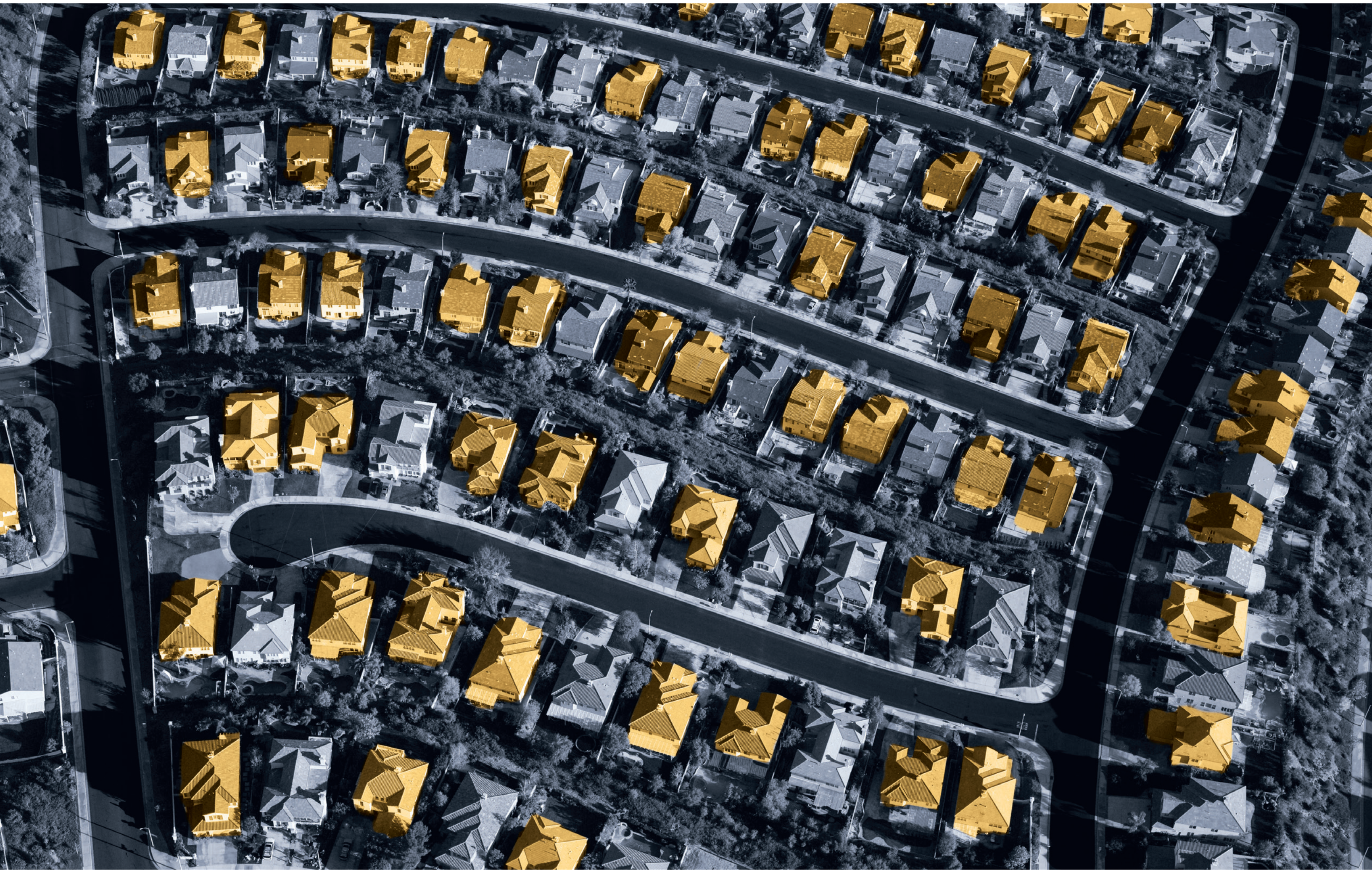
OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT TO CONGRESS

FOR THE PERIOD ENDING SEPTEMBER 30, 2014



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

OUR **MISSION**

As the Office of Inspector General (OIG) for the U.S. Department of Housing and Urban Development (HUD), we remain an independent and objective organization, conducting and supervising audits, evaluations, and investigations relating to the Department's programs and operations.

- **We promote** economy, efficiency, and effectiveness in these programs and operations as we also prevent and detect fraud, abuse, and mismanagement.
- **We are committed to** keeping the HUD Secretary, Congress, and our stakeholders fully and currently informed about problems and deficiencies and the necessity for and progress of corrective action.


DEPARTMENT
URBAN

OUR VALUES

❶ **Collaboration:** The commitment to work jointly with HUD, Congress, and our stakeholders for the benefit of all citizens. ❷ **Accountability:** The obligation and willingness to accept responsibility and account for our actions. ❸ **Integrity:** The firm adherence to high moral and professional standards, honesty, and fairness in all that we do. Acting with integrity is a core job responsibility for every employee. ❹ **Stewardship:** The careful and responsible management of that which has been entrusted to our care. ❺ **Diversity:** The promotion of high standards of equal employment opportunity for employees and job applicants at all levels so that our workforce is reflective of our country's citizens.

OUR VISION

❶ To promote fiscal responsibility and financial accountability in HUD programs and operations, ❷ To improve the execution of and accountability for grant funds, ❸ To strengthen the soundness of public and Indian housing programs, ❹ To protect the integrity of housing insurance and guarantee programs, ❺ To assist HUD in determining whether it is successful in achieving its goals, ❻ To look ahead for emerging trends or weaknesses that create risk and program inefficiencies, ❼ To produce innovative work products that are timely and of high quality, ❽ To benchmark best practices as a means to guide HUD, and ❾ To have a significant impact on improving the way HUD does business.

DIVERSITY AND EQUAL OPPORTUNITY

The promotion of high standards of equal employment opportunity for employees and job applicants at all levels. HUD OIG reaffirms its commitment to nondiscrimination in the workplace and the recruitment of qualified employees without prejudice regarding their gender, race, religion, color, national origin, sexual orientation, disability, or other classification protected by law. HUD OIG is committed and proactive in the prevention of discrimination and ensuring freedom from retaliation for participating in the equal employment opportunity process in accordance with departmental policies and procedures.

PROFILE OF PERFORMANCE

For the period April 1 to September 30, 2014

AUDIT RESULTS[1]	THIS REPORTING PERIOD	FISCAL YEAR 2014
Recommendations that funds be put to better use	$839,233,684	$1,969,799,738
Recommended questioned costs	$237,178,133	$362,239,829
Collections from audits	$23,874,476	$57,771,975
Administrative sanctions	0	6
Civil actions	3	3
Subpoenas	60	114

INVESTIGATION RESULTS[1]	THIS REPORTING PERIOD	FISCAL YEAR 2014
Total restitution and judgments	$40,342,348	$88,910,315
Total recoveries and receivables to HUD programs	$14,594,097	$38,486,127
Arrests	184	333
Indictments and informations	204	393
Convictions, pleas, and pretrial diversions	156	423
Civil actions	9	16
Total administrative sanctions	195	291
Suspensions	72	108
Debarments	86	129
Limited denial of participation	3	6
Removal from program participation	12	17
Evictions	12	18
Other	10	13
Systemic implication reports	0	1
Search warrants	16	40
Subpoenas	313	689

JOINT CIVIL FRAUD RESULTS[1]	THIS REPORTING PERIOD	FISCAL YEAR 2014
Recoveries and receivables to HUD programs or HUD program participants	$919,944,703	$919,944,703
Recoveries and receivables for other entities	$646,753,547	$646,753,547[2]
Civil actions	8	8

1 The offiices of Audit, Investigation, and the Joint Civil Fraud Division periodically combine efforts and conduct joint civil fraud initiatives. Outcomes from those initiatives are shown in the Joint Civil Fraud Results profile and not duplicated in the Audit Results or Investigation Results. These initiatives are further detailed in chapter 7.

2 These amounts represent funds that relate to HUD programs but were paid to other entities and not paid directly to HUD, such as funds paid to the U.S. Treasury for general Government purposes and amounts retained by the U.S. Department of Justice under 28 U.S.C. (United States Code) Part 527. This amount does not include an additional $8.9 billion derived from these cases that benefited other entities but was not related to HUD programs.

DURING THIS REPORTING PERIOD, WE HAD MORE THAN **$839 MILLION** IN FUNDS PUT TO BETTER USE, QUESTIONED COSTS OF MORE THAN **$237 MILLION**, AND NEARLY **$23.9 MILLION** IN COLLECTIONS RESULTING FROM **104 AUDIT REPORTS** AND MORE THAN **$54 MILLION** IN RECOVERIES DUE TO OUR INVESTIGATIVE EFFORTS.

IT IS MY SINCERE PLEASURE to submit the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) Semiannual Report to Congress for the second half of fiscal year 2014. This report describes the extraordinary accomplishments achieved by the talented public servants of HUD OIG. By promoting better stewardship and accountability, the HUD OIG staff continues to make a significant impact upon the Department and our communities for the benefit of all of our stakeholders.

