Total	176

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

Prosecutions and Convictions

Investigation cases resulted in 170 indictments and 121 convictions of employees and persons/firms having business with the Department. Some of the indictments and convictions were on cases referred to prosecutive authorities during the prior semiannual reporting period. The table below illustrates in what HUD program areas the indictments and convictions occurred.

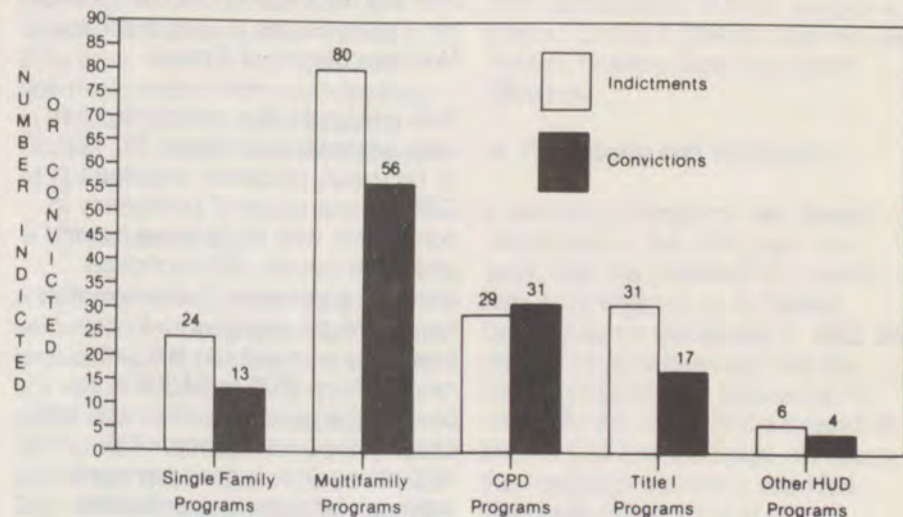
The 121 persons/firms convicted during the current semiannual reporting period received a total of 103 years and 3 months imprisonment, 251 years and 5 months probation, suspended sentences of 566 years, and fines amounting to \$365,125. In addition, monetary recoveries to HUD and others from investigations amounted to \$6,338,725.

Prosecution was declined on 472 investigation cases during the semianual 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 prosecutive 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 in the same or another criminal case.

Distribution of Persons/Firms Indicted or Convicted as a Result of Investigation Activity by Program Area
October 1, 1982 to March 31, 1983



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 October 1, 1982.

● False Statements

A HUD Realty Specialist pled guilty on February 11, 1983, to three counts of submitting false bid invitations and contract awards to the government in connection with the Property Disposition Repair Program. The employee agreed to pay a \$2,000 fine and \$25,000 as reimbursement to the government. (*United States v. James D. Mace, Jr.*, Southern District of Mississippi.)

A HUD loan assistant was sentenced on October 12, 1982, to three years probation and ordered to make restitution of \$1,075 to HUD for submission of false statements. She forged signatures on Basic Purchase Agreement and Public Voucher forms for payments to a fictitious contractor, who in reality was her mother. The loan assistant was subsequently terminated from Federal service. (*United States v. Victoria Andrich*, Eastern District of Michigan.)

The vice president of an electric company was sentenced on December 21, 1982, to three years supervised probation, fined \$2,500, and ordered to make restitution of

\$1,221 to employees of the electric company. The sentencing followed a plea of guilty to submitting false statements to the government. Investigation revealed the vice president of the electric company submitted false payroll statements indicating that his employees were paid the prevailing wage on the construction of a HUD-funded Section 8 project. The plea was the result of a joint investigation conducted by the OIG's of HUD and the Department of Labor, which revealed that four workers on this HUD-funded project did not receive cash benefits totaling over \$4,000 due them by the contractor. (United States v. Jerry Hodges, Northern District of Texas.)

Two principals of a contracting firm were sentenced on March 18, 1983, to two years probation and fined \$250 for one count of conspiracy in connection with eight loans insured under the Section 235 mortgage assistance program. The contractors required eight mortgagors to pay cash side payments in amounts ranging from \$800 to \$4,300 in excess of the maximum allowable purchase price under Section 235 regulations. The excess payments were not reflected on application documents submitted to the Department. The two individuals have been suspended from participation in HUD programs. (United States v. Theodore A. Hummel and Frank Little, Middle District of Pennsylvania.)

A Section 8 and Section 236 tenant pled guilty on October 29, 1982, to two counts of submitting false statements to HUD by reporting that her only income was public aid income, when in fact, she had additional income from employment. The tenant improperly benefited from overpaid subsidies totaling approximately \$17,000 between January 1977 and August 1982. She was sentenced to three years probation and was ordered to make restitution to HUD of \$17,000. (United States v. Sara Jane Sims, Northern District of Illinois.)

A real estate investor was sentenced on February 3, 1983, to six months and one day confinement for submitting false statements to HUD. The investor conspired with others to circumvent bidding procedures for HUD-held properties. The parties involved used collusive bidding practices in that they each would bid on the same property and then the highest bidders would withdraw their bid so that the lowest bidding conspirator would eventually get the HUD-held properties. In addition, the investor submitted bids through a broker who was not licensed thereby causing the Department to pay \$26,000 in realty fees to a non-broker. The investor was aware of the broker's unlicensed status. In a prior unrelated action, this investor pled guilty to submitting false statements to HUD and he was debarred from doing business with HUD from September 19, 1974 to September 18, 1977. (United States v. Paul D. Lenhard, Eastern District of Michigan.)

Two tenants pled guilty on February 4, 1983, to a charge of making false statements to HUD, through the Tacoma Housing Authority, to receive Section 8 assistance. The tenants misrepresented their family composition and income to obtain \$4,700 in rental assistance to which they were not entitled. (United States v. Frances A. Williams and Jerry Ellerson, Western District of Washington.)

A joint investigation by the OIG and the Immigration and Naturalization Services (INS) of possible illegal aliens residing in a HUD-subsidized housing project resulted in the filing of criminal complaints against 11 illegal aliens on October 15, 1982. In addition to being in the country illegally, seven of the tenants had submitted false certifications concerning income and family composition in order to receive rental assistance under the Section 8 Housing Assistance Payments program. The tenants involved in the

HUD violations entered guilty pleas on January 19, 1983. The plea agreements included restitution of ineligible rental assistance. (United States v. Abubaker Salifu, et al, Southern District of New York.)

● False Statements and Mail Fraud

The manager of a mortgage corporation pled guilty on March 9, 1983, to three counts of an 18-count indictment. Sentencing has not yet taken place. The manager filed false documents with HUD by using certain individuals as strawbuyers, claiming the individuals were purchasing residences when in fact they were not. The manager has been suspended from participating in HUD programs. (United States v. Donald J. French, Northern District of California.)

● Embezzlement

A housing authority secretary was sentenced on December 17, 1982, for embezzling \$11,000 from the authority's rental accounts. She was sentenced to five years probation, 300 hours of community service, and ordered to make restitution of \$7,000. She was also suspended from further participation in HUD programs. (United States v. Linda R. Shomin, Eastern District of Michigan.)

An area management broker (AMB) under contract with HUD to manage HUD properties was sentenced on January 20, 1983, to three years probation, fined \$1,000, and ordered to perform 200 hours of community service within the first two years of his probation. The AMB had previously pled guilty in December 1982 pursuant to a plea bargain agreement, to embezzling rent receipts which should have been remitted to the government. The plea bargain included the AMB's execution of a note in the amount of \$39,584 as full restitution to HUD. (United States v. John S. Humphreys, Eastern District of Michigan.)

A fiscal specialist for an area development association was sentenced on October 25, 1982, for embezzling \$46,210 from the government. The fiscal specialist created and negotiated 151 unauthorized checks payable to fictitious and unauthorized payees. He was sentenced to six months in prison and placed on probation for 4½ years contingent upon full restitution to the government. He had earlier repaid approximately \$26,000 and repaid an additional \$10,000 on the date of his court appearance. The individual has also been suspended from participation in HUD programs. (United States v. Shelvon Donnie Lee Melton, Eastern District of North Carolina.)

● Conspiracy and Kickbacks

A mortgage company, two former employees of the mortgage company, and the president of a realty firm were indicted by a Federal Grand Jury on December 3, 1982, on one count of conspiracy and five counts of accepting kickbacks. In return for the realty firm's referral of business to the mortgage company, the mortgage company provided kickbacks in the form of interim loans and favorable point rates to the realty firm. All individuals involved have been suspended from participation in HUD programs. (United States v. Graham Mortgage Corporation, Richard E. Chapin, Thomas P. Heinz, and Manford Colbert, Eastern District of Michigan.)

● Conspiracy, Perjury, and Obstruction of Justice

A seafood company owner and his attorney were indicted by a Federal Grand Jury on October 14, 1982, for conspiracy to defraud the government, perjury, and obstruction of justice. In 1980, a \$2 million Urban Development Action Grant was awarded to the city of Boston, Massachusetts, to fund the renovation of a portion of the Boston Harbor and acquisition of commercial

fishing boats. The seafood company owner was the subgrantee of the city. The indictments resulted from a Grand Jury investigation that disclosed alleged misuse of funds allocated for the purchase of the commercial fishing boats. The owner allegedly falsified documentation concerning sources of private funding of the project and both the owner and his attorney were charged with perjury and obstruction of justice after appearances before a Federal Grand Jury. (United States v. John A. O'Connell, Jr., and James H. Norton, Jr., Middle District of Florida.)

● Title I Fraud

Two borrowers and a loan solicitor were indicted by a Federal Grand Jury in Puerto Rico on March 2,

1983, for submission of false statements to HUD. The borrowers allegedly obtained three separate insured Title I home improvement loans of \$7,500 each for essentially the same work on their respective properties. The indictments returned against the borrowers were for failure to disclose previous loans on the second and third loan applications. The loan solicitor, in a related case, allegedly originated over 100 fraudulent Title I home improvement loans. He reportedly canvassed neighborhoods to obtain signatures on false loan applications, receiving up to \$400 in kickbacks from the borrowers. (United States v. Jose Martinez-Marrero, Jesus Cartagena Pacheco, and Refael Padilla Borges, District of Puerto Rico.)

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 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.

- A supervisory appraiser was terminated from HUD employment for his involvement in prohibited outside employment activities in violation of the HUD Standards of Conduct. The employee had formed a private appraisal firm and conducted over 500 second-mortgage appraisals for a mortgage company doing business with HUD.

- Three HUD Area Office employees were suspended from duty for 30 days each for misuse of a GSA vehicle. The employees transported alcoholic beverages in the

vehicle. In addition, one of the employees received a concurrent five-day suspension for harassing a subordinate employee who made a complaint over the HUD hotline which formed the basis of the investigation.

- A special assistant to an Area Manager was suspended from duty without pay after entering a guilty plea to mail fraud charges. A pre-sentencing investigation is currently being conducted.

- A realty specialist was suspended from duty without pay after pleading guilty to conspiracy charges and being sentenced to 2½ years imprisonment.

- A HUD employee and his supervisor were given letters of reprimand after investigation confirmed improper use of compensatory leave and abuse of sick leave.

- One Area Office cashier received a letter of reprimand and a suspension of 35 days has been proposed for a second cashier after an investigation disclosed that the two cashiers were responsible for a

\$479 shortage. The two cashiers must reimburse the shortage.

● A construction analyst was terminated from Federal service for violating HUD Standards of Conduct. The employee knowingly violated leave and travel violations by taking both annual and sick leave in conjunction with official travel for the Department. The sick leave was

taken so the employee could go on an out-of-state fishing excursion with HUD clientele.

● A secretary-steno received a letter of reprimand for unauthorized use of a government reproduction machine and for falsifying her SF-171, Personal Qualifications Statement, in that she failed to disclose a prior conviction.

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.

Committee on Fraud, Waste, and Mismanagement

The Committee on Fraud, Waste, and Mismanagement coordinates the Department's fraud control efforts. Through various Committee assignments, recommendations are made to the Secretary to improve program operations by minimizing opportunities for fraud and abuse. The Committee representatives include HUD officials designated by Assistant Secretaries or other Principal Staff. The Committee is chaired by the Inspector General. During the past six months, several significant activities were initiated or completed as a result of Committee studies and recommendations.

1. Adequacy of Departmental Bonding Requirements

This Committee project is examining the Department's present construction bonding procedures and practices to determine whether they protect the Department from loss or exposure in cases of general contractor default.

The Committee is gathering information from various HUD Field Offices concerning their experiences with bonding companies. A questionnaire has been sent to 19 selected Field Offices. The questionnaire is designed to answer three questions:

- Have bonding companies acted responsibly in honoring the terms and conditions of their performance/ payment bonds?
- Do instances of bonding company nonperformance add significantly to the Department's risk of default and foreclosure on multifamily projects?

- Should the Department revise or alter the present system for assuring the completion of construction on HUD-insured and direct loan projects?

In addition to questioning Field Office staff, the Committee is examining the safeguards used in other Federal agencies to assure completion of various Federal construction projects.

To date, this project has identified weaknesses in present bonding practices. The project has also shown that HUD employees are in need of training concerning their role in assuring construction completion on HUD-insured projects.

A report will be prepared and submitted to the Secretary during the next semiannual reporting period. The report will recommend Departmental actions to reduce HUD's exposure to loss on insured projects.

2. Involvement of State and Local Governments in Fraud Control Efforts

As more Federal programs are turned over to state and local governments, management and oversight responsibilities are also shifted. The Committee undertook this project to involve state, local, and private entities in HUD's efforts to reduce fraud, waste, and mismanagement.

The Committee identified public interest groups whose members administer and/or manage Federal funds relating to HUD programs. A questionnaire was prepared to solicit views on how best to assure that local programs are designed with limited vulnerability to fraud and abuse. The responses to the ques-

tionnaire identified a general interest in learning more about HUD's fraud control efforts.

Meetings were held with personnel from four of the larger public interest groups, resulting in tentative arrangements to provide input for future training. Also, we plan to prepare appropriate articles for their professional publications and journals. This project has served to open communication channels and should assist in designing local programs with adequate controls.

3. Review and Analysis of HUD Administrative Sanctions

As discussed in our prior Semiannual Report, this Committee project is evaluating the sanctions HUD uses to discipline program participants. In March 1983, the report was submitted to the Committee for approval. The report comments on the need to: (a) update the present administrative guidance regarding sanctions; (b) automate the entire process for tracking and reporting of sanctions taken against participants; (c) develop and implement an awareness program to better inform Headquarters and Field Office staffs of the various administrative sanctions available; and (d) study further possible new sanctions for selected programs.

In addition to the report comments on sanctions, the Committee received a number of suggestions from Field Office staffs for the development of "intermediate" remedies. It was the consensus of many staff members that other controls could be put in place to give HUD the ability to take actions short of sanctions. It is believed that many of the existing sanctions are not actively used because of the potential impact on the Department and the ultimate beneficiaries of HUD programs.

4. Internal Control Handbook

Over the past few years, the Department has attempted to improve its internal control systems by initiating internal control related programs. These included the Fraud Vulnerability Assessment System for new or substantially revised activities and the Management Control Assessment System for existing activities. The issuance of OMB Circular No. A-123, Internal Control Systems, and passage of the Federal Managers' Financial Integrity Act have added additional internal control requirements for Federal agencies.

In order to address both the existing and newly-imposed requirements in a consolidated manner, a project was established to prepare a comprehensive Departmental handbook on HUD's internal control policies and procedures.

The handbook appropriately modifies the existing Departmental Systems to address the newly-imposed requirements and institutes new processes where necessary. All major tasks needed to comply with the Circular and the Act are covered including identification of assessable units, performance of vulnerability assessments and internal control reviews, internal tracking and monitoring, and reporting to the President and Congress. The Comptroller General's internal control standards will also be incorporated into the handbook when issued in final form.

A draft version of the handbook was circulated to Committee members for their review and comment in March. We anticipate its issuance following Departmental clearance during the next reporting period.

5. Fraud Reform Legislation

We reported in the previous Semianual Report that the Committee 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 agen-

cies or private sources. The legislation also proposes authorizing state unemployment agencies to release certain income information to HUD. A final proposal is to allow program benefits to be denied to tenants who misrepresent income and other eligibility factors.

The bills containing these proposals were not brought to a vote by the end of the Congressional session. The Department resubmitted the proposals in its Fiscal Year 1984 legislative package, but they were deleted because of objections by other agencies to wording in the proposals. The objections have been resolved and the proposals are being forwarded to the Congress separately.

Management Control Improvements

1. Fraud Vulnerability Assessment System

Under this system, Departmental managers focus on designing and implementing management controls at the inception of new or substantially revised programs or activities. In our view, this is the most effective point at which to do so, and as such, the system complements the implementation of OMB Circular No. A-123, Internal Control Systems. (Our cooperative efforts with HUD managers on Circular A-123 are discussed in Chapter 4.)

During this reporting period, two more Fraud Vulnerability Assessments were completed. The first covered the Temporary Mortgage Assistance Payment (TMAP) Program. By incorporating additional management controls in the TMAP Handbooks, the program office addressed such potentially vulnerable areas as mortgage misrepresentation; contractor error, or collusion among the mortgagor, mortgagee, contractor, and/or HUD staff.

The second assessment was conducted on changes to the Department's procedures for using letters

of credit. As a result of the assessment, the Handbook was revised to require Office of Finance and Accounting approval of each program office's monitoring procedures for processing requests for funds. Without this change, a program office could advance funds to recipients without having proper monitoring procedures in effect. In addition, the Office of Finance and Accounting will ensure that each program office's monitoring procedures contain controls over the review of all fund requests.

Due to recognition of the need for additional fraud vulnerability assessments, there were 32 others under consideration or in progress at March 31, 1983.

Our office is proposing revisions to the Fraud Vulnerability Assessment System policies and procedures as part of the Departmental internal control handbook discussed under projects by the Committee on Fraud, Waste, and Mismanagement. Changes include more uniform documentation and report format and expansion of the guidance on tasks to be performed during an assessment.

Employee Awareness Program

Because all HUD employees must play a significant part in curbing fraud, waste, and mismanagement, much attention has been placed on making employees aware of their responsibilities to prevent, detect, and report on irregularities and program abuse. Recent activities in carrying out this program include:

- The ninth and tenth in our series of Fraud Information Bulletins were issued during the past six months. The ninth Bulletin was entitled "Single Family Property Disposition: Repair and Maintenance Activities." This addresses potential fraudulent and wasteful practices associated with repair and maintenance activities in HUD's Single Family Property Disposition Program. This Bulletin should make HUD staff more aware of these problems and should assist them in identifying those activities which have a negative effect on the program. We believe that the ability to recognize the likely indicators of fraud during reviews has a deterrent effect on fraud and thereby enhances the integrity of the program.

The tenth Fraud Information Bulletin issued was entitled "Accountability Monitoring." HUD's Committee on Fraud, Waste, and Mismanagement, in conjunction with the Office of Inspector General, developed a new concept called accountability monitoring. Basically, the concept emphasizes the monitoring of high risk program participants and high risk activities. Participants are held accountable for their use of funds. This monitoring is designed to prevent and detect fraud, abuse, and mismanagement in HUD's major program areas. The Bulletin explains the concept of accountability monitoring and how it impacts on HUD employees as well as program participants.

- HUD issued guidelines on Inspector General awards for the disclosure of fraud, waste, and mismanagement. This program permits the IG to grant monetary awards of up to \$10,000 to employees whose disclosures of fraud, waste, or mismanagement result in supportable cost savings to the Department. Employees are being made aware of this IG awards program in order to encourage them to make disclosures when appropriate.

- In a continuing effort to use publicity for its deterrent value in preventing fraud, waste, and mismanagement, we have initiated employee awareness activities at the Field Office level. Our Regional Inspectors General have begun submitting results from significant IG reports for inclusion in employee newsletters and other appropriate communication media.

- A condensed version of the information in our previous Semiannual Report to Congress was issued to all HUD employees. This digest of our prior report is distributed to widen availability and increase employees' knowledge of and concern for the problems facing the Department.

All of the above efforts have a common goal of contributing to and enhancing employee awareness. Continued emphasis should result in positive and constructive effects on overall HUD operations. The Department remains committed to combating fraud and waste through both individual employee initiatives and efforts undertaken in concert with the Inspector General.

Other Initiatives

In addition to our efforts within the Department, some new initiatives have begun to aid HUD constituent groups and state and local governments in detecting and preventing fraud and abuse. These efforts include:

- In October 1982, we presented a workshop on "Fraud, Waste, and Mismanagement" at the National Association of Housing and Redevelopment Officials' 1982 National Convention. Our workshop presentations dealt with topics such as the IG Act and fraud prevention and detection; the role of the Department's Committee on Fraud, Waste, and Mismanagement; deficiencies in the Public Housing and CDBG Pro-

grams; and the OIG's responsibilities and activities.

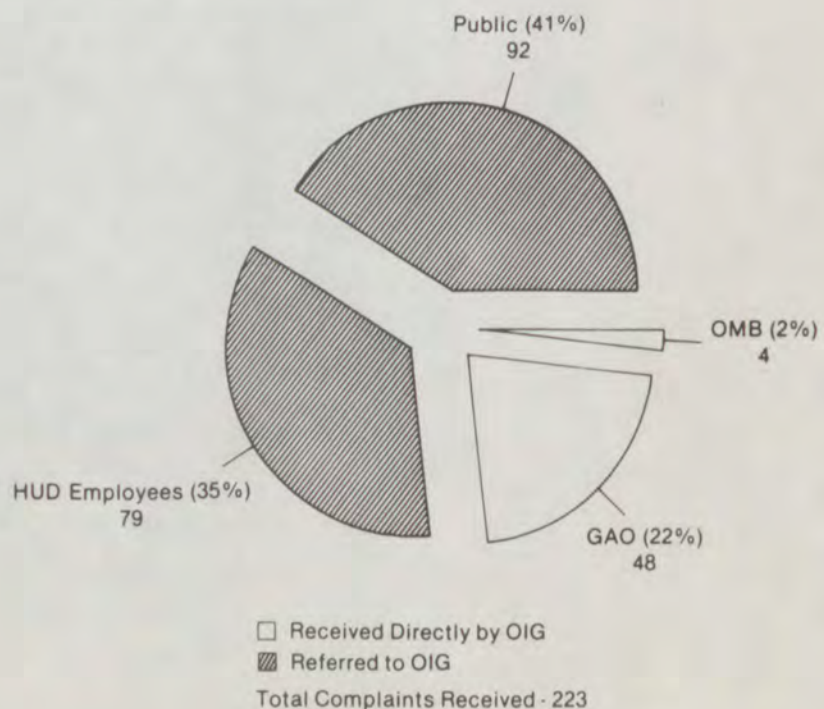
- In Los Angeles in November 1982 and in Washington, D.C., in January 1983, we participated in HUD-sponsored conferences on "Responding to Changing Fiscal Realities." As the conferences were intended primarily for local officials and community leaders, we took the opportunity to present and hand out information on HUD's Fraud Control Program, including the OIG hotline, Fraud Information Bulletins, fraud control initiatives to improve internal controls, and a questionnaire on how HUD can assist state and local governments to promote program integrity.