During the second reporting period of fiscal year 2014, the Office of Audit issued 104 reports. These reports resulted in more than $839 million in funds put to better use, questioned costs of more than $237 million, and nearly $23.9 million in collections.

Some of the significant audits centered on reviewing HUD's oversight of its property-flipping waiver requirements, where we found that the risk to FHA's Mutual Mortgage Insurance Fund has increased by more than $2.5 million, and if HUD does not implement our recommendations, over the next year, nearly $274 million more will be put at risk.

We also conducted four audits of HUD's controls over the environmental review process within the Detroit, MI, Kansas City, KS, Columbia, SC, and Greensboro, NC, Offices of Public and Indian Housing. The audits identified improvements needed to comply with environmental requirements.

Finally, I would like to highlight our audits centered on the Office of Public Housing's Operating and Capital Fund Program central office cost center fees. We found that HUD could not adequately support the reasonableness of the Operating Fund management, book-keeping, and asset management fees and Capital Fund management fee limits, resulting in nearly $89 million in questioned costs and funds put to better use.

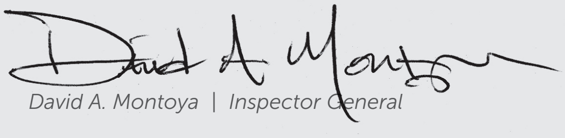
During this reporting period the Office of Investigation conducted 605 investigations to improve departmental operations and address program abuses, recovering more than $54 million. For this fiscal year, it focused on HUD's performance and accountability in single-family and public and Indian housing, both significant sources of concern for the Department and taxpayers. The vital work performed by the Office of Investigation helped OIG clear a path for HUD and Congress to identify and correct longstanding issues in these two areas.

Joint civil fraud investigations continue to be an area of emphasis in addressing fraud against the Federal Housing Administration's (FHA) single-family programs. Through coordinated civil fraud efforts across the U.S. Government, HUD OIG's Joint Civil Fraud Division substantively assisted in civil investigations of FHA's largest lenders, recouping nearly $1 billion.

Congress provided HUD OIG funds to establish an Office of Evaluations. HUD OIG established the Office of Evaluations to optimize departmental decision making with independent, timely, credible reviews of its programs and operations. Its reviews provide actionable information to departmental leadership and management, identifying risks to HUD's mission and making practical recommendations to drive improvements in HUD programs, operations, or policies. The Office of Evaluations reviewed the Departmental Enforcement Center to identify factors impacting improvements in multifamily housing enforcement efforts and expand those practices to other HUD program areas.

Congress also appropriated funds for HUD OIG to put the Department's data to work. By creating a Data and Predictive Analytics Division within the Office of Management and Technology, HUD OIG has implemented a data virtualization environment with direct access to departmental databases. As HUD OIG continues to gain access to various HUD databases, it will continue to develop predictive models to identify and analyze trends and areas for audit or investigative focus.

I would like to express my gratitude to Congress and the Department for their sustained commitment to improving HUD's programs. I also want to express my sincere admiration to the staff of HUD OIG for its dedication to our mission and outstanding accomplishments. Through our collective effort, HUD OIG has achieved its annual goals, fulfilled its mission and responsibilities to its stakeholders, and had a significant and positive impact upon the Department and our communities. The members of the OIG staff have my deepest respect, and I am proud to be their Inspector General.



David A. Montoya | Inspector General

TRENDING

The Office of Inspector General enhanced our evaluation capability this period. The Office of Evaluations' (OE) mission is to analyze and evaluate HUD programs and operations to provide insight into issues of concern to the Department, Congress, and the American public. A key attribute of OE independent assessments is to complete an evaluation within 120 days of project initiation. When implemented, OE recommendations enable HUD to better achieve its goals to strengthen the economy; support home ownership and access to affordable, equitable housing; and develop strong, self-sustaining communities. Working closely with HUD program managers, OE carries out its work using a multidisciplinary, collaborative approach. The office is directed by an Assistant Inspector General.

Additional responsibilities of OE include

- Conducting the annual Federal Information Security Management Act evaluation of the Department;
- Evaluating HUD information technology (IT) initiatives;
- Evaluating the Department's privacy program;
- Monitoring departmental conference spending;
- Evaluating disaster recovery efforts;
- Reviewing and commenting on draft departmental issuances; and
- Performing internal reviews of OIG products and processes to ensure that they comply with HUD standards, policies, and procedures.

HUD's IT security and privacy programs continue to have major noncompliance with Federal guidance and impose risks to the HUD mission. OE will continue to be fully engaged with departmental offices as they proceed with a major IT infrastructure transition and address application modernization needs.

During this period, OE initiated a review of the effectiveness of the Departmental Enforcement Center (DEC). The review is assessing DEC's success in multifamily enforcement and is exploring opportunities for DEC to expand accomplishments to other program offices.

In addition, OE began a review of subsidy payments for public housing vacancies. The project is gathering information on the processes for granting subsidies, related cost, data validity, and characteristics of vacancies. The assessment will include identifying the outcome of HUD's priority goal to reduce vacancies and maximize the number of families receiving housing from Office of Public and Indian Housing-administered programs.

TABLE OF CONTENTS

ONE SINGLE-FAMILY **PROGRAMS**

AUDIT

The Federal Housing Administration (FHA) single-family programs provide mortgage insurance to mortgage lenders that, in turn, provide financing to enable individuals and families to purchase, rehabilitate, or construct homes. Some of the highlights from this semiannual period are noted below.

STRATEGIC INITIATIVE 1: CONTRIBUTE TO THE REDUCTION OF FRAUD IN SINGLE-FAMILY INSURANCE PROGRAMS

Key program results		Questioned costs	Funds put to better use
Audit	12 audits	$43,536,239	$338,746,903

REVIEW OF HUD'S OVERSIGHT OF PROPERTY FLIPPING

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), audited HUD's oversight of property flipping to determine whether HUD had adequate oversight of its property-flipping waiver.

HUD did not always (1) ensure that lenders complied with the additional underwriting conditions to be eligible for a waiver of its 90-day property-flipping regulation and (2) properly identify or track loans for 90-day property flips. As a result, the risk to FHA's insurance fund increased by more than $2.5 million. Further, HUD lacked assurance of the accuracy of the property-flipping data, which provided the basis for its decision to extend the waiver through 2014. Over the next year, the potential risk to the FHA insurance fund will be nearly $274 million for properties not meeting eligibility requirements for a waiver of HUD's property-flipping regulation.

OIG recommended that HUD require lenders to (1) support or indemnify HUD for any future losses on 12 loans with an estimated loss of $1 million and (2) indemnify HUD for any future losses on 16 loans with an estimated loss of $1.5 million. OIG also recommended that HUD (1) discontinue the waiver or strengthen its controls over its property-flipping waiver requirements and (2) issue clarification on the criteria for determining a loan's sales contract date and a property's resale date to ensure consistent and accurate application by lenders. (Audit Report: **2014-CH-0001**)

REVIEW OF HUD'S LOSS MITIGATION PROGRAM

HUD OIG audited HUD's FHA loss mitigation program to determine the extent to which loans modified under the FHA program generated gains for the lenders.

Lenders generated an estimated $428 million in gains from the sale of Government National Mortgage Association securities when modifying defaulted FHA loans in fiscal year 2013. These loan modifications were completed as part of FHA's loss mitigation program. None of these lender-generated gains were used to offset FHA's insurance fund costs. As a result, FHA missed opportunities to strengthen its insurance fund.

OIG recommended that HUD perform a study of the loan modification program and evaluate whether any changes are needed to strengthen the insurance fund. (Audit Report: **2014-KC-0004**)

REVIEW OF HUD'S CONTROLS OVER ITS LOAN INDEMNIFICATION PROGRAM

HUD OIG audited HUD's controls over its FHA loan indemnification recovery process to determine whether HUD had adequate controls in place to monitor indemnification agreements and recover losses on FHA single-family loans.

HUD did not always bill lenders for FHA single-family loans that had an indemnification agreement and a loss to HUD. Specifically, it did not bill lenders for any loans that were part of the Accelerated Claims Disposition program or the Claims Without Conveyance of Title program or loans that went into default before the indemnification agreement expired but were not in default on the expiration date. There were 486 loans with losses of $37.1 million from January 2004 to February 2014 that had enforceable indemnification agreements and losses to HUD but were not billed.

In addition, HUD did not ensure that indemnification agreements were extended to 64 of 2,078 loans that were streamline refinanced. The indemnification agreement for 21 loans contained language indicating that the agreements should have extended to loans that were streamline refinanced. HUD incurred losses of more than $373,000 for 5 loans, and 16 loans had a potential loss of approximately $1 million.