Hotline Activities

HUD hotline complaints may originate from either HUD employees or the public. Of the 223 complaints received during the reporting period, 79 were from HUD employees and 92 were from the general public. In

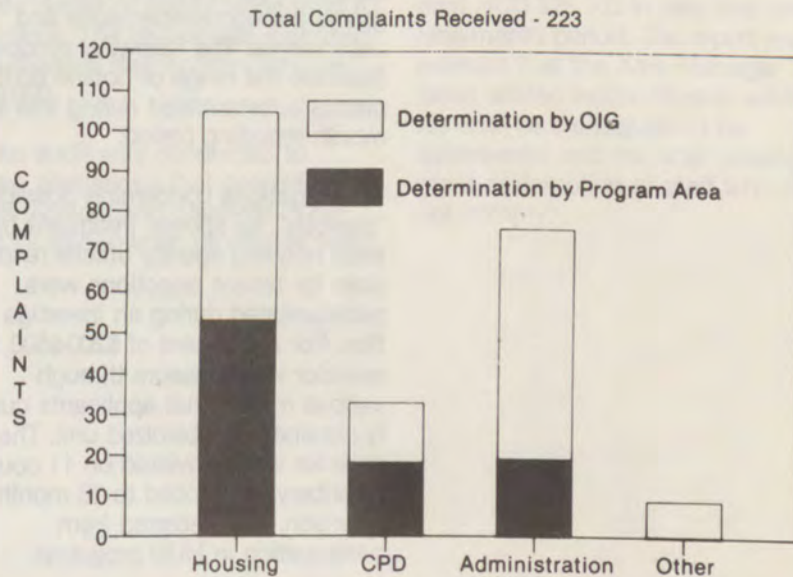
addition, other complaints are referred to our office for action by the General Accounting Office and the Office of Management and Budget. The following chart breaks down the origin of complaints received.

Sources of Hotline Complaints Received
October 1, 1982 to March 31, 1983



The chart below shows the program areas affected and the office assigned to review and determine the validity of the complaints.

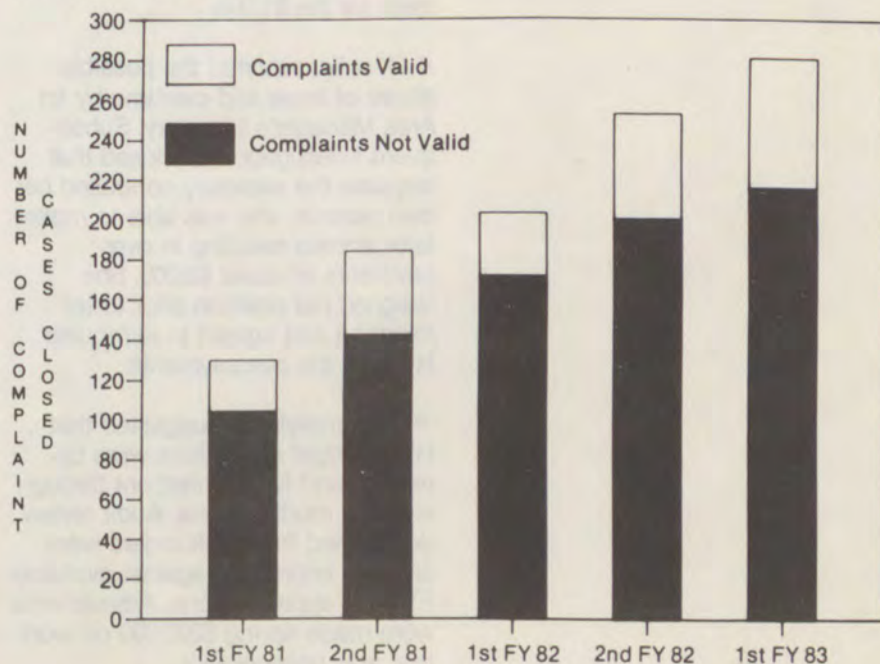
Distribution of Hotline Complaints Received by Program Area
October 1, 1982 to March 31, 1983



As depicted in the accompanying chart, case closings have increased over the last 2½ fiscal years. During this reporting period, 280 hotline

complaints were closed. Of these, 215 (77 percent) were nonsubstantive and 65 (23 percent) were valid and resulted in corrective actions.

Hotline Complaints Closed by Semiannual Reporting Period
Fiscal Years 1981 to 1983



The complaints closed this reporting period which were found valid resulted in such actions as fines, prison sentences, recovery of funds, termination of assistance, and exclusion from participation in HUD programs through suspensions and debarments. The following synopses illustrate the range of hotline complaints substantiated during this six-month reporting period:

- Allegations concerning possible "pay-offs" for special treatment by a local housing agency official responsible for tenant selections were substantiated during an investigation. For a payment of \$200-\$500, the selector would assure through various means that applicants quickly obtained a subsidized unit. The selector was convicted on 11 counts of bribery, sentenced to 18 months in prison, and debarred from participation in HUD programs.

- A complaint alleging misuse of housing rehabilitation funds was verified during an audit. The management company of a HUD-subsidized project had paid \$1,000 for tickets to a political fund-raising dinner. The audit recommended that the Area Manager obtain reimbursement for the \$1,000.

- A caller reported the possible abuse of leave and overtime by an Area Manager's secretary. Subsequent investigation disclosed that because the secretary controlled her own records, she was able to make false entries resulting in overpayments of about \$3,000. She resigned her position prior to termination and agreed to reimburse HUD for the overpayments.

- A complainant suggested that HUD budget regulations were bypassed and funds misspent through contract modifications. Audit review determined that work orders were charged improperly against available FY 1982 appropriations. Adjustments were made saving \$200,000 on work that was unnecessary.

- Several complaints dealing with false statements to obtain Section 8 housing assistance payments were received and verified, as follows:

- A tenant sublet her subsidized unit for about \$150 per month more than her rent. Collection action was initiated to recoup the ineligible Section 8 assistance she received.

- A tenant did not disclose that she owned a home and obtained over \$1,600 in ineligible assistance. She was required to repay the assistance payments.

- A tenant did not disclose all income sources and obtained \$1,100 in excess assistance. The tenant was required to repay the full amount to the housing authority.

- A landlord continued to bill the local housing agency for an apartment vacated by an eligible tenant. The landlord was denied future participation in the program and repaid \$1,200 to the housing agency.

- A tenant was indicted, pled guilty, and agreed to repay \$6,600 of ineligible assistance obtained by not reporting all sources of income.

- Six tenants at one project collectively received more than \$8,400 in excess benefits. Four separate complaints were received concerning the submission of false applications at the project. The tenants were required to repay the illegally-obtained subsidy payments.

- An audit was performed based on a complaint alleging mismanagement at a local housing agency. The review disclosed ineligible travel costs exceeding \$8,000, questionable procurement practices, and laxity in charging tenants for damages to units.

● A complainant alleged extensive mismanagement in the administration of several subsidized housing projects. An audit review confirmed the allegation and resulted in a temporary denial of participation in HUD programs. The review also identified unauthorized distributions totaling \$109,999.

● An audit was conducted to review allegations that deposit of sales receipts and payment of tax bills for HUD-owned properties were

not being made timely. The audit disclosed that \$785,861 in sales proceeds had not been deposited within the required time period. Also, failure to pay tax bills in a timely manner cost HUD \$28,105 in late fees over a nine-month period. The report recommended that the Area Manager issue written instructions to advise his staff of the regulation requirements, and consider reassignment or demotion of staff who do not comply.

Cooperative Efforts

During the current semiannual reporting period, we participated in several special cooperative efforts with other Federal, state, and local 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. Prevention Committee

During this reporting period, the PCIE established this standing Committee to develop and recommend policies and procedures for the Council to consider in fostering efforts to prevent fraud, waste, mismanagement, and error. The HUD Inspector General was appointed to chair the Committee. The Committee's primary objective is to increase IGs' awareness of their responsibility for promoting cooperative efforts to implement and maintain sound prevention principles and techniques.

An early goal of the Committee was to develop a factual data base by obtaining information and ideas on current prevention activities in the IG community. This survey provided an appropriate forum for focusing attention upon, and assessing the prevention role. Much valuable data was collected during the survey that should provide a framework for

enhancing the already substantial commitment to prevention activities by the IG community.

A review and analysis of survey data suggests that:

- All IGs have been engaged in prevention work but have not highlighted or described it as such. Most such efforts occur when performing traditional operational audits that result in recommendations for overcoming systemic problems.
- Most IGs have not set aside specific resources or established goals for proactive efforts outside traditional audit or investigative work; rather, preventive results tend to be by-products of other efforts.
- The wide variance between Offices of Inspector General on one hand and departmental missions and objectives on the other dictates that there are no across-the-board answers. However, it is apparent that there are several basic activities that could add to the IGs' effectiveness in prevention-oriented areas:
 - Improving and applying analysis/evaluation techniques to audit/investigation reports to aid in identifying the need for systemic changes.
 - Providing technical assistance to management in front-end design or in the decision-making process.

— Increasing IGs' impact on departmental legislation, regulations, and operating procedures as they are proposed or changed.

— Employing effective communication techniques that are tailored and targeted for: program managers, other employees, and non-Federal program participants or administrators.

The survey report provided an action plan to be implemented during the balance of this year by three subcommittees working cooperatively and concurrently in the areas of: front-end review and design, operational safeguards, and communications awareness. Each subcommittee will begin, or already has begun to:

- Use the survey's data as a starting point to obtain specific details concerning current IG techniques and recent success stories,
- Perform additional survey work at each department by reviewing current techniques,
- Canvass selected private industry sources for prevention techniques that might be used by Federal program managers;
- Canvass state and local government entities in a similar fashion, and
- Prepare appropriate methods to act as a clearinghouse for exchanging data and techniques within the IG community.

2. Suspensions and Debarments

As reported in our prior Semiannual Report, the Inspectors General of HUD and the General Services Administration accepted responsibility for coordinating a government-wide review of suspension and debarment systems. The effort involved reviews at 19 Federal departments and agencies.

The review disclosed that until recently, government efforts to suspend or debar participants found to abuse Federally-assisted programs from government activities have been carried out, at best, on a piecemeal basis.

Although suspensions and debarments are among the more effective mechanisms to combat fraud, waste, and abuse in the Federal Government, Federal agencies infrequently exercise their suspension/debarment authority. Many agencies use other mechanisms, usually less formal than suspension and debarment, to deal with irresponsible program participants. Although these actions may provide comparable protection within a given agency, such mechanisms prove less effective for purposes of a government-wide approach.

The consensus of participating departments and agencies was that a comprehensive, government-wide system is both desirable and feasible and that such a system should be developed. However, the development and implementation of a government-wide system cannot be accomplished without sensitivity to the needs of individual agencies.

In our report, issued on November 23, 1982, to the Chairman of the PCIE, we recommended that the report be distributed, for analysis and comment, to members of the Assistant Secretaries for Management Group and agency General Counsel offices. We further recommended that the Council's Legislative Committee review the report for consideration of steps the Council may want to pursue regarding legislative aspects of the report.

At a meeting on March 24, 1983, the Office of Management and Budget distributed the report to the Assistant Secretaries for Management Group and agency General Counsel offices for their review and comment. Comments were requested by April 8, 1983.

3. Letter-of-Credit

In response to the concern for better cash management, the PCIE endorsed a review of cash management practices in selected Federal agencies having a large volume of letter-of-credit activities.

Six Federal agencies, including HUD, were selected for participation in this project. The first phase is a review of the administration of advance funding techniques at the Federal agency level. Reports from each of the six participating agencies will be consolidated by the Treasury Office of Inspector General into a comprehensive report to the PCIE outlining weaknesses in the current procedures for managing letters-of-credit and providing recommendations for improving the overall system. The report is expected to be issued during the third quarter of FY 1983. The

second phase will implement the results of the first phase report.

Our review disclosed that HUD's system for implementation of its approved letter-of-credit system is consistent with and meets requirements established by the Treasury. While our review disclosed certain deviations from required procedures and opportunities for improved letter-of-credit monitoring, it also indicated that there is no significant problem at this time with premature draw-downs or excess cash held by HUD grantees under letters-of-credit because: (1) about 1/3 of the entitlement cities drawing down on Community Development Block Grant (CDBG) letters-of-credit during FY 1982 were doing so on a reimbursable rather than an advance basis, and (2) extensive audit coverage of CDBG grantees has identified only limited instances of excess cash held by grantees.

Intradepartmental Projects

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

As reported in our last Semiannual Report, we participated in a joint review of the internal controls of the accounting systems within HUD's Office of Finance and Accounting (OFA). This one year effort was completed in December 1982. The objectives of the project, staffed from the OIG and OFA, were 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.

Eight internal control reviews were completed as part of this project. The following provides the status of the four internal control reviews summarized in our prior Semiannual Report, and summaries of the four subsequent reviews completed.

- As a result of the Review of the Urban Homesteading Program, the Department will transfer the Urban Homesteading fund controls from OFA's Mortgage Insurance Accounting and Servicing Group to the General and Program Accounting Group (GPA) in April 1983. GPA's use of the automated Program Accounting System (PAS) will improve controls over Urban Homesteading funds. To date, OFA has reconciled Urban Homesteading fund records between Headquarters and Field Offices to ensure that accurate balances are entered into PAS.

- As a result of the review of Controls over Advances of Funds to Public Housing Authorities (PHA's), OFA is taking steps to modify its automated systems so they will provide the Field Offices with information on advances. The modification will enable OFA and the Field Offices to monitor advances to PHA's more effectively.

- As a result of the review of Interest Payments for Insured Section 236 Projects, OFA is developing the functional requirements for a new automated system to control Section 236 interest reduction payments by project. Estimated completion is April 30, 1983.

- As a result of the review of Section 235 Mortgage Subsidy Payments, the joint project team prepared a detailed requirements request for the Department's data processing staff to change an automated system and incorporate needed controls. OFA submitted the proposed system change to the Department's data processing staff in December 1982. The proposed change is expected to be implemented by September 1983.

Subsequent internal control reviews completed include:

- Review of Billings for Multifamily Assigned Mortgages and Purchase Money Mortgages. This review focused on the effectiveness of controls for maintaining an automated multifamily mortgage file for over \$3 billion in outstanding mortgages. HUD's delay in billing mortgagors reduced the cash flow for about \$1.75 million due the government, and contributed to about \$40,000 in interest costs which should have been avoided. Further, HUD employees were not correctly entering transactions into an automated system resulting in inaccurate billings and account balances. The project team recommended that HUD prepare written instructions, train employees, and more closely monitor processing so that employees properly use the automated billing system.

As a result of this review, OFA is developing a plan for the implementation of these recommendations by September 30, 1983.

- Review of ADP Contracting in the Working Capital Fund. This review disclosed over \$1 million in contracts awarded in late September 1982 for which current fiscal year needs had not been demonstrated to exist at the time of the obligation. The project team recommended specific controls to ensure that current year bona fide needs exist for all contracts awarded from the Working Capital Fund.

As a result of this review, the Office of Procurement and Contracts issued office instructions in March 1983 and plans to revise a procurement handbook by April 30, 1983, incorporating the recommended controls. In addition, the Department will review by May 31, 1983, all ADP contracts executed prior to FY 1983 and deobligate funds for which the Department does not have a bona fide need.

- Review of Contract Payments. The review disclosed that OFA and the Office of Procurement and Contracts do not routinely share relevant information on contract payments. Consequently, the Department may not detect irregularities such as duplicate payments, missing vouchers, and cost overruns. Further, some contracts recorded as open have been closed and funds deobligated. The project team recommended methods for both offices to routinely share contract payment information and to identify and correct payment discrepancies.

As a result of this review, the Department initiated a procedure in February 1983, which requires OFA and the Office of Procurement and Contracts to provide each other relevant reports on contract payments.

- Review of the Working Capital Fund. This review disclosed that the Working Capital Fund's system for charging for ADP services does not encourage the efficient and

economical use of ADP services. The system does not provide users the reports needed to compare actual ADP costs incurred with operating budget estimates so that management can control resources used. As a result, ADP services are being provided to users on a "free goods" basis. The project team recommended that the automated charging system be modified to provide users with reports showing actual costs compared to budget estimates.

As a result of this review, the Department plans to furnish reports to ADP users which can be used to aid management conserve resources. The Office of Information, Policies, and Systems will study the feasibility of developing an automated interface to compare actual and budgeted data processing costs.

2. Office of Management and Budget Circular No. A-123, Internal Control Systems, and Federal Managers' Financial Integrity Act

The Director of the Office of Management and Budget (OMB) issued a directive on October 28, 1981, OMB Circular A-123, requiring agencies to evaluate on an ongoing basis the adequacy of their systems of internal control, and to implement improvements as necessary.

On September 8, 1982, Congress passes the Federal Managers' Financial Integrity Act (P.L. 97-255), requiring compliance with OMB's internal control evaluation guidelines and with internal control standards to be developed by the Comptroller General. Annual reports must be submitted by agency heads to the President and the Congress regarding the adequacy of their internal control systems. In addition, agencies must furnish a report indicating whether their accounting systems conform to the principles, standards, and related requirements prescribed by the Comptroller General.

Within the Department, the Assistant Secretary for Administration is responsible for developing HUD's overall internal control policies and procedures, as well as monitoring and administering their implementation. The OIG has provided support to the Office of Administration in performing its responsibilities, in the form of continual consultation and technical advice.

As we reported in our last Semiannual Report, the OIG assisted in training approximately 175 Departmental personnel in performing vulnerability assessments. By December 31, 1982, Departmental managers were to perform assessments on all their operations, which comprised 380 assessable units. To facilitate this process, the OIG, in conjunction with the Office of Administration, reviewed and provided feedback to their organizational units on a sampling of initial assessments, giving them the opportunity to consider our comments in completing those and conducting the remaining assessments.

Following the vulnerability assessment phase, each organizational unit is to perform a preliminary review of its more vulnerable areas to determine an appropriate course of action, including the possibility of a detailed internal control review. To develop policy recommendations and formulate procedures for the process, the Departmental Committee on Fraud, Waste, and Mismanagement established a working group led by the OIG with representation from the Office of Administration and several program offices. The group has drafted an internal control handbook addressing most internal control related activities, including internal control review performance, follow-up on resulting recommendations, and reporting under the Federal Managers' Financial Integrity Act. This handbook guidance is to be followed in satisfying the Circular and Act requirements.

Our office plans to review the adequacy of HUD's compliance with the requirements of the Circular and the Act beginning June 1983. The results will be used to help support the Secretary's certification required by the Act.

Other areas where the OIG has provided support to the Office of Ad-

ministration include the following: reviewing and commenting on internal control factors for employee performance evaluations, participating in briefing OMB or GAO staff on the Department's internal control activities, and meeting on a regular basis with the Office of Administration to review plans and progress.

Interagency Projects

1. Project MATCH

During this reporting period, HUD's OIG has followed up on information provided to us by the U.S. Department of Agriculture's (USDA's) Office of Inspector General. The information involves 123 families who are suspected of receiving excessive food stamps or Aid to Families with Dependent Children benefits through agencies within the District of Columbia. Our staff conducted an analysis to determine whether families suspected of receiving excessive benefits from these programs may have also received reduced rents for which they are not entitled. Nineteen of the 123 families were identified as recipients of assisted housing benefits.

Based on an analysis of tenant files for the 19 families, we identified documents which indicated that 12 of the families may have received about \$30,000 in excessive housing assistance during the period April 1980 through March 1982. The cases have been referred to our Office of Investigation.

In contrast to our prior efforts which focused on referrals from other agencies, during this period, our staff conducted a direct automated match of income data provided by the Atlanta Housing Authority to Federal and state of Georgia wage data. The direct matching is independent of other Federal matching programs. Our staff in Atlanta is currently reviewing the results of the automated matching. This approach will further enable us to determine the extent of income not reported by families receiving housing assistance benefits.

Similar direct matches of tenant-supplied income data to Federal and state wage data are currently in process in the Kansas City, Kansas; Kansas City, Missouri; and Washington, D.C., areas. The matching efforts in Kansas and Missouri have been closely coordinated with the USDA. State wage data for both food stamp and assisted housing program beneficiaries will be acquired concurrently.

State and Local Government Projects

1. Council of State Governments/OMB Regional Conferences

The Office of Management and Budget (OMB) and four Federal agencies including HUD are sponsoring a series of Regional conferences with the Council of State Governments (CSG) to improve management and reduce waste in government programs. The purpose

of the meetings is to share information on successful techniques and strategies that are transferable and will result in the reduction of fraud and waste and the improvement of management operations. Specific control techniques to be discussed include computer matching, vulnerability assessment, and nontechnical managerial practices.

The meetings target senior legislative and executive branch officials from the states as well as key Federal agency staff from Washington and regional offices.

During the semiannual reporting period, we participated in a number of meetings with CSG and OMB staff as part of the Washington-based Steering Committee to: (1) develop the theme areas; (2) identify and prepare background materials by researching Federal and state "state-of-the-art" aspects and pertinent technical information; and (3) specifically map out all logistical and administrative aspects. OIG's representative as a member of the Washington-based Steering Committee was responsible for coordinating the identification of success models and effective techniques for vulnerability assessment, risk analysis, and internal controls. We suggested projects and techniques along with speakers to an OMB/CSG panel for selection. We have also been selected to make presentations on vulnerability assessments and internal controls.

OMB, the agencies, and CSG have arranged four regional conferences for state and Federal officials to share "best practices" in reducing fraud, waste, and abuse. The agenda of each conference reflects regional needs and practices but its "core" is based on discussions of the application of particular techniques, including computer utilization, audit, and recovery activities applied to various program areas such as public assistance, unemployment insurance, and consulting/contracting.

2. 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.

We are currently participating in the implementation of the single audit concept through the orientation and education of HUD program staff, recipient organizations, and Independent Public Accountants.

During the semiannual reporting period, we carried out our objectives by: (1) contacting recipient organizations for which HUD is the cognizant agency, (2) briefing HUD program staff in Headquarters and Regional and Area Offices, (3) making presentations on Attachment P in conjunction with the Regional Intergovernmental Audit Forums to State Auditors and State Societies of Certified Public Accountants, and (4) continuing coordination and cooperation with HUD program staff on Attachment P matters.

Two of our Regional Inspectors General for Audit are currently serving with the A-102 Attachment P Task Force established by the President's Council on Integrity and Efficiency. One of our Regional Inspectors General has recently assisted in the development and completion of an in-depth questionnaire on Attachment P activities, and has submitted it to the Task Force to be used in an evaluation of the implementation of Attachment P. Participation by another Regional Inspector General on the Task Force will include the presentation of training concerning the specific implementation of the A-102 Attachment P requirements to Inspector General personnel nationwide.

In addition, as the cognizant audit agency, we have been working closely with the General Accounting Office and the Colorado State Auditor to monitor the progress of an Attachment P pilot program involving a single joint audit of the Colorado Department of Local Affairs.

Review of Legislation and Regulations

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

45 proposed/revised regulations, 56 legislative bills, and 122 HUD and other issuances.

Some of the more significant legislative proposals and regulations on which we commented are described as follows:

Legislation

H.R. 7299, the Tax Funded Advocacy Act of 1982, provides that no Federal funds may be disbursed to or used by any organization that in any way attempts to influence public policy formation or advance particular viewpoints. The prohibition extends to the Congress, any legislative body, judicial branches at all levels of government, administrative officials or individuals, litigation, or the general public.

While there is merit in the concept of precluding the use of Federal funds by organizations directly attempting to influence public opinion and policy, we find the provisions of this bill so general that they could effectively preclude the provision of funds to Inspectors General and to many present HUD program participants. Our specific concerns are:

- Section 3(a) is so general that it could prohibit state and local governments from receiving Community Development Block Grant funds. These governments can and do influence public policy formation in their housing and community development programs.

- Housing for the elderly could be severely affected if private nonprofit sponsors such as church-affiliated groups are not permitted to receive Federal funding or guarantees for development of needed housing projects.