OIG recommended that HUD (1) initiate the billing process for 491 loans that had an enforceable indemnification agreement and (2) develop and implement policies and procedures to ensure that lenders are billed for loans that have enforceable indemnification agreements and loans that went into default before the indemnification agreement expired. OIG also recommended that HUD (1) extend the indemnification agreements for 21 loans that were streamline refinanced and (2) develop policies and procedures to ensure that indemnification agreements are extended to all loans that are streamline refinanced. (Audit Report: **2014-LA-0005**)

REVIEW OF HUD'S CREDIT ALERT VERIFICATION REPORTING SYSTEM

HUD OIG audited HUD's Credit Alert Verification Reporting System (CAIVRS) to determine whether the default and claims data in CAIVRS agreed with the data in FHA's default and claims systems.

CAIVRS did not contain information on all borrowers' default, foreclosure, and claim activity. It incorrectly returned accept codes for more than 260,000 borrowers who had been in default, foreclosure, or claim within the past 3 years. In addition, CAIVRS did not contain information for FHA borrowers with claims older than 3 years. Therefore, HUD did not provide other Federal agencies with sufficient information on FHA borrowers with delinquent Federal debt to meet the requirements of the Debt Collection Improvement Act, which bars delinquent Federal debtors from obtaining additional Federal loans or loan guarantees until such delinquency is resolved.

OIG recommended that HUD document the selection rules used for providing data to CAIVRS, update the rules to provide for complete reporting of all ineligible borrowers, and develop system error checks to identify potential issues. OIG also recommended that HUD report FHA borrowers with delinquent Federal debt beyond the 3-year claim period or obtain an exemption from the Secretary of the Treasury to exempt these loans after 3 years. (Audit Report: **2014-KC-0002**)

REVIEW OF HUD'S HOME EQUITY CONVERSION MORTGAGE PROGRAM

HUD OIG audited HUD's oversight of its Home Equity Conversion Mortgage (HECM) program to determine whether HUD had effective controls to ensure that HECM loan borrowers complied with residency requirements when concurrently participating in the Housing Choice Voucher program.

HUD policies did not always ensure that HECM borrowers complied with residency requirements. As many as 136 of 159 borrowers reviewed were not living in the properties associated with their loans because they were receiving rental assistance under the Housing Choice Voucher program for a different address at the same time. As a result, 121 insured loans should be declared in default and due and payable to reduce the potential risk of loss to HUD's insurance fund.

OIG recommended that HUD (1) direct the applicable lenders to verify borrowers' compliance with the residency requirement or, for each noncompliant borrower, declare the loan due and payable, thereby putting about $3.4 million to better use; (2) implement controls to prevent or mitigate instances of borrowers violating residency requirements by concurrently participating in the Housing Choice Voucher program; and (3) update its guidance to detail the steps that servicing lenders should take for borrowers who fail to certify to residency. (Audit Report: **2014-PH-0001**)

REVIEW OF FHA PREFORECLOSURE SALE PROGRAM

HUD OIG audited the FHA Preforeclosure Sale Program of EverBank in **Jacksonville, FL**, to determine whether EverBank properly determined that borrowers were eligible to participate in the program.

EverBank did not properly determine that borrowers were eligible to participate in FHA's Preforeclosure Sale Program in accordance with HUD requirements. It did not adequately (1) assess the borrowers' financial information to ensure that it properly determined that their default was due to an adverse and unavoidable financial situation, (2) assess the borrowers' ability to pay the FHA-insured mortgage, and (3) substantiate that the borrowers' need to vacate the FHA-insured property was related to the cause of default. As a result, the FHA insurance fund paid nearly $1.6 million in improper claims for 11 preforeclosure sales, including lender and borrower incentives.

OIG recommended that HUD require EverBank to (1) reimburse HUD for the 11 ineligible preforeclosure sale claims and (2) develop and implement policies and procedures in accordance with HUD requirements to properly determine borrower eligibility for the program. (Audit Report: **2014-AT-1012**)

REVIEW OF PEOPLES HOME EQUITY, INC.

HUD OIG audited Peoples Home Equity, Inc., in **Brentwood, TN**, an FHA-approved nonsupervised direct endorsement lender, to determine whether Peoples complied with HUD requirements when it originated and underwrote FHA loans and implemented its quality control program.

Peoples did not always originate and underwrite FHA-insured loans in accordance with HUD requirements. Specifically, 10 of 20 loans reviewed contained underwriting deficiencies. As a result, Peoples exposed HUD to unnecessary insurance risk for six loans and caused HUD to pay claims for four loans. Further, Peoples did not follow HUD's requirements when implementing its quality control program. Its quality control reviews were not conducted in compliance with requirements, and its quality control plan did not have the required provisions. Because of Peoples' noncompliance with HUD's requirements and lack of due diligence, it placed the FHA insurance fund at risk. As a result, the effectiveness of its quality control program to guard against errors, omissions, and fraud and to protect HUD from unacceptable risk was diminished.

OIG recommended that HUD require Peoples to (1) indemnify six loans with unpaid balances of more than $965,000, thereby putting more than $521,000 to better use; (2) reimburse HUD for four claims totaling nearly $972,000; (3) continue training its staff; (4) enforce written controls; and (5) implement and enforce a quality control plan. (Audit Report: **2014-AT-1013**)

REVIEW OF LOANS UNDERWRITTEN BY CORNERSTONE HOME LENDING

HUD OIG audited Cornerstone Home Lending in **Houston, TX**, formerly known as Cornerstone Mortgage Company, to determine whether Cornerstone (1) complied with HUD and FHA regulations when originating and underwriting FHA-insured mortgages and (2) implemented a quality control plan that met requirements.

During the review period, 2007-2009, Cornerstone (1) did not comply with HUD and FHA requirements when underwriting 16 of 34 loans, (2) violated the Real Estate Settlement Procedures Act when it paid marketing fees in exchange for the referral of FHA mortgage business, and (3) failed to properly implement a quality control plan. As a result, HUD paid claims for 13 of the loans, incurring losses of more than $981,000 upon sale of the properties. Further, Cornerstone placed the FHA insurance fund at an increased risk of loss of nearly $154,000 if the three remaining loans are foreclosed upon and the properties are sold. In addition, Cornerstone could not ensure that its customers were able to shop for other lenders with better mortgage rates or that referral fees did not unnecessarily increase the costs of mortgage services. Lastly, Cornerstone was unable to ensure the accuracy, validity, and completeness of its loan origination operations, resulting in an increased risk to the FHA insurance fund.

OIG recommended that HUD require Cornerstone to (1) reimburse HUD for 13 loans, for which HUD has sold the properties and incurred losses, and (2) indemnify HUD for 3 actively insured loans, which would cause additional losses if they are foreclosed upon and resold. OIG also recommended that HUD pursue administrative actions against the owners and management of Cornerstone for the violations cited. (Audit Report: **2014-FW-1006**)

INVESTIGATION

PROGRAM RESULTS

Administrative-civil actions	97
Convictions-pleas-pretrial diversions	56
Financial recoveries	$7,234,072

ATTORNEY SENTENCED IN HECM CASE

An attorney-in-fact was sentenced in U.S. District Court to 30 months incarceration and 36 months supervised release, fined $10,000, and ordered to pay restitution in the amount of $75,663 to a HECM victim following a conviction of committing mail fraud and filing a false tax return. From November 2010 to August 2011, the attorney-in-fact devised a scheme to defraud an elderly victim and obtain HECM loan proceeds by falsifying a specific power of attorney. The attorney-in-fact diverted approximately $98,000 in HECM loan proceeds and Social Security Income funds for the benefit of herself and her family and also failed to report $60,000 in income on her calendar year 2011 tax return. This investigation was conducted by HUD OIG, the Federal Bureau of Investigation (FBI), the Internal Revenue Service – Criminal Investigations (IRS-CI), and the Social Security Administration OIG. (**West Orange, NJ**)

MORTGAGE BROKER CONVICTED OF MORTGAGE FRAUD

A former mortgage broker pled guilty in U.S. District Court to conspiracy to submit false statements and making false statements relating to HUD-FHA transactions. The mortgage broker, who operated a mortgage company and an investments company, submitted to a bank approximately 19 mortgage loan applications, which contained false information pertaining to the borrowers. The loss to FHA is $831,607. This investigation was conducted by HUD OIG and the FBI. (**Tacoma, WA**)

PRESIDENT OF TITLE COMPANY SENTENCED

The president of a St. Louis-based title company and owner of an FHA-approved loan correspondent was sentenced in U.S. District Court to 24 months incarceration and 36 months probation and ordered to pay restitution in the amount of $494,407 to HUD, the IRS, and other financial institutions following a conviction of conspiracy to defraud the United States. As the owner of The Mortgage Store, an FHA-approved lender, the president falsely claimed $200,000 in liquid assets to HUD to fraudulently inflate the lender's net worth, engaged in a criminal "check kiting" scheme, and failed to remit employment taxes to the IRS. Without those fraudulent activities and false representations, the lender would not have met the FHA net worth requirements and would not have been allowed to originate new mortgage loans. Mortgages originated by The Mortgage Store after the fraudulent representations to HUD resulted in 331 foreclosures with losses to FHA in excess of $20 million. This investigation was conducted by HUD OIG, the FBI, IRS-CI, and the U.S. Department of Labor. (**St. Louis, MO**)

LOAN OFFICER SENTENCED FOR MORTGAGE FRAUD

A loan officer and owner of a mortgage company was sentenced in U.S. District Court to 33 months incarceration and 5 years supervised release and ordered to pay restitution to FHA in the amount of $513,726 following a conviction of conspiracy to commit mail and wire fraud. From August 2008 through June 2009, the loan officer, along with others, engaged in a mortgage fraud scheme, whereby straw buyers were used to purchase distressed properties. The scheme included multiple false statements, and the sellers' proceeds were directed into accounts owned or controlled by the loan officer. Six properties were purchased by straw buyers using FHA-insured mortgages. The total loss to FHA was $513,726. This investigation was conducted by HUD OIG and the U.S. Postal Inspection Service. (**Norfolk, VA)**

TWO PUBLIC AND INDIAN HOUSING **PROGRAMS**

The U.S. Department of Housing and Urban Development (HUD) provides grants and subsidies to more than 4,100 public housing agencies (PHA) nationwide. Many PHAs administer both public housing and Section 8 programs. HUD also provides assistance directly to PHAs' resident organizations to encourage increased resident management entities and resident skills programs. Programs administered by PHAs are designed to enable low-income families, the elderly, and persons with disabilities to obtain and reside in housing that is safe, decent, sanitary, and in good repair. Some of the highlights from this semiannual period are noted below.

AUDIT

STRATEGIC INITIATIVE 2: CONTRIBUTE TO THE REDUCTION OF ERRONEOUS PAYMENTS IN RENTAL ASSISTANCE

Key program results		Questioned costs	Funds put to better use
Audit	41 audits	$106,171,813	$273,512,685

SECTION 8 HOUSING CHOICE VOUCHER PROGRAM

HUD's Office of Inspector General (OIG) audited the New York City Housing Authority in **New York, NY**, regarding its administration of its Section 8 Housing Choice Voucher program to determine whether the Authority ensured that its program units met HUD's housing quality standards.

The Authority did not always ensure that its Housing Choice Voucher program units met HUD's housing quality standards. Of the 119 units inspected, 99 did not meet HUD standards. Further, 24 of the 99 units were in material noncompliance with HUD standards. The Authority disbursed nearly $86,000 in housing assistance payments and received more than $7,000 in administrative fees for these 24 units. Authority officials did not adequately conduct unit inspections and implement procedures and controls to adequately ensure that program units met housing quality standards. As a result, tenants were subjected to inadequately maintained units, which created unsafe living conditions. Over the next year, if the Authority does not implement OIG's recommendations, HUD will potentially pay more than $148 million in housing assistance for units that materially fail to meet its housing quality standards.

OIG recommended that HUD instruct Authority officials to (1) immediately certify that the violations cited for the remaining 41 units have been corrected, (2) reimburse its program nearly $93,000 from non-Federal funds, (3) implement procedures and controls to ensure that program units meet housing quality standards, (4) seek

HUD approval to incorporate HUD and local city codes into the Authority's Housing Choice Voucher program inspection checklists and administrative plan, and (5) increase the quality of unit inspections conducted daily by the Authority's inspectors to help ensure the identification of 24-hour violations. (Audit Report: **2014-NY-1003**)

HUD OIG audited the **Memphis, TN**, Housing Authority's Housing Choice Voucher program to determine whether the Authority's inspection process adequately ensured that its units were in material compliance with housing quality standards.

The Authority's inspections were not adequate for enforcing HUD's housing quality standards. Of 90 program units inspected, 77 failed to comply with HUD's minimum housing quality standards, and 58 were in material noncompliance with the standards. For the 58 units in material noncompliance, the Authority's inspectors failed to observe or report 443 violations that existed when they conducted their last inspections. As a result, some tenants lived in inadequately maintained units, and the Authority disbursed nearly $62,000 in housing assistance payments and received more than $6,000 in administrative fees for the 58 units in material noncompliance with the standards.

OIG recommended that HUD require the Authority to (1) reimburse its program from non-Federal funds for the 58 units that materially failed to meet HUD's housing quality standards and (2) improve its quality control inspection program to help ensure that program units meet housing quality standards. These measures will better ensure that $34 million in program funds will be expended for units that are decent, safe, and sanitary. (Audit Report: **2014-AT-1014**)

HUD OIG audited the New York City Housing Authority in **New York, NY**, regarding its administration of its Section 8 Housing Choice Voucher program to determine whether the Authority administered its program in accordance with HUD regulations and made housing assistance payments for eligible program participants.

The Authority did not always administer its Section 8 Housing Choice Voucher program in accordance with HUD regulations and did not execute or maintain documentation to support eligibility. Specifically, Authority officials did not document whether rent reasonableness determinations were always performed to properly ensure that rents paid for assisted units were reasonable in relation to rents for comparable units. Therefore, Authority officials could not assure HUD that more than $4.3 million in administrative fees received was reasonable.

In addition, officials did not always maintain (1) executed housing assistance payments contracts, (2) executed lease agreements, and (3) documents to support the sources of tenant income for recertification. As a result, the Authority could not assure HUD that more than $24,000 in housing assistance payments was disbursed and adequately supported in accordance with HUD regulations.

OIG recommended that HUD require Authority officials to (1) strengthen controls to ensure that rent reasonableness determinations are performed and documented and repay the unreasonable administrative fees from non-Federal funds and (2) provide justification for the Section 8 Housing Choice Voucher program funds related to tenant files that did not contain HUD-required support. Any costs determined to be ineligible should be repaid from non-Federal funds. (Audit Report: **2014-NY-1002**)

HUD OIG audited the Section 8 program of the Goshen Housing Authority in **Goshen, IN**, to determine whether the Authority administered its program in accordance with HUD's and its own requirements.

The Authority did not always administer its Section 8 program in accordance with HUD's and its own requirements. Specifically, it (1) did not correctly calculate and maintain its net restricted assets, (2) failed to maintain accurate books of record to support the appropriateness of credit card expenditures and employee loans, and (3) did not properly manage its operating bank account. As a result, HUD and the Authority lacked assurance that program funds were available to provide assistance to eligible families and used appropriately.

In addition, the Authority failed to ensure that 46 program units, including 19 that materially failed, complied with HUD's housing quality standards and its program administration plan. As a result, the Authority's households were subjected to health- and safety-related violations, and the Authority did not properly use its program funds.

Further, the Authority did not always (1) correctly calculate housing assistance payments, (2) apply the appropriate payment standards, (3) maintain required eligibility documentation, and (4) ensure that assisted units were affordable. As a result, HUD lacked assurance that the Authority used its program funds appropriately.

OIG recommended that HUD require the Authority to (1) reimburse its program more than $83,000 from non-Federal funds, (2) reimburse its net restricted assets account from non-Federal funds more than $640,000 or the current amount owed, (3) support or reimburse its program more than $274,000 from non-Federal funds, (4) pursue repayment or reimburse its program more than $10,000 from non-Federal funds, and (5) reimburse its households or landlords nearly $7,000. OIG also recommended that HUD consider a declaration of substantial default based on the issues cited. (Audit Report: **2014-CH-1006**)

HUD OIG audited the Housing Choice Voucher program of the Housing Authority of the County of Lackawanna in **Dunmore, PA**, to determine whether the Authority ensured that its program units met HUD's housing quality standards and whether it abated housing assistance payments as required.

The Authority did not conduct adequate inspections to ensure that its program units met HUD's housing quality standards as required. Of 80 program units inspected, 72 did not meet HUD standards. Further, 35 of the 72 units were in material noncompliance with the standards. The Authority disbursed more than $17,000 in housing assistance payments and received more than $1,000 in administrative fees for these 35 units. Over the next year, if the Authority does not implement adequate procedures to ensure that its program units meet housing quality standards, HUD will pay more than $1.1 million in housing assistance for units that materially fail to meet those standards. Also, the Authority did not abate housing assistance payments as required. It improperly paid owners nearly $19,000 for units that did not meet housing quality standards, and it incorrectly certified in its Section 8 Management Assessment Program score that it enforced HUD's housing quality standards as required.

OIG recommended that HUD require the Authority to (1) reimburse its program more than $18,000 from non-Federal funds for the 35 units that materially failed to meet HUD's housing quality standards; (2) continue to implement procedures and controls to ensure that program units meet HUD standards, thereby ensuring that program funds are expended for units that are decent, safe, and sanitary; and (3) reimburse its program nearly $19,000 from non-Federal funds for the housing assistance payments that should have been abated. (Audit Report: **2014-PH-1006**)

AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

HUD OIG audited the public housing programs of the Kenner Housing Authority in **Kenner, LA**, to determine whether the Authority administered its public housing programs in accordance with American Recovery and Reinvestment Act of 2009 (ARRA) requirements and HUD regulations and guidance.