- Congress directed Inspectors General in P.L. 95-452, the Inspector General Act of 1978, to comment on the efficiency and economy or potential for fraud and abuse in proposed legislation or regulations. This

bill could apply to salaries and compensation paid to Federal employees such as those in the Offices of Inspector General and inhibit our ability to advocate legislative changes.

Similar problems would be faced by other government departments and agencies. If this proposed legislation is to become law, it must be more narrowly defined for Congressional intent to be clearly understood.

H.R. 7148, the Public Benefits Eligibility Verification Act, provides that states administering needs-related Federally-assisted programs must verify the income, assets, and eligibility of applicants for and recipients of benefits under such programs. Verification is to be accomplished by cross-matching against relevant public records. The bill would also permit any state to conduct cross-matches against its own records on behalf of another state.

We favor the intent of this legislation as a worthwhile effort at fraud prevention. However, we are concerned about its substantial intrusions into personal privacy and its financial burdens on states already operating under fiscal constraints. Our concerns are as follows:

- The Section 3(a)(2) requirement that states cross-match every individual who is currently receiving aid against all relevant public records should be made more flexible to give states the option of looking at those public records which they deem necessary.

- To reduce the cost of search and to protect privacy, Section 5(3)(B) should eliminate from the list of all relevant public records "...the deposit and interest-bearing account category. . . ."

- To give more administrative flexibility, the requirement that matches be done quarterly should be changed to either quarterly or as directed by the appropriate agency head.

- The bill should cite as relevant public records for conducting state cross-matches to verify income, etc., major HUD programs such as the Section 8 and the Low-Income Public Housing programs.

- To facilitate future eligibility checks using automation, it should be required in Section 3(c) that applicants include their social security or alien registration numbers on the signed statement acknowledging that verification of eligibility will be conducted.

- To allow for proper implementation of the bill's requirements, the legislation's effective date should be delayed for at least one year.

H.R. 769, Uniform Audit Act of 1983, is intended to: (1) improve the financial management of Federal assistance programs, (2) promote the efficient use of audit resources, (3) relieve the paperwork burden on state and local governments and nonprofit organizations caused by redundant Federal requirements, and

(4) provide for uniform financial management and audit standards.

We have serious reservations concerning this legislation because:

- The single audit concept presents difficult procedural, organizational, and administrative problems. Very few single audits have been conducted to date and there are many significant problems that need to be resolved before enacting legislation. More administrative flexibility and experience with Attachment P of OMB Circular A-102 are needed before the single audit concept is enacted into law.

- We do not believe this legislation reflects standards and definitions which have been set by the General Accounting Office (GAO). Specifically, Section 2(1) should be revised to conform to Financial and Compliance Standards as defined by the GAO, and Section 2(3) should be revised to conform with the GAO Standards for Audit of Governmental Organizations, Programs, Activities, and Functions.

- This act does not resolve problems pointed out by the Department of Commerce in a previous version of this legislation. For example, the interpretation of Section 4(c)(1) could hamper the authority of Inspectors General to audit nonprofit organizations and their subgrantees, even in circumstances where there has been a flagrant violation of the law. We do not believe this to be the intent of Congress.

Regulations

Final regulations, **24 CFR (Part 200.163)**, were published on March 22, 1983, implementing the Single Family Direct Endorsement Program. A draft HUD handbook and a mortgagee's guide have been prepared for guidance in the underwriting of single family mortgages.

Our concerns with the Single Family Direct Endorsement Program are

based on its extreme vulnerability to fraud and mismanagement and the fact that the planned monitoring effort cannot be tested and evaluated until the program is in operation. Vulnerability to underwriting deficiencies will be greater in the initial year of operation due to staff inexperience. We have recommended more intense monitoring efforts and have received assurance from Office

of Housing officials that they intend to expand their efforts in this area.

In addition, we will commit FY 1984 audit resources to closely evaluate whether the monitoring effort ade-

quately protects the Department from the considerable risks involved and whether the regulations need to be amended to provide for commitment processing under certain high risk conditions.

Chapter 6

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 17 times. Fourteen of the subpoenas were issued with respect to investigations, and three were issued in connection with audits.

Since the passage of the IG Act, we have, to date, issued a total of 64 subpoenas. It has only been necessary to seek enforcement in District Courts seven times. Two such actions in connection with audits were filed during this reporting period, but are still pending court dates.

Chapter 7

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 requires 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 covered in our reports to the Congress for the six months ended September 30, 1981, and for the six months ended September 30, 1982. HUD is currently developing a debt collection action plan for FY 1984, in compliance with OMB Bulletin No. 83-11, March 1, 1983, to update debt collection practices and institute management reforms as required by the Debt Collection Act of 1982.

HUD's FY 1984 action plan for implementing the Debt Collection Act of 1982 includes:

- Referring information on delinquent debts to consumer credit reporting agencies to provide an incentive for prompt payment.
- Requiring applicants for Federal loan programs to furnish their taxpayer identification number on their loan applications.
- Withholding funds payable to individuals, including Federal employees, retirees, and businesses to recover delinquent debts owed to any government agency.
- Screening applicants for Federal loan programs against IRS files of delinquent taxpayers to determine whether applicants already owe the government money.
- Requesting IRS addresses to identify and locate taxpayers for the collection of Federal claims.
- Assessing interest penalties and administrative costs on delinquent

debts for the recovery of carrying and collecting expenses.

- Using private contractors to service and collect government debts.

Implementation of management reforms include:

- Routinely monitoring the status of outstanding receivables, delinquencies, defaults, collections, and write-offs.
- Establishing specific objectives for improving the condition of debt portfolios and procedures for evaluating progress toward the achievement of the objectives.
- Assessing the costs and risks of extending credit.
- Applying uniform standards for suspending or terminating collection action, determining or rescheduling payment, referring debts to the Department of Justice for litigation, and compromising or writing off debts.
- Assessing the costs and benefits of selling agency debt portfolios.

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 Debt Collection Report, as of December 31, 1982, is the latest data available.

Debt Collection Report

Collection Analysis¹
For the Three Months Ended December 31, 1982
(In Thousands of Dollars)

Fiscal Year
Elapsed 25%

	Current Budget Estimate FY 1983 ²	Actual Collections Fiscal Year to Date \$	%
First Tier			
MF Mortgage Notes	\$ 300,004 ³	\$ 65,566 ^{3 4}	21.9
Title I Defaulted Notes	16,000	2,413 ⁵	15.1
SF Mortgage Notes	46,332	9,930 ⁴	21.5
Section 312 Loans	71,100	19,820	27.9
Section 202 Loans	283,560	72,439	25.6
Second Tier			
MF Premium	172,600 ⁶	34,775	20.2
SF Premium	602,526	130,557	21.7
MF 106b Nonprofit Loans	1,650	106	6.4
Third Tier			
NCDC	1,360	1,753	128.9
Revolving Fund, Liquidating	32,000	8,030	25.1
Title I Premium	41,100	10,476	25.5
Sales of FHA Properties	450,627	147,311 ⁷	32.7
Subtotal	\$2,018,859	\$503,176	24.9
SF Premium ⁸	289,000	0	
Total	\$2,307,859	\$503,176	21.8

¹ Does not include the GNMA accounts.

² Includes OMB target of \$125 million.

³ Does not include proceeds from MF Note Sales.

⁴ Represents collections for principal, interest, and advances that reduce receivables. Total collections, including escrow deposits, were \$89 million for multifamily and \$13 million for single family.

⁵ Does not include unprocessed collections of \$400,000.

⁶ Includes initial as well as renewal collections.

⁷ Includes \$50 million in unapplied sales proceeds awaiting receipt of closing documentation.

⁸ This amount represents additional up-front premium collections which are expected to begin in July 1983.

Prepared by Office of Finance and Accounting—February 17, 1983.

Chapter 8

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 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.

Cash Recoveries/Savings

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

- Cash recoveries/savings resulting from audits—\$21.5 million
- Questioned/disallowed costs sustained by HUD management—\$47.9 million
- Value of unresolved audit findings—\$111.8 million

An example of one of the more significant sustained actions taken by HUD management during the period is on the city of New Orleans' Community Development Block Grant (CDBG) program. As a result of findings and recommendations developed from our review of an Independent Public Accountant's audit report on the city's CDBG program, the Area Office, with the concurrence of Headquarters, entered into an agreement with the city of New Orleans. Under the terms of the agreement, the city has scheduled the spending of \$4.3 million in local funds for community development purposes.

The following table provides additional detail on findings and recoveries/savings:

Audit Findings and Cash Recoveries/Savings

(Dollars in Thousands)

	Dollar Value of Reported Audit Findings			Audit Findings Sustained			Cash Recoveries/Savings		
	OIG	Non-Federal	Total	OIG	Non-Federal	Total	OIG	Non-Federal	Total
<i>Activity on Audits Issued During Last Six Months</i>									
Housing	9,672	11,480	21,152	2,241	7,186	9,427	128	4,820	4,948
CPD	34,987	76,816	111,803	3,122	2,346	5,468	2,041	1,227	3,268
Admin	4,013	0	4,013	313	0	313	12	0	12
Other	0	0	0	0	0	0	0	0	0
Subtotal	48,672	88,296	136,968	5,676	9,532	15,208	2,181	6,047	8,228
<i>Activity on Audits Issued Prior to October 1, 1982</i>									
Housing	64,668	85,533	150,201	18,121	3,664	21,785	2,068	4,681	6,749
CPD	113,100	318,109	431,209	7,289	3,181	10,470	2,271	4,209	6,480
Admin	6,801	0	6,801	503	0	503	44	0	44
Other	72	4	76	0	4	4	0	0	0
Subtotal	184,641	403,646	588,287	25,913	6,849	32,762	4,383	8,890	13,273
Total	\$233,313	\$491,942	\$725,255	\$31,589	\$16,381	\$47,970	\$6,564	\$14,937	\$21,501

Follow-Up on Audit Findings

HUD managers are responsible for taking appropriate action on recommendations made in audit reports. Following are statistics on the inventory of open audit findings and the activity for the reporting period:

- Open audit findings at 10/1/82—1,652

- Audit findings issued during the period—3,694

- Audit findings resolved during the period—3,613

- Audit findings unresolved at 3/31/83—1,733

Following is a listing of 16 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>
City of Santa Paula, CA—CDBG (80-SF-244-1018)	7/10/80	3	\$462,728
Santa Rose, CA (81-SF-202-2037)	11/25/80	1	\$ -0-
Angel Apartments (82-AT-211-1046)	7/28/81	1	\$10,146
City of Miami, AZ—CDBG (82-SF-243-2004)	10/6/81	2	\$173,763
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
Philadelphia Housing Authority (82-PH-201-2270)	5/28/82	31	\$4,900,000
County of Los Angeles, CA—CDBG (82-SF-241-1028)	6/10/82	1	\$12,088,049
Washington Area Office Actions Relating to the Monitoring of Glenarden Apts. (82-PH-111-0008)	6/30/82	5	\$ -0-
Bedford Stuyvesant Restoration Corp. (82-NY-262-1050)	6/30/82	7	\$84,363
Management Input into Processing Multifamily Housing Projects (82-TS-111/112-0008)	7/6/82	1	\$ -0-
Flint, MI—CDBG (82-CH-241-1072)	7/13/82	1	\$ -0-
Title I-Mobile Home Loans (82-TS-182-0009)	7/13/82	1	\$ -0-
Regional Accounting Division Operations (82-PH-161-0009)	8/11/82	3	\$137,450
National Urban League, Inc. (82-NY-262-1057)	8/11/82	2	\$281,828
South Austin Realty Assoc. (82-CH-262-1081)	8/26/82	8	\$107,580
TOTAL		69	\$18,271,149

The Inspector General Act of 1978 requires the Inspector General to identify each significant recommendation described in previous semiannual reports on which corrective action has not been taken. Appendix 5

lists 28 audit reports that were identified in previous semiannual reports having recommendations on which corrective action has not been completed. Target dates for completed action are also shown.