The Authority did not comply with HUD regulations when administering its procurement and financial operations. Specifically, it did not always ensure that it (1) properly identified the source of funds used for expenditures or managed its interfund transfers, (2) complied with Federal and its own procurement requirements, (3) adequately supported and ensured the eligibility of payments to contractors, (4) maintained adequate documentation for its petty cash expenditures, and (5) submitted its financial data to HUD within specified timeframes. In addition, the Authority (1) did not have written policies or procedures for processing and accounting for its interfund activities, (2) lacked adequate segregation of duties, and (3) did not properly train or supervise its staff. As a result, the Authority (1) mismanaged and could not support more than $1.9 million in interfund transfers, (2) made more than $800 in ineligible expenditures and nearly $887,000 in unsupported contractor payments, and (3) paid more than $1,000 in unsupported petty cash transactions.

OIG recommended that HUD require the Authority to (1) repay the ineligible payments; (2) support or repay the unsupported payments and transactions; (3) reconcile its accounting records to identify the appropriate funding source that should have been charged for each expenditure incurred from January 1, 2009, to October 31, 2013; (4) implement policies and procedures governing its interfund transactions, ensuring that funds are not loaned between its housing programs, transfers are made in a timely manner, and interfund account balances are not present at yearend; and (5) update its procurement policy to include detailed working-level or separate procedures for its staff. (Audit Memorandum: **2014-FW-1805**)

HUD OIG audited the Yakama Nation Housing Authority in **Wapato, WA**, regarding its use of its nearly $4.9 million Native American Housing Block Grant provided under ARRA to determine whether the Authority properly spent its ARRA funds, correctly obtained small purchases, and properly reported ARRA information in FederalReporting.gov.

The Authority did not always properly spend its ARRA funds. It (1) spent $1.2 million in ARRA funds without being able to show that the funds were used on the projects, (2) purchased more than $177,000 worth of unnecessary materials, (3) charged the grant for routine maintenance staff meetings, (4) did not always pay the prevailing Davis-Bacon Act wages, and (5) paid employees for hours not worked. In addition, it split purchases that would have required it to obtain multiple price quotations and did not properly report the project activity descriptions, the number of homes it planned to repair, the amount of its vendor payments, and the number of jobs created in FederalReporting.gov.

OIG recommended that HUD require the Authority to provide support showing that the ARRA funds were spent on the projects or reimburse HUD from non-Federal funds, for transmission to the U.S. Treasury, for expenditures it is unable to support and provide support showing that materials purchased with ARRA funds were the best value possible or reimburse HUD from non-Federal funds, for transmission to the U.S. Treasury. (Audit Report: **2014-SE-1002**)

HUD OIG audited the **Hamtramck, MI**, Housing Commission's ARRA Public Housing Capital Fund competitive grant to determine whether the Commission administered its grant in accordance with ARRA, HUD's, and its own requirements.

The Commission did not comply with ARRA, HUD's, or its own requirements. Specifically, it (1) improperly awarded a noncompetitive ARRA-funded contract, (2) lacked support for the reasonableness of the price paid for its ARRA-funded activities, and (3) used ARRA funds to pay for work activities that were not included in its approved annual or 5-year action plan. As a result, the Commission subverted full and open competition, and both HUD and the Commission lacked assurance that ARRA competitive grant funds were used appropriately.

Further, the Commission did not (1) support that the upgrades to its electrical utilities resulted in purported energy savings; (2) issue payments to its contractor in accordance with HUD's requirements; (3)

ensure that its contractors complied with the buy American, Section 3, and Davis-Bacon Act requirements of ARRA; and (4) file the required declaration of trust. It also did not accurately report its ARRA grant activities in FederalReporting.gov. As a result, HUD and the Commission lacked assurance that the ARRA competitive grant was administered in accordance with HUD's requirements.

OIG recommended that HUD require the Commission to (1) support or reimburse HUD more than $1.1 million from non-Federal funds, for transmission to the U.S. Treasury, for not complying with Federal procurement and ARRA requirements and (2) implement adequate procedures and controls to address the issues cited. (Audit Report: **2014-CH-1003**)

HUD OIG audited the public housing programs of the South Landry Housing Authority in **Grand Coteau, LA**, to determine whether the Authority administered its HUD public housing programs in accordance with HUD regulations and guidance.

The Authority did not comply with HUD regulations when administering its procurement and financial operations. Specifically, it (1) violated HUD's and its own procurement requirements, (2) improperly used its credits cards, (3) did not properly account for and track its inventory, (4) did not maintain proper time and leave records for employees, and (5) failed to maintain official board records or give public notice of board meetings.

As a result, it incurred questioned costs and could not provide assurance that it operated effectively, spent HUD funds in accordance with requirements, and protected those funds from waste and abuse.

OIG recommended that HUD require the Authority to (1) repay nearly $4,000 to HUD; (2) provide support for or repay more than $1 million to its public housing programs or HUD, including nearly $135,000 in ARRA funds; (3) perform a physical inventory of appliances; and (4) implement board-approved policies and procedures for its financial operations. (Audit Memorandum: **2014-FW-1806**)

ENVIRONMENTAL REVIEWS

During the review period, HUD OIG conducted four environmental reviews as part of a nationwide audit of HUD's oversight of the program. The highlights from these reviews are summarized below.

HUD OIG audited HUD's **Detroit, MI**, Office of Public Housing to determine whether the Detroit Office's oversight of public housing environmental reviews within its jurisdiction ensured that (1) the responsible entities performed the required reviews and (2) HUD did not release funds until all required documents were submitted.

The Detroit Office did not provide adequate oversight of three public housing commissions to ensure that the responsible entities properly completed and documented environmental reviews as required by 24 CFR (Code of Federal Regulations) Part 58. Further, it did not maintain sufficient internal control records. As a result, the Detroit Office may have increased the risk to the health and safety of PHA residents and the general public and may have failed to prevent or eliminate damage to the environment. Further, three housing commissions spent more than $34.7 million, including more than $18 million in ARRA grant funds, for projects that either did not have required environmental reviews or the environmental reviews were not adequately supported.

OIG recommended that the three housing commissions repay HUD, for transmission to the U.S. Treasury, almost $1 million and support or repay more than $33 million. OIG also recommended that HUD take available actions against the three housing commissions and their responsible entities. (Audit Report: **2014-FW-0005**)

HUD OIG audited HUD's **Kansas City, KS**, Office of Public Housing to determine whether the Kansas City Office ensured that (1) the responsible entities or the Kansas City Office performed required environmental reviews and (2) HUD did not release funds until all requirements were met and required documents were submitted.

The Kansas City Office did not provide adequate oversight of two PHAs to ensure that the responsible entities properly completed and documented environmental reviews as required by 24 CFR Part 58. Further, it did not maintain sufficient internal control records. The Kansas City Office also did not follow environmental requirements of 24 CFR Part 50 for the nine PHAs reviewed. As a result, it may have increased the risk to the health and safety of residents and the general public and may have failed to prevent or eliminate damage to the environment. Further, the 11 PHAs spent more than $27 million, including more than $12 million in ARRA grant funds, for projects that either did not have environmental reviews or did not have adequately supported environmental reviews.

OIG recommended that two PHAs repay HUD, for transmission to the U.S. Treasury, more than $1 million and support or repay almost $19 million. OIG also recommended that HUD take available actions against two PHAs and their responsible entities. (Audit Report: **2014-FW-0002**)

HUD OIG audited HUD's **Columbia, SC**, Office of Public Housing to determine whether the Columbia Office ensured that it performed the required reviews and did not release funds until all requirements were met and required documents were submitted.

The Columbia Office did not follow environmental requirements at 24 CFR Part 50 when it determined compliance with National Environmental Protection Act of 1969-related laws and authorities for the 41 PHAs in its jurisdiction. Specifically, it did not properly evaluate environmental conditions or maintain required documentation. As a result, it may have increased the risk to the health and safety of PHA residents and the general public and may have failed to prevent or eliminate damage to the environment. Further, the Columbia Office approved 41 PHAs to spend more than $76.4 million, including more than $35.8 million in ARRA funds, on projects that did not have a proper environmental review and were not adequately supported.

OIG made no recommendations as it will recommend corrective actions to HUD in an upcoming nationwide audit report. (Audit Report: **2014-FW-0003**)

HUD OIG audited HUD's **Greensboro, NC**, Office of Public Housing to determine whether the Greensboro Office ensured that it performed the required reviews and did not release funds until all requirements were met and required documents were submitted.

The Greensboro Office did not follow environmental requirements at 24 CFR Part 50 when it determined compliance with National Environmental Policy Act of 1969-related laws and authorities for the 126 PHAs in its jurisdiction. Specifically, it did not properly evaluate environmental conditions or maintain required documentation and may have allowed a PHA to circumvent requirements. As a result, the Greensboro Office may have increased the risk to the health and safety of PHA residents and the general public and may have failed to prevent or eliminate damage to the environment. Further, the Greensboro Office approved 126 PHAs to spend more than $180 million, including more than $83 million in ARRA funds, on projects that did not have a proper environmental review or the environmental reviews were not adequately supported.

OIG recommended that the Greensboro Office implement policies and procedures to ensure that PHAs comply with public notification requirements at 24 CFR Part 58 or Part 50. (Audit Report: **2014-FW-0004**)

PUBLIC HOUSING

HUD OIG audited the **Chelsea, MA**, Housing Authority to determine whether Authority officials properly implemented financial controls over the allocation of costs and reasonableness of salaries.

Authority officials did not design their cost allocation plans appropriately and did not assign expenses properly. As a result, the improper allocations obscured the true cost of the Authority's programs, and decision makers did not have proper financial information. Additionally, Authority officials could not assure HUD and other regulatory agencies that $6.7 million in salaries and $2.7 million in expenses were appropriately assigned to the programs that benefited from those expenses. The Authority also paid unreasonable wages of more than $697,000. Therefore, these funds were not available to further the objectives of the Authority's programs.

OIG recommended that HUD instruct Authority officials to (1) develop an acceptable methodology to correctly allocate the 2010, 2011, and 2012 expenditures; (2) allocate the more than $9.4 million in expenses to the benefiting programs; (3) repay any ineligible, unsupported, and unreasonable expenses to the appropriate Federal programs; and (4) implement a policy to annually review the cost allocation plan with the Authority's board of commissioners. In addition, the Authority should (1) reimburse its programs for the unreasonable salary expenditures, (2) examine its job descriptions to ensure that each job description reflects all of the work that each employee performs, (3) define a pay scale for each job, (4) ensure that each employee has a signed and dated job description, and (5) update these job descriptions regularly. (Audit Report: **2014-BO-1002**)

HUD OIG audited HUD's process for awarding asset repositioning fees (ARF) to PHAs with approved demolition and disposition projects to determine whether HUD had established adequate controls to ensure that ARFs were correctly calculated.

HUD had not established adequate controls to ensure that ARFs were correctly calculated. Specifically, ARFs awarded to 10 of the 14 PHAs with units approved for demolition or disposition were not always accurately calculated. As a result, the 10 PHAs were awarded more than $7.7 million in inaccurate funding for calendar years 2008 through 2013. HUD had taken actions to improve the ARF calculation process, including developing a more automated process, which should assist PHA officials and HUD field office staff in more accurately and efficiently calculating and awarding ARF funding.

OIG recommended that HUD (1) recapture $6.2 million in ineligible ARF funds provided to 7 PHAs from 2008 through 2013, (2) reimburse $1.5 million in ARFs to 5 PHAs that were underfunded, (3) ensure that the 2014 ARF funding to the 10 PHAs reviewed is adjusted for any necessary corrections, (4) provide training to PHA officials and HUD field office staff on the ARF calculation process, and (5) evaluate and adjust the ARF Tool to ensure that it will provide greater assurance that errors will be prevented or detected. (Audit Report: **2014-NY-0003**)

HUD OIG audited the public housing program of the Housing Authority of the City of **Spartanburg, SC**, to determine whether the Authority's performance in the areas of financial operations, procurement, and inventory practices met HUD requirements.

The Authority used HUD program funds for ineligible or unsupported expenses and failed to maintain an accurate accounting and financial control system. As a result, the Authority deprived its public housing program and possibly other HUD programs of needed funds and may have defaulted on its consolidated annual contributions contract with HUD. The Authority generally failed to follow HUD's procurement regulations or its own procurement policy. It failed to maintain required documentation, paid for services without required contracts, and failed to perform cost analyses. As a result, the Authority could not assure HUD that it procured its goods and services at the lowest cost using full and open competition. For the procurements reviewed, the Authority had more than $1,000 in ineligible spending and was unable to support more than $2.2 million in spending.

OIG recommended that HUD require the Authority to (1) repay its public housing program for funds diverted to other activities, as identified in the Authority's fiscal year 2013 audit, and more than $28,000 for other ineligible program expenses and (2) provide support showing that it used almost $2.4 million for eligible program expenses. OIG also recommended that HUD determine whether the Authority is in substantial default of its consolidated annual contributions contract. OIG further recommended that the Departmental Enforcement Center consider the need for administrative sanctions. (Audit Report: **2014-AT-1016**)

HUD OIG audited the HOPE VI grant program of the Niagara Falls Housing Authority in **Niagara Falls, NY**, to determine whether the Authority administered its HOPE VI grant program and activities in accordance with HUD and program requirements.

The Authority did not always administer its HOPE VI grant program and activities in accordance with requirements. Specifically, contrary to Federal regulations and the HOPE VI grant agreement, Authority officials drew more HOPE VI funds from HUD's Line of Credit Control System than were needed to cover project expenditures. As a result, more than $1 million in phase I HOPE VI funds drawn was not applied to project expenditures. In addition, the Authority earned nearly $27,000 in accrued interest on these funds through February 2014, which should be returned to the U.S. Treasury. Further, Authority officials drew more than $403,000 more in HOPE VI funds than was needed to meet its share of the development costs for phase II.

OIG recommended that HUD instruct Authority officials to (1) reimburse the U.S. Treasury for the HOPE VI funds drawn in excess of those needed to cover project expenditures and (2) establish procedures to ensure that program funds are drawn in accordance with the grant agreement and regulations. (Audit Report: **2014-NY-1007**)

CENTRAL OFFICE COST CENTERS

HUD OIG audited HUD's methodology and monitoring regarding the Office of Public Housing's asset management fees and central office cost centers to determine how HUD arrived at the asset management fee limits in its Public Housing Operating and Capital Fund programs and whether its methodology for setting these limits and its monitoring of these fees were reasonable.

HUD could not adequately support the reasonableness of the Operating Fund management, book-keeping, and asset management fees and Capital Fund management fee limits. In addition, HUD lacked adequate justification for allowing PHAs to charge an asset management fee, resulting in more than $81 million in operating funds being unnecessarily defederalized annually. HUD also did not adequately monitor PHAs' central office cost center fee charges. Among five PHAs reviewed, four inappropriately overcharged or transferred $2.3 million in excessive operating program funds from their asset management projects to their central office cost centers. Two of the PHAs were unable to support $6.7 million in management, book-keeping, and asset management fees charged. Since central office cost center funds are considered non-Federal funds and no longer subject to HUD requirements, there is a greater potential for fraud, waste, and abuse. Consequently, two PHAs used approximately $4.3 million in central office cost center fee revenue for questionable costs.

OIG recommended that HUD (1) revise its asset management fee policy to refederalize the Operating and Capital Fund programs' fee revenue, (2) eliminate the asset management fee, (3) require the San Francisco Housing Authority to support or repay $6.1 million in fees, (4) require the City of Los Angeles and Southern Nevada Regional Housing Authorities to repay nearly $752,000 in excessive fee charges, and (5) establish and implement policies and procedures for the assessment and monitoring of the fees. (Audit Report: **2014-LA-0004**)

INDIAN HOUSING BLOCK GRANT

HUD OIG audited the Indian Housing Block Grant (IHBG) awarded to the White Mountain Apache Housing Authority in **Whiteriver, AZ**, to determine whether the Authority used its IHBG funds in accordance with HUD requirements.

The Authority failed to use its IHBG funds in accordance with HUD requirements. It (1) charged its IHBG more than $2.2 million for ineligible charges and more than $48,000 for unsupported charges; (2) did not adequately procure vendors, ensure that it safeguarded grant assets, and support the categorization of $8.2 million as nonprogram income; and (3) incorrectly categorized $1 million in program income as nonprogram income. Additionally, although it had a waiting list of more than 2,000 families, the Authority housed ineligible tenants whose incomes exceeded HUD limits. As a result, it charged nearly $85,000 to house eight ineligible families. Additionally, it charged nearly $12,000 to house two families whose income eligibility was not supported.

OIG recommended that HUD require the Authority to (1) reimburse its grant for the duplicate, ineligible, and unsupported costs; (2) support the categorization of the questioned nonprogram funds or reclassify the funds to program income; (3) reclassify the nonprogram income funds to program income funds; and (4) develop and implement policies and procedures to ensure that IHBG requirements are met. OIG also recommended that HUD consider receivership until the Authority has demonstrated sufficient capacity and exhibits a strong IHBG control environment. (Audit Report: **2014-LA-1004**)

HUD OIG audited HUD's Office of Native American Programs' (ONAP) Indian Community Development Block Grant (ICDBG) program grant closeout process to determine whether ONAP had adequate controls to ensure the timely closeout of program grants.

ONAP did not have adequate controls over the ICDBG closeout process. Specifically, it lacked written policies and procedures for management's oversight to ensure that closeout data were accurately tracked and grants were closed in a timely manner. As a result, ONAP did not always initiate timely followup action to determine grant closeout eligibility, and management lacked sufficient tracking data to efficiently monitor grant closeouts.

Of 58 grants reviewed, ONAP did not take timely followup action to address indications of closeout eligibility for 18 grants totaling $13.1 million. Four of these grants totaling nearly $4 million were eligible for closeout yet remained open without timely followup action to pursue grant closeout. Further, ONAP's Performance Tracking Database (PTD) reported erroneous data related to grant closeouts for 24 of the 58 sample grants totaling $14.8 million.