Resolution of General Accounting Office Findings

In addition to internal and external audit finding follow-up 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 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 10/1/82—43
- Recommendations issued during the period—28
- Recommendations closed during the period—38
- Recommendations open at 3/31/83—33

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

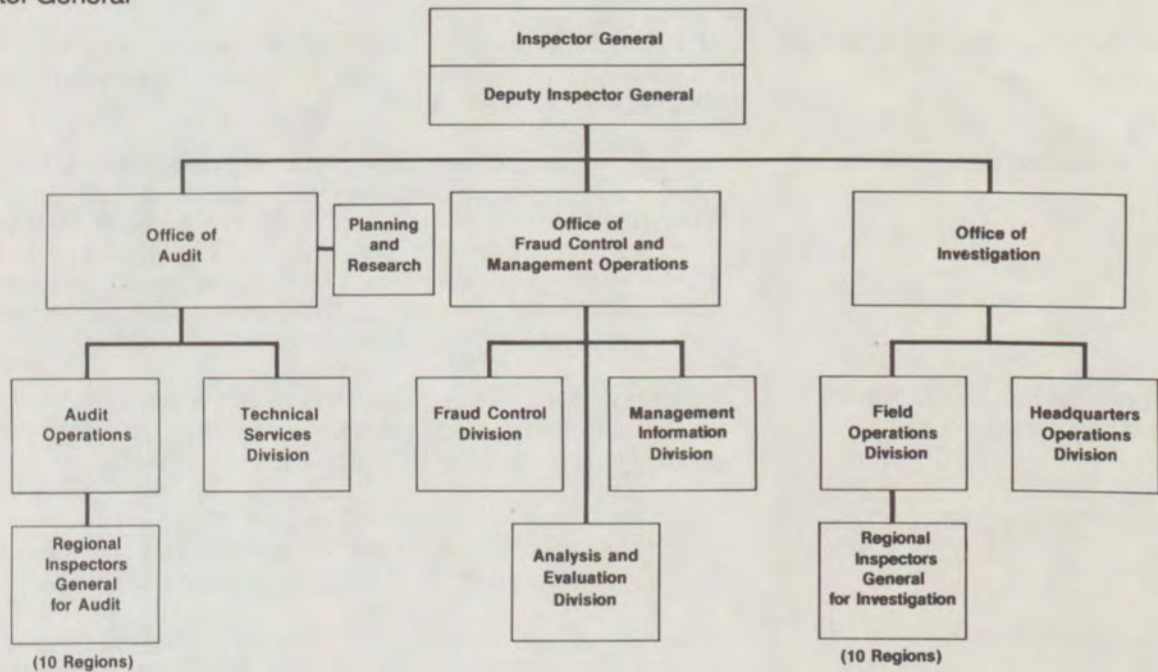
The Office of the Inspector General consists of three major offices, each headed by an Assistant Inspector General. These offices are the: (1) Office of Audit; (2) Office of Investigation; and (3) Office of Fraud Control and Management Operations.

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 1983**

	Headquarters	Field	Total
Inspector General	6	—	6
Office of Audit	63	295	358
Office of Investigation	20	84	104
Office of Fraud Control & Management Operations	36	—	36
Total	125	379	504

Appendix 2

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.

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 Audit Findings Not Taken," the following is a listing of the responsible officials who were to have taken actions by March 31, 1983, to clear the audits where we found one or more findings uncorrected.

<i>Audit Report Title and Number</i>	<i>Responsible Official (Reported Addressee)</i>
Hall Management Associates, Inc. Cleveland, Ohio 82-CH-215-1074 Issued: 7/30/82	Michael Diercouff* Acting Supervisor Cleveland Service Office
St. Louis Housing Authority St. Louis, Missouri 82-KC-202-2251 Issued: 4/5/82	Johnny Bullock, Jr. Area Manager, St. Louis Area Office
City of Los Angeles Community Development Block Grant Program Los Angeles, California 80-SF-31-1119 Issued: 9/10/80	John J. Tuite Area Manager, Los Angeles Area Office
County of Los Angeles Community Development Block Grant Program Los Angeles, California 81-SF-241-2036 Issued: 11/21/80	John J. Tuite Area Manager, Los Angeles Area Office
Housing Authority of the City and County of San Francisco San Francisco, California 82-SF-201-2211 Issued: 5/7/82	Henry Dishroom Area Manager, San Francisco Area Office

* Acting Supervisor between 7/30/82 and 1/30/83.

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 75.

Internal Audit and Survey Reports

Report No.	Title	Issue Date
<i>Housing</i>		
83-BO-101-0002	Comprehensive Improvement Assistance Program	03/24/83
83-PH-112-0001	Processing of Cooperative Housing Projects Developed by FCH Services, Inc.	10/01/82
83-PH-119-0005	Review of the Section 223(f) Existing Multifamily Mortgage Insurance Program	03/16/83
83-PH-112-0006	Review of Construction Problems—South Roanoke Village Apartments	03/30/83
83-AT-111-0002	Ingelside West Associates, High Point, North Carolina	01/05/83
83-AT-103-0003	Report on Survey-Section 8 Housing Assistance Payments Program—Greensboro and Columbia Area Offices	02/08/83
83-AT-101-0005	Atlanta Project Match	03/04/83
83-CH-121-0001	HUD's Selection and Monitoring of Fee Personnel— Analysis of CRV Problems—Detroit, Chicago, Minneapolis/St. Paul Area Offices	10/05/82
83-CH-123-0002	Limited Review of Single-Family Property Disposition Branch, Chicago Area Office	12/22/82
83-CH-111-0003	Protection of Property and Preservation of Income on Multifamily Projects Recommended for Foreclosure	01/13/83
83-CH-101-0006	PHA Control over Procurement and Payment of Architectural Services	03/11/83
83-CH-111-0008	Effectiveness of HUD's Servicing of Insured Multifamily Projects	03/30/83
83-DE-101-0003	Review of Control over the Procurement and Payment of Architectural Services	02/25/83
83-SF-123-0001	Review of Procedures for Repair of Acquired Single Family Properties, Santa Ana Service Office	10/27/82
83-SF-111-0003	Flexible Subsidy Funds	02/23/83
83-SF-111-0005	Survey on Procurement and Payment of Architectural Services by Public Housing Agencies	03/31/83
83-AO-113-0006	Review of Controls over Processing of Vouchers in Field Offices	03/28/83
83-TS-111-0001	Multifamily Workout Agreements Housing for Secretary-Held Mortgages	10/20/82
<i>Fraud Control</i>		
83-NY-181-0004	Administrative Deficiencies Disclosed by the Operational Survey of the Camden Service Office	01/12/83
83-SF-189-0002	Review of Multifamily Development Division Applica- tion Processing, Sacramento Service Office	12/03/82

Report No.	Title	Issue Date
<i>Community Planning and Development</i>		
83-NY-145-0001	The Use of Consultants to Administer CDBG Activities—Caribbean Area Office	11/10/82
83-NY-145-0003	The Use of Consultants to Administer CDBG Activities—Buffalo Area Office	11/29/82
83-CH-144-0007	Follow-Up on Special Operational Survey of Community Development Block Grant Rehabilitation Activities	03/23/83
83-FW-156-0003	Program Income Under the CDBG Program—Oklahoma City Area Office and Dallas Area Office	11/19/82
83-FW-145-0004	Public Facilities Built with CDBG Funds and Contracting Practices of CDBG Recipients—Little Rock and New Orleans Area Offices	01/18/83
83-DE-151-0001	Proceeds from the Sale of Land Under the Early Closeout of Urban Renewal Projects	11/05/82
83-AO-145-0005	Review of Letter of Credit Procedures	03/18/83
83-TS-156-0002	Survey of Program Income Under CDBG—Oklahoma and Dallas Area Offices	01/14/83
<i>Fair Housing and Equal Opportunity</i>		
83-CH-174-0004	Housing Discrimination Complaint Investigation	01/14/83
<i>Department-Wide Assistance</i>		
83-NY-198-0002	Field Office Control and Use of IPA Audits Not Reviewed/Accepted by the OIG—New York Regional Office and Newark Area Office	11/12/82
83-PH-198-0002	Field Office Control and Use of Independent Public Accountants' Audit Reports Not Reviewed/Accepted by the Regional Inspector General for Audit—Baltimore and Richmond Area Offices	11/29/82
83-AT-198-0004	Field Office Control and Use of IPA Audit Reports Not Subject to OIG Review/Acceptance	02/25/83
83-CH-198-0005	Field Office Control and Use of Independent Public Accountants' Audit Reports Not Subject to Review or Acceptance by the RIGA	01/20/83
83-FW-198-0001	Field Office Control and Use of IPA Reports Not Accepted/Reviewed by RIGA (Little Rock and Dallas Area Offices)	10/20/82
83-KC-198-0002	Field Office Control and Use of Independent Public Accountant Audit Reports Not Reviewed/Accepted by the RIGA—Kansas City Regional Office, Kansas City and Omaha Area Offices	02/22/83
83-SF-198-0004	Field Office Control and Use of Independent Public Accountant Audit Reports Not Reviewed/Accepted by the RIGA	03/03/83
83-SE-198-0002	Field Office Control and Use of Independent Public Accountants' Reports Not Reviewed/Accepted by the RIGA	01/28/83

Report No.	Title	Issue Date
<i>Administration</i>		
83-BO-162-0001	Field Office Control over Receipt and Deposit of Funds	01/10/83
83-NY-162-0005	Controls over Receipt and Deposit of Funds, Newark and New York Area Offices	02/10/83
83-NY-165-0006	Accountability of and Control Extended over Government Transportation Requests	03/25/83
83-PH-166-0003	Multifamily Insured and Direct Loan Information System	12/23/82
83-PH-165-0004	Accountability of and Control Extended over Government Transportation Requests	01/31/83
83-AT-161-0001	Regional Accounting Division Operations Atlanta Regional Office	12/20/82
83-FW-169-0002	Survey of the Lubbock Service Office	10/27/82
83-FW-165-0005	Accountability of and Control Extended over Government Transportation Requests	03/23/83
83-KC-161-0001	Regional Accounting Division Operations Kansas City Regional Office	12/13/82
83-DE-162-0002	Control over Receipt and Deposit of Funds	02/11/83
83-SE-161-0001	Regional Accounting Division Operations Seattle Regional Office	12/06/82
83-AO-165-0001	Survey of the Use of Government Vehicles by HUD Principal Staff	11/03/82
83-AO-166-0002	Data Processing Management. ADP Systems Development Policies and Procedures	11/10/82
83-AO-163-0003	HUD Controls over Grants and Cooperative Agreements	01/27/83

External Audit and Accounting System Evaluation Reports

Report No.	Title	Location	Issue Date
<i>Housing</i>			
83-BO-214-1002	Terrence Cook and Co., Inc.	Stamford, CN	10/27/82
83-BO-214-1006	Management Realty Services, Inc.	Providence, RI	12/03/82
83-BO-215-1007	Reserve Realty Corporation	Boston, MA	12/15/82
83-BO-219-1009	Accounting System Evaluation—Multifamily Project Managers	Boston, MA	01/18/83
83-BO-214-1010	Beech Management Company, Inc.	Newton, MA	02/17/83
83-NY-209-1003	Newark Redevelopment & Housing Authority	Newark, NJ	10/15/82
83-NY-201-1004	Virgin Islands Housing Authority	St. Thomas, VI	10/18/82
83-NY-212-1012	Robinson Square Apartments	Albany, NY	01/13/83
83-NY-212-1015	Prospect East Apartments	Hackensack, NJ	01/28/83
83-NY-214-1018	Longley Jones Management Corporation	Syracuse, NY	03/18/83