OIG recommended that HUD (1) develop and implement policies and procedures for management's oversight of the ICDBG closeout process, resulting in nearly $4 million in funds being put to better use; (2) review the PTD and identify and correct inaccurate or missing data; and (3) consider enhancing the PTD to track the current status of ONAP followup actions for grants that appear to be overdue for closeout. (Audit Report: **2014-LA-0006**)

INVESTIGATION

PROGRAM RESULTS

Administrative-civil actions	66
Convictions-pleas-pretrial diversions	68
Financial recoveries	$2,678,226

FORMER EXECUTIVE DIRECTOR SENTENCED FOR EMBEZZLEMENT

A former executive director for the Rockwall (Texas) Housing Development Corporation was sentenced in U.S. District Court to 12 months and 1 day incarceration and ordered to pay restitution to HUD in the amount of $195,421. From June 2009 through October 2012, the former executive director embezzled approximately $195,421 in Federal funds by writing checks to herself and others for work and services that were not provided. The embezzled funds were then used to purchase illegal narcotics. This investigation was conducted by HUD OIG and the Federal Bureau of Investigation (FBI). (**Rockwall, TX**)

FORMER EXECUTIVE DIRECTOR GUILTY OF CONSPIRACY TO DEFRAUD REAC SYSTEM

A former executive director of the Chelsea (Massachusetts) Housing Authority was sentenced in U.S. District Court to 12 months incarceration and ordered to pay a $3,000 fine following a conviction of conspiracy to defraud HUD. From 2006 through November 2011, the executive director conspired with his assistant director and a Real Estate Assessment Center (REAC) consultant to identify in advance Authority units that were supposed to be randomly selected for HUD REAC inspections. These individuals would ensure that all necessary repairs were made to the units before the REAC inspections were conducted. As a result, the Authority had a significantly inflated REAC score, which enabled it to qualify for diminished HUD oversight. This investigation was conducted by HUD OIG and the FBI. (**Boston, MA**)

FORMER EXECUTIVE DIRECTOR SENTENCED FOR BRIBERY

A former executive director of the Lafayette Housing Authority and Opelousas Housing Authority was sentenced in U.S. District Court to 28 months incarceration, 1 year supervised release, and a criminal forfeiture of $100,000 for receiving bribes and for his part in a conspiracy to award bids to a preferred contractor while running both PHAs. From 2006 through 2010, the former executive director sponsored a local baseball team and solicited donations in its name from vendors and contractors of both PHAs. The vendors were expected to make yearly donations in exchange for doing business with the PHAs. During this time, the executive director solicited and received more than $100,000 in bribes. The executive director also conspired with contractors to circumvent procurement regulations to award construction contracts to one company that performed construction work for the Opelousas Housing Authority. The conspiracy used fake bids to make it appear that several companies were placing bids on projects when only one company was being considered. The executive director approved these contracts with full knowledge that procurement regulations were not being followed. This investigation was conducted by HUD OIG and the FBI. (**Lafayette, LA**)

CITY EMPLOYEE SENTENCED FOR THEFT OF PUBLIC FUNDS

A former family self-sufficiency coordinator for the City of Marietta, GA, was sentenced in U.S. District Court to 14 months incarceration and 3 years supervised release and ordered to pay restitution to HUD in the amount of $234,977 following a conviction of conspiracy and theft of public money from an organization receiving Federal funds. Between January 2011 and June 2013, the employee, along with coconspirators, manipulated city records, which caused approximately $230,000 in housing assistance payments to be disbursed to landlords for properties they did not own. The proceeds were then divided among the conspirators. This investigation was conducted by HUD OIG and the City of Marietta Police Department. (**Atlanta, GA**)

THREE MULTIFAMILY HOUSING **PROGRAMS**

In addition to multifamily housing developments with U.S. Department of Housing and Urban Development (HUD)-held or HUD-insured mortgages, the Department owns multifamily projects acquired through defaulted mortgages, subsidizes rents for low-income households, finances the construction or rehabilitation of rental housing, and provides support services for the elderly and handicapped. Some of the highlights from this semiannual period are shown below.

AUDIT

STRATEGIC INITIATIVE 2: CONTRIBUTE TO THE REDUCTION OF ERRONEOUS PAYMENTS IN RENTAL ASSISTANCE

Key program results		Questioned costs	Funds put to better use
Audit	7 audits	$31,396,600	$174,995

REVIEW OF PRUDENTIAL HUNTOON PAIGE ASSOCIATES, LTD, UNDERWRITING ACTIVITIES

HUD Office of Inspetor General (OIG) audited Prudential Huntoon Paige Associates, LTD's underwriting of a $49 million mortgage loan to develop the Preserve at Alafia, a multifamily project located in **Riverview, FL**, to determine whether Prudential underwrote and processed the loan for the Preserve of Alafia according to HUD's requirements.

Prudential did not underwrite and process the loan for the Preserve at Alafia in accordance with HUD's guidelines and regulations. Specifically, it did not properly analyze the appraisal and market study, accurately estimate the project income and rental rates, completely disclose all debts related to the property, adequately analyze the eligibility of the participants, and properly document prepaid costs. As a result, Prudential exposed the Federal Housing Administration (FHA) insurance fund to unnecessary risk and a loss of more than $20 million.

OIG recommended that HUD (1) refer Prudential to the Mortgagee Review Board to take appropriate action against its noncompliance, (2) take appropriate enforcement actions against the responsible parties and pursue civil remedies under the False Claims Act if legally sufficient, and (3) pursue administrative actions against Prudential officials if warranted. (Audit Report: **2014-AT-1015**)

REVIEW OF MULTIFAMILY MANAGEMENT AGENTS

HUD OIG audited the Lake Village of Auburn Hills multifamily project in **Auburn Hills, MI**, to determine whether the project's owner and former management agents operated the project in accordance with the regulatory agreement and HUD's requirements.

The project's owner and former management agents did not ensure that (1) adequate documentation was maintained to support disbursements or that funds were used for reasonable operating expenses or necessary repairs of the project, (2) the project's housing units were used for their intended purpose, and (3) tenants' security deposits were appropriately maintained. As a result, HUD lacked assurance that more than $7.1 million was used for reasonable operating expenses or necessary repairs of the project and nearly $116,000 in additional rental revenue was not lost. Further, more than $8,400 in project funds and nearly $134,000 in lost rental revenue was not available for reasonable operating expenses and necessary repairs of the project. In addition, nearly $192,000 in tenant security deposits was not available to (1) pay for damages to the project's housing units, (2) apply toward tenants' unpaid rent, or (3) reimburse households.

OIG recommended that HUD require the owner to (1) support or reimburse the project for the unsupported disbursements and rental credits; (2) reimburse the project from nonproject funds for the non-revenue-generating housing units, ineligible expenditures, and underfunded security deposit account; and (3) implement adequate procedures and controls to address the finding cited. OIG also recommended that HUD pursue double damages, civil money penalties, and administrative sanctions, as appropriate, for the finding cited. (Audit Report: **2014-CH-1010**)

HUD OIG audited Lake Village of Fairlane Apartments in **Dearborn, MI**, to determine whether the project's owner and former management agents operated the project in accordance with HUD's requirements and the regulatory agreement.

The owner and former management agents could not provide sufficient documentation to support that project funds were used for reasonable operating expenses or necessary repairs of the project. Further, (1) other project funds were not used for reasonable operating expenses or necessary repairs of the project, (2) the project's security deposit account balance did not equal or exceed the total obligations associated with the account, and (3) the project lost rental revenue by providing a household rent-free housing. As a result, HUD and the owner lacked assurance that nearly $3 million in project funds was used for reasonable operating expenses or necessary repairs of the project and nearly $19,000 in additional rental revenue was not lost. Further, nearly $8,000 in project funds and more than $10,000 in lost rental revenue were not available for reasonable operating expenses and necessary repairs of the project. In addition, nearly $47,000 in security deposits was not available to (1) reimburse the owner for damages to project units, (2) pay the owner for unpaid rent, or (3) reimburse households.

OIG recommended that HUD require the owner to (1) support disbursements and ensure that rental revenue was not lost or reimburse the project from nonproject funds, (2) reimburse the project for ineligible disbursements and lost rental revenue, (3) reimburse the project's underfunded security deposit account, and (4) implement adequate procedures and controls to address the findings cited. OIG also recommended that HUD pursue double damages remedies, civil money penalties, and administrative sanctions against the responsible parties for their part in the violations of the regulatory agreement. (Audit Report: **2014-CH-1012**)

HUD OIG audited Yale Court Apartments in **Houston, TX**, to determine whether the project owner used the project funds in accordance with its regulatory agreement and HUD regulations.

The former owner used more than $3.5 million of the project funds for ineligible and unsupported expenses. Specifically, it (1) used $3.2 million for unauthorized distributions, transfers to non-HUD-insured properties, or repayments to the former owner for advances; (2) used several incorrect documents to support more than $88,000 in withdrawals from the repair escrow account; (3) paid more than $16,000 for other ineligible project expenses; (4) overpaid management fees by nearly $16,000; (5) underfunded the tenant security deposit account by more than $9,000; (6) made ineligible loans to employees; and (7) spent more than $160,000 in project funds for items that it could not properly support. Further, the former owner did not maintain accurate financial information and did not submit annual audited financial statements as required. The former owner's improper use of project funds reduced the amount available for physical repairs and payment of the mortgage, which resulted in the project's being left in poor physical condition and contributed to HUD's nearly $4 million loss when HUD resold the note in August 2012.