Report No.	Title	Location	Issue Date
83-PH-212-1006	Roosevelt Arms Apartments	Pittsburgh, PA	02/02/83
83-PH-212-1008	Amity Gardens	Gaithersburg, MD	03/03/83
83-PH-212-1011	Third East Hills Park, Inc.	Pittsburgh, PA	03/10/83
83-PH-212-1012	Regency Park Towers I and II	Upper Moreland, PA	03/17/83
83-AT-211-1001	Cornelius Apartments	Albertville, AL	10/12/82
83-AT-222-1002	B and M Company Associates	Birmingham, AL	10/21/82
83-AT-202-1008	Georgia Residential Finance Authority	Atlanta, GA	12/23/82
83-AT-212-1005	London Townhouses	Atlanta, GA	12/10/82
83-AT-212-1009	Westview Tower Associates	Knoxville, TN	01/04/83
83-AT-212-1010	Ingelside West Associates	High Point, NC	01/05/83
83-AT-221-1011	Deposit Guaranty Mortgage Company	Jackson, MS	01/07/83
83-AT-213-1016	Forest Park South	Titusville, FL	03/10/83
83-CH-212-1001	Greenfield Estates	Groveport, OH	10/14/82
83-CH-212-1002	Lake Village East Apartments	Chicago, IL	10/26/82
83-CH-212-1005	Alamco Apartments #1	Cincinnati, OH	11/24/82
83-CH-222-1003	James Griffin Realty	Indianapolis, IN	11/17/82
83-CH-212-1009	Rivergate Townhouses II	Eagan, MN	12/23/82
83-CH-212-1006	Greenfield Cooperative Association	Detroit, MI	12/15/82
83-CH-212-1017	Crandon House Apartments	Chicago, IL	01/21/83
83-CH-219-1016	Illinois Housing Development Authority	Chicago, IL	01/20/83
83-CH-212-1028	Mid-Towne Apartments	Cincinnati, OH	02/23/83
83-CH-212-1038	Casa San Marino Apartments	Brownstone Township, MI	03/29/83
83-CH-209-1039	Niles Housing Commission	Niles, MI	03/29/83
83-FW-202-1002	Housing Authority of Smithville	Smithville, TX	10/13/82
83-FW-203-1004	Housing Authority of St. Charles Parish	St. Charles Parish, LA	11/05/82
83-FW-214-1005	Seville Management Corporation	Nowata, OK	11/24/82
83-FW-203-1006	Housing Authority of Houston	Houston, TX	12/03/82
83-FW-212-1007	Grant Villa Apartments	Austin, TX	12/10/82
83-FW-219-1008	Mercedes-Smithville	Mercedes and Smithville, TX	12/13/82
82-FW-212-1034*	2200 Sheridan Apartments	Tulsa, OK	03/25/83
83-FW-202-203-1014	City of San Benito	San Benito, TX	01/21/83
83-FW-214-1018	Pioneer Management Co., Inc.	Dallas, TX	03/11/83
83-FW-203-1019	City of Odessa	Odessa, TX	03/22/83
<i>Housing</i>			
83-KC-212-1001	Roanoke Ridge I and II	Kansas City, MO	10/01/82
83-KC-211-1002	Hillebrand & Son, Inc.	Davenport, IA	12/30/82
83-KC-202-1013	Kansas City Public Housing Authority	Kansas City, KS	03/02/83
83-SF-212-1001	MF Mortgagor—WATTS Arms I and II	Los Angeles, CA	10/15/82
83-SF-214-1002	Executive Services Co.	San Jose, CA	10/22/82

* Release delayed

Report No.	Title	Location	Issue Date
83-SF-278-1004	Housing Authority of the County of Monterey Congregate Housing Services Program	Salinas, CA	11/16/82
83-SF-219-1005	Casa Longwood Apartments Flexible Subsidy Program	Los Angeles, CA	11/17/82
83-SF-209-1007	Review of Architect Costs Claimed by TMC Architects, Inc. Fort Mojave Indian Housing Authority	Phoenix, AZ	11/18/82
83-SF-219-1008	Banneker Homes, Inc. Flexible Subsidy Program	San Francisco, CA	11/23/82
83-SF-214-1009	First Columbia Management, Inc.	Mill Valley, CA	11/24/82
83-SF-209-1013	Review of Architect Costs Claimed; Charles Young III, Inc., Round Valley Indian Housing Authority	Redding, CA	12/29/82
83-SF-202-1014	Limited Review—Washoe Housing Authority	Gardnerville, NV	01/26/83
83-SF-212-1015	Lakeridge Apartments (Mortgagor) East	Reno, NV	02/18/83
83-SF-212-1016	Wattswood Relocation (Mortgagor)	Los Angeles, CA	02/18/83
83-SF-213-1017	University Foothills Apartments	Reno, NV	03/04/83
83-SF-212-1018	Bay Vista Methodist Heights, Inc.	San Diego, CA	03/10/83
83-SE-202-1002	Architect Fees Paid by Colville Indian Housing Authority	Nespelem, WA	01/19/83
83-TS-229-1002	Title I Operating Practices—Property Improvement Loans Suburban Bank	Silver Spring, MD	11/03/82
83-TS-221-1011	March Mortgage Company	Cleveland, OH	03/03/83
<i>Community Planning and Development</i>			
83-BO-241-1003	City of Lynn	Lynn, MA	11/09/82
83-BO-241-1005	City of Boston	Boston, MA	12/03/82
83-BO-243-1008	Town of Orange	Orange, MA	01/07/83
83-BO-241-1011	City of Springfield	Springfield, MA	03/02/83
83-NY-248-1002	Orange County	Goshen, NY	10/15/82
83-NY-248-1007	Municipal Services Administration	Hato Rey, PR	11/16/82
83-NY-244-1008	Village of Green Island	Green Island, NY	11/16/82
83-NY-241-1009	City of East Orange	East Orange, NJ	12/06/82
83-NY-242-1010	Jersey City Redevelopment Agency	Jersey City, NJ	12/08/82
83-NY-241-1014	Municipality of Carolina	Carolina, PR	01/28/83
83-PH-241-1003	City of Hampton CDBG	Hampton, VA	10/25/82
83-PH-241-1005	Delaware County	Media, PA	11/19/82
83-PH-248-1014	Charlestown, MD	Charlestown, MD	03/29/83
83-PH-248-1015	Centreville, MD	Centreville, MD	03/30/83
83-AT-241-1003	City of Ashland	Ashland, KY	11/01/82
83-AT-248-1006	Cape Coral	Cape Coral, FL	12/13/82

Report No.	Title	Location	Issue Date
83-AT-248-1007	Belleview	Belleview, FL	12/13/82
83-AT-241-1012	City of Wellford	Wellford, SC	02/09/83
83-AT-257-1014	Town of Oakman	Oakman, AL	02/25/83
83-CH-241-1007	City of Athens	Athens, OH	12/23/82
83-CH-241-1008	Athens County	Athens County, OH	12/23/82
83-CH-248-1013	City of Waconia	Waconia, MN	01/12/83
83-CH-248-1014	City of LeSueur	LeSueur, MN	01/12/83
83-CH-248-1012	City of Winsted	Winsted, MN	01/12/83
83-CH-248-1018	County of Kandiyohi	Kandiyohi, MN	01/27/83
83-CH-241-1029	County of Oakland	Oakland, MI	02/25/83
83-CH-248-1021	City of Adrian	Adrian, MN	02/04/83
83-CH-248-1025	City of Heron Lake	Heron Lake, MN	02/10/83
83-CH-248-1023	County of Morrison	Morrison, MN	02/10/83
83-CH-248-1022	County of Sauk Centre	Sauk Centre, MN	02/10/83
83-CH-248-1024	City of Washington	Washington, MN	02/10/83
83-CH-248-1020	City of Luverne	Luverne, MN	02/04/83
83-CH-248-1027	City of Park Rapids	Park Rapids, MN	02/22/83
83-CH-248-1026	City of Frazee	Frazee, MN	02/22/83
83-CH-241-1036	City of Saginaw	Saginaw, MI	03/16/83
83-CH-248-1031	County of Watonwan	Watonwan, MN	03/16/83
83-CH-248-1032	City of Moose Lake	Moose Lake, MN	03/02/83
83-CH-248-1034	City of Currie	Currie, MN	03/09/83
83-CH-248-1035	City of Springfield	Springfield, MN	03/09/83
83-FW-241-243-1001	Town of Mission	Mission, TX	10/13/82
83-FW-248-1003	City of Midland	Midland, TX	11/05/82
83-FW-248-1011	Fort Sill Apache Tribe of Oklahoma	Apache, OK	12/23/82
83-FW-243-1012	Community Development Block Grant Activities	McAlester, OK	01/19/83
83-FW-248-1013	Three Rivers, TX	Three Rivers, TX	01/19/83
83-FW-243-1017	City of Dewey	Dewey, OK	03/04/83
83-FW-248-1020	City of Kerrville	Kerrville, TX	03/22/83
83-FW-248-1021	City of Manor	Manor, TX	03/22/83
83-FW-248-1022	City of Somerset	Somerset, TX	03/22/83
83-FW-248-1023	City of Hallettsville	Hallettsville, TX	03/22/83
83-KC-248-1003	City of Cherryvale	Cherryvale, KS	01/05/83
83-KC-248-1004	City of Holcomb	Holcomb, KS	01/21/83
83-KC-248-1005	City of Richmond	Richmond, KS	01/21/83
83-KC-248-1006	City of Coolidge	Coolidge, KS	01/21/83
83-KC-248-1007	City of Norton	Norton, KS	01/21/83
83-KC-248-1008	Jewell County	Jewell County, KS	01/21/83
83-KC-248-1009	City of Horton	Horton, KS	01/21/83
83-KC-248-1010	City of Park City	Park City, KS	01/21/83
83-KC-248-1011	City of Solomon	Solomon, KS	01/21/83
83-KC-257-1012	Section 312 Rehabilitation Loan Program	Hannibal, MO	01/21/83

Report No.	Title	Location	Issue Date
<i>Community Planning and Development</i>			
83-DE-257-1001	Denver Urban Renewal Authority	Denver, CO	10/15/82
83-DE-248-1003	City of Westminster	Westminster, CO	03/23/83
83-DE-248-1004	Town of Estes Park, CO	Estes Park, CO	03/30/83
83-SF-243-1006	City of Nogales	Nogales, AZ	11/17/82
83-SF-241-1011	City of Oceanside	Oceanside, CA	12/09/82
83-SF-241-1012	Review of Rehabilitation Program Under CDBG Grants	Hayward, CA	12/21/82
83-SF-248-1019	City of Biggs	Biggs, CA	03/30/83
83-SE-241-1001	Pierce County Community Development Block Grant	Tacoma, WA	12/23/82
83-SE-244-1003	City of Wrangell	Wrangell, WA	03/24/83
<i>Administration</i>			
83-BO-262-1001	New England Municipal Center	Durham, NH	10/07/82
83-BO-263-1004	Technology and Economics	Cambridge, MA	11/29/82
83-NY-261-1001	National Association of Real Estate Brokers, Inc.	New York, NY	10/01/82
83-NY-262-1005	Urban Academy for Management, Inc.	Brooklyn, NY	10/15/82
83-NY-262-1011	Steven Winters Associates, Inc.	New York, NY	12/09/82
83-NY-261-1013	New York City Partnership, Inc.	New York, NY	01/19/83
83-NY-262-1016	North Ward Center, Inc.	Newark, NJ	02/18/83
83-NY-262-1017	Bromley Contracting Company, Inc.	Valley Stream, NY	03/18/83
83-PH-261-1001	National Association of State Development Agencies	Washington, D.C.	10/08/82
83-PH-261-1002	John R. Mertens and Associates (HC-10850)	Washington, D.C.	10/20/82
83-PH-261-1004	Allied Services, Inc.	Scranton, PA	11/17/82
83-PH-262-1007	Southwest Virginia Community Development Funds, Inc.	Roanoke, VA	02/23/83
83-PH-262-1009	Advisory Report on Accounting System Evaluation and Final Costs Submitted by Private Industry Council	Philadelphia, PA	03/07/83
83-PH-262-1010	Advisory Report on Final Costs Submitted by National Association of Housing and Redevelopment Officials	Washington, D.C.	03/08/83
83-PH-269-1013	On-Line Service Corporation, Electronic Data Systems	Philadelphia, PA	03/22/83
83-AT-261-1004	East Salem Homes, Inc.	Winston-Salem, NC	11/16/82
83-AT-261-1013	Mississippi Institute for Small Towns, Inc.	Jackson, MI	02/16/83

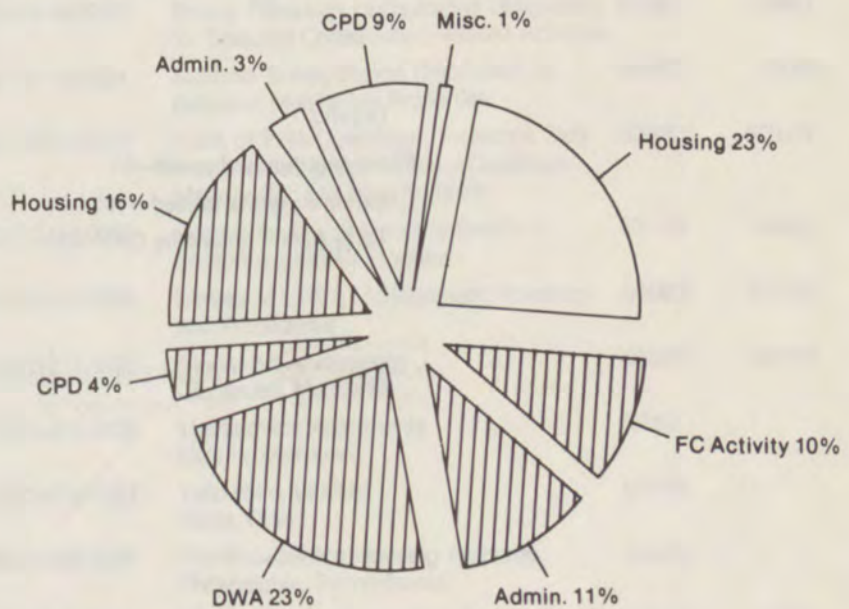
Report No.	Title	Location	Issue Date
83-CH-262-1010	Gamze-Korobkin-Caloger, Inc.	Chicago, IL	12/29/82
83-CH-262-1011	Woodstock Institute	Chicago, IL	12/29/82
83-CH-262-1004	Warren County Recorder	Lebanon, OH	11/22/82
83-CH-261-1015	Leadership Council for Metropolitan Open Communities	Chicago, IL	01/12/83
83-CH-262-1019	Advisory Report on Interim Costs Submitted by Leadership Council for Metropolitan Open Communities	Chicago, IL	02/03/83
83-CH-262-1030	Advisory Report on Final Costs Submitted by the American Planning Association	Chicago, IL	03/01/83
83-CH-262-1033	Advisory Report on Final Costs Submitted by Milwaukee Private Industry Council, Inc.	Milwaukee, WI	03/01/83
83-CH-262-1037	Advisory Report on Final Costs Submitted by the University of Minnesota	St. Paul, MN	03/23/83
83-FW-269-1009	Rural Economic Assistance League, Inc.	Alice, TX	12/15/82
83-FW-261-1016	Evaluation and Cost and Price Proposal Submitted by Mexican American Research Center	Austin, TX	02/28/83
83-DE-262-1002	Denver Urban Observatory	Denver, CO	01/11/83
83-SF-261-1010	Housing Authority of County of Monterey	Salinas, CA	11/26/82
83-SF-262-1003	National Economic Development and Law Center	Berkeley, CA	11/10/82
83-AO-261-1001	National Alliance of Business	Washington, D.C.	10/07/82
83-AO-262-1002	William Brill Associates, Inc.	Annapolis, MD	10/15/82
83-AO-261-1003	Nat'l Association of Towns & Townships	Washington, D.C.	10/27/82
83-AO-262-1004	John A. Whysner Associates, Inc.	McLean, VA	10/29/82
83-AO-261-1005	Joint Venture Prime—Data Prompt	Washington, D.C.	11/15/82
83-AO-262-1006	National Hispanic Housing Coalition	Washington, D.C.	11/23/82
83-AO-262-1007	National Neighbors, Inc.	Washington, D.C.	12/15/82
83-AO-261-1008	Sabre Foundation	Washington, D.C.	01/20/83
83-AO-262-1009	Joint Center for Political Studies, Inc.	Washington, D.C.	01/20/83
83-AO-261-1010	Joint Center for Political Studies, Inc.	Washington, D.C.	03/08/83
<i>Government</i>			
<i>National Mortgage Association</i>			
83-TS-271-1001	Valley Fidelity Bank and Trust	Knoxville, TN	10/28/82
83-TS-271-1003	Wells Fargo Mortgage Company	Santa Rosa, CA	11/26/82
83-TS-271-1004	Plaza Mortgage Company	Los Angeles, CA	12/17/82
83-TS-271-1005	DRG Financial Corporation	Washington, D.C.	01/11/83
83-TS-271-1006	Ryan Financial Services	Pittsburgh, PA	01/18/83

Report No.	Title	Location	Issue Date
83-TS-271-1007	Seafirst Mortgage Corporation	Seattle, WA	01/18/83
83-TS-271-1008	Alta Mortgage Corporation	Concord, CA	01/18/83
83-TS-271-1009	Deposit Guaranty Mortgage Corporation	Jackson, MS	01/21/83
83-TS-271-1010	Standard Federal Savings and Loan	Gaithersburg, MD	02/16/83
83-TS-271-1012	Equitable Credit and Discount Company	Upper Darby, PA	03/09/83
83-TS-271-1013	Steed Mortgage Company	Wheaton, MD	03/08/83
83-TS-271-1014	Green Tree Acceptance, Inc.	Minneapolis, MN	03/21/83

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
October 1, 1982 to March 31, 1983

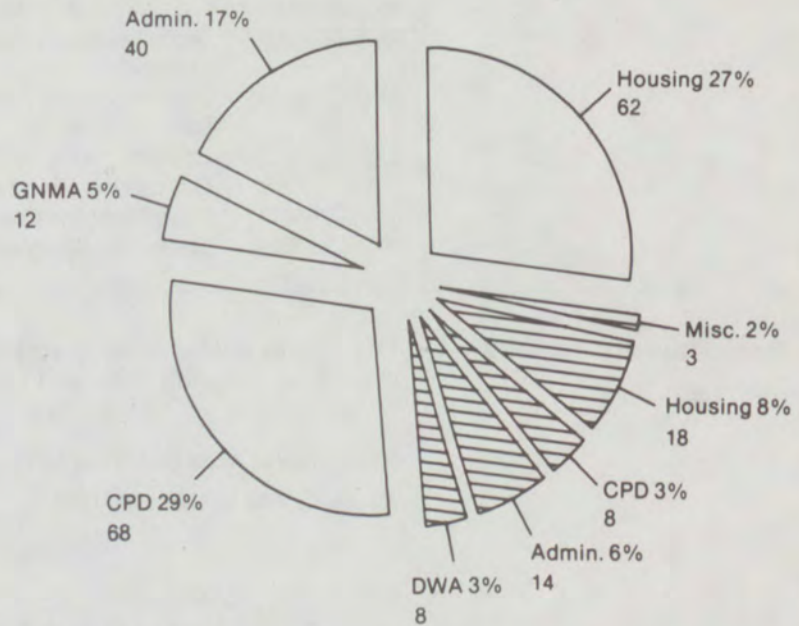


Legend

- Internal Audit Staff Days—15,964
- External Audit Staff Days—9,243
- Total Audit Staff Days— 25,207

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

October 1, 1982 to March 31, 1983



Legend

- ▨ Internal Audits Issued—51
- External Audits Issued—182
- Total Audits Issued by OIG—233

Appendix 5

Previously Reported Items— Corrective Actions Not Completed

The audit reports listed below were discussed in prior Semiannual Reports to the Congress disclosing significant problems, abuses, and deficiencies. As of March 31, 1983,

corrective actions agreed upon to resolve these matters were in the process of being implemented but not yet completed.

Report No.	Title	Issue Date	Target Date
82-TS-111-0001	Section 236 Rental Income	11/6/81	7/15/83
82-CH-243-1017	City of Austin, Indiana Community Development Block Grant	11/12/81	³
82-BO-212-1009	Franklin Park Development I and II Boston, Massachusetts	11/19/81	²
82-SF-212-1004	Park Lane (Mortgagor) The Park Lane Apartments	11/20/81	¹
82-BO-242-1018	City of Hartford Urban Development Action Grant	12/31/81	³
82-TS-112-0002	Report on Survey of the Quality of Construction of Insured Multifamily Projects	1/19/82	6/30/83
82-AO-162-0003	Survey Report on Unliquidated Obligations for Selected Construction-Related Activities	2/18/82	4/30/83
82-TS-113-0004	National Survey Report Disposition of Acquired Multifamily Properties	3/25/82	12/30/83
82-CH-101-0005	Audit of PHA Operations, Problems, Deficits, and Living Conditions—Cuyahoga Metropolitan Housing Authority	3/30/82	5/31/83
82-AO-103-0005	Special Review of Housing Quality—Section 8 Existing Program	3/31/82	5/20/83
82-AO-161-0006	Review of GPA's Management, Practices and Procedures	4/16/82	6/30/83
82-PH-214-1025	Glenarden Apartments Glenarden, Maryland	4/29/82	6/30/83
82-CH-212-1059	Morristowne Apartments Livonia, Michigan	5/7/82	³
82-CH-212-1062	Yellowbird, Limited Xenia, Ohio	5/19/82	²
82-PH-202-2270	The Philadelphia Housing Authority Philadelphia, Pennsylvania	5/28/82	¹
82-TS-141-0007	Monitoring and Controlling Operating Agencies	5/28/82	7/29/83
82-SF-241-1028	County of Los Angeles Community Development Block Grant	6/10/82	¹
82-TS-111-112-0008	Management Input into Processing Multifamily Housing Projects	7/12/82	6/30/83
82-TS-182-0009	Title I—Mobile Home Loans—Special Operational Survey	7/13/82	7/8/83
82-BO-212-1040	Roxse Homes, Inc. Boston, Massachusetts	8/6/82	³
82-PH-161-0009	Regional Accounting Division Operations	8/11/82	¹
82-TS-101-0012	Indian Housing Authority Architect Services and Fees	8/19/82	5/15/83

Report No.	Title	Issue Date	Target Date
82-TS-113-0013	National Report on Transfer of Physical Assets in the Sale of Multifamily Projects	8/24/82	5/31/83
82-CH-213-1082	Meadowview Court Apartments Bowling Green, Ohio	8/26/82	5/31/83
82-PH-214-1032	Multifamily Management Agent Community Services, Inc.	8/31/82	3/23/84
82-AO-161-0008	Mortgage Insurance Premiums	9/27/82	6/15/83
82-PH-111-0010	Management Agent's Use of Identity-of-Interest Companies	9/28/82	5/31/83
83-DE-257-1001	Denver Urban Renewal Authority	10/15/82	⁴

¹ Currently being reviewed by Headquarters officials as prescribed in HUD Audits Management System.

² Currently the findings on this report are pending litigation.

³ Headquarters and/or Regional Program staff are currently reviewing appropriate corrective actions to be taken. Target dates for implementing promised corrective actions will be established upon final results of these reviews.

⁴ Findings resolved but corrective action may require litigation.



HUD EMPLOYEES' HOTLINE FTS 8-472-4200

451 7th St., S.W.
Washington, D.C. 20410

Room 8254

The hotline is available to all HUD Field Staff through the FTS from their offices, and OIG headquarters staff will handle calls from 8:45 to 5:15, *Eastern Standard Time*. An answering service will record all incoming calls during nonworking hours.

Remember—the number to call is 8-472-4200.