OIG recommended that HUD flag the form HUD-2530 for all appropriate parties for the regulatory agreement violations. OIG also recommended that HUD's Departmental Enforcement Center pursue civil money penalties and administrative sanctions, as appropriate, against the owner, the operator, their principals or owners, or all parties involved for their part in the regulatory violations. (Audit Report: **2014-FW-1005**)

INVESTIGATION

PROGRAM RESULTS

Administrative-civil actions	13
Convictions-pleas-pretrial diversions	16
Financial recoveries	$1,157,971

FORMER PROPERTY MANAGER SENTENCED FOR EMBEZZLEMENT

A former manager of five project-based Section 8 properties was sentenced in U.S. District Court to 18 months incarceration and 36 months probation and ordered to pay restitution to HUD in the amount of $152,725 following a conviction of theft of government funds. The manager embezzled HUD funds by writing 191 checks, made payable to herself, from operating accounts for each of these properties. This investigation was conducted by HUD OIG, the Federal Bureau of Investigation (FBI), and the West Virginia State Police. (**Huntington, WV**)

OWNER GUILTY OF EQUITY SKIMMING

The former owner of an identity-of-interest HUD management agent pled guilty in U.S. District Court to equity skimming for diverting more than $500,000 in rents, assets, proceeds, and income derived from an FHA-insured development. From February 2008 through June 2009, the owner violated HUD's regulatory agreement by using project funds for a luxury car purchase, a personal pay pal account, and other non-HUD project expenses in lieu of paying the HUD-insured mortgage. The owner further admitted to violating terms of his pretrial release when he obtained a new passport and fled the country for the United Kingdom before his March 2013 trial. This investigation was conducted by HUD OIG. (**Chicago, IL**)

FOUR COMMUNITY PLANNING AND DEVELOPMENT **PROGRAMS**

The Office of Community Planning and Development (CPD) seeks to develop viable communities by promoting integrated approaches that provide decent housing, suitable living environments, and expanded economic opportunities for low- and moderate-income persons. The primary means toward this end is the development of partnerships among all levels of government and the private sector. Some of the highlights from this semiannual period are shown below.

AUDIT

STRATEGIC INITIATIVE 3: CONTRIBUTE TO THE STRENGTHENING OF COMMUNITIES

Key program results		Questioned costs	Funds put to better use
Audit	29 audits[3]	$55,138,905	$45,622,174

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), audited the Community Development Block Grant (CDBG) program, HOME Investment Partnerships Program (HOME), Supportive Housing Program, and Neighborhood Stabilization Program 1 (NSP 1). While OIG's objectives varied by auditee, the majority of the reviews were to determine whether the grant funds were administered for eligible activities and the auditee met program objectives.

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAMS

HUD OIG audited the City of **Los Angeles, CA**'s CDBG program and found that the City did not always maintain the required documentation for its CDBG-funded projects to support its vested interest and ensure that national program objectives were met. More than $1.9 million in CDBG funds was at risk of not being used to meet the specified national program objectives. These funds may be lost due to the City's not ensuring that developers completed projects to meet national program objectives.

OIG recommended that HUD require the City to (1) provide and implement a plan of action to show the use and progress of the projects in question, (2) review the CDBG-funded projects in its portfolio that were managed by its former redevelopment agency to ensure that all required executed agreements are in place with the relevant parties, and (3) review the CDBG-funded projects in its portfolio that were managed by its former redevelopment agency to ensure that all projects meet a national objective. (Audit Report: **2014-LA-1007**)

[3] The total community planning and development audits, questioned costs, and funds put to better use amounts include any disaster recovery (five audits) type audits conducted in the community planning and development area. The writeups for these audits may be shown separately in chapter 5 of this semiannual report.

HUD OIG audited the **Jefferson Parish, LA**, CDBG program and found that the Parish did not always (1) have documentation to support program expenditures, (2) comply with procurement requirements when procuring contractors for housing rehabilitation, and (3) provide adequate oversight for its subrecipients. As a result, it could not support that more than $1.4 million in program costs was eligible or reasonable or met a national objective. In addition, it increased the risk of fraud, waste, and abuse.

OIG recommended that HUD require the Parish to (1) support or repay its CDBG program from non-Federal funds for the unsupported costs; (2) implement written departmental expenditure, procurement, and monitoring procedures; (3) implement a departmental records management system for expenditures and national objective compliance; and (4) implement a departmental process to maintain and update the Parish's prequalified bidder's list. (Audit Report: **2014-FW-1007**)

HUD OIG audited the **Monmouth County, NJ**, CDBG program and found that although County officials expended CDBG funds for eligible activities, there were several control weaknesses. Specifically, salary costs of employees who worked on multiple programs were disbursed without adequate support, disbursements recorded in County records did not always reconcile with those reported to HUD, accounting for program income was not adequate, housing rehabilitation assistance was not recovered from one recipient in accordance with the County's policy, and a mortgage note on an assisted property was underrecorded.

OIG recommended that HUD instruct County officials to (1) support the salary allocation of nearly $806,000 to the CDBG program or reimburse any unsupported amount, (2) reimburse the CDBG program for the ineligible cost of more than $1,000, (3) provide documents to support that more than $133,000 was expended for eligible activities, (4) provide support showing that more than $122,000 in program income was expended in a timely manner, (5) strengthen controls to ensure that the County's books reconcile with drawdowns reported to HUD, (6) provide support showing that the disbursement of nearly $4,000 in program income was for eligible costs, (7) seek repayment of more than $50,000 for an ineligible housing rehabilitation loan, and (8) increase a lien on the assisted property by more than $4,000. (Audit Report: **2014-NY-1006**)

HUD OIG audited the CDBG program administered by **Hillsborough County, FL**, and found that the County failed to properly administer its CDBG program in accordance with HUD requirements. Specifically, it did not ensure that its code enforcement and interim assistance activities met national objectives and charged allowable expenditures. As a result, HUD had no assurance that approximately $1 million charged was properly expended.

OIG recommended that HUD require the County to (1) support that national objectives and eligibility requirements were met or repay HUD more than $784,000 from non-Federal funds; (2) repay HUD nearly $232,000 from non-Federal funds for ineligible costs; (3) develop, implement, and enforce controls and sufficient levels of monitoring to ensure that CDBG requirements are met; and (4) train its staff on CDBG requirements. (Audit Report: **2014-AT-1006**)

HOME INVESTMENT PARTNERSHIPS PROGRAM

HUD OIG audited the City of **Jersey City, NJ**, HOME program and found that the City's HOME program was not always administered in compliance with program requirements. HOME funds were not always properly committed, expended, or reported in compliance with program requirements due to the City's inadequate controls over recording and reconciling its commitment and expenditure of funds. Therefore, more than $1.5 million was not committed and expended in a timely manner, and commitments of more than $1.48 million were ineligible.

HOME funds were expended on ineligible and unsupported costs. Consequently, nearly $567,000 was not available for eligible activities, and there was no assurance that more than $949,000 was expended for eligible HOME activities.

HOME match contributions were not always eligible or adequately supported. Therefore, $4.36 million in ineligible match contribution was reported, and HOME rent limits were not established for properties assisted with more than $1.28 million in HOME match funds.

HOME program income was not properly reported and used before entitlement funds. Therefore, nearly $804,000 in program income was not recorded in HUD's Integrated Disbursement and Information System (IDIS) and used before entitlement funds, and the use of nearly $290,000 in program income was not recorded in IDIS.

OIG recommended that HUD recapture the uncommitted and unexpended funds and instruct City officials to (1) deobligate a commitment of the funds expended for a canceled project, (2) reimburse the funds expended for an ineligible use and provide documentation to support that the unsupported funds were expended for eligible activities, (3) remove ineligible HOME match funds from the City's match report, and (4) record in IDIS the receipt and use of program income. (Audit Report: **2014-NY-1009**)

HUD OIG audited the Municipality of **Carolina, PR**, HOME program and found that the Municipality disbursed HOME funds for three activities that showed signs of slow progress without assurance that the activities would generate the intended benefits. In addition, it did not ensure that the principal residency requirement was met for the duration of the period of affordability for 35 home buyers. As a result, HUD had no assurance that more than $8.2 million disbursed for HOME-funded activities met program objectives and fully provided the intended benefits.

The Municipality's financial management system did not properly identify the source and application of more than $726,000 in HOME funds and did not support the eligibility of more than $68,000 in program disbursements. In addition, the Municipality allowed the use of more than $62,000 for ineligible expenditures, did not remit to its treasury account more than $56,000 in unexpended drawdowns, and consistently maintained a high cash balance in its bank account. As a result, HUD lacked assurance that funds were adequately accounted for, safeguarded, and used for authorized purposes and in accordance with HUD requirements.

The Municipality did not ensure the accuracy of commitments and other information entered into IDIS. It did not support more than $387,000 in HOME commitments and failed to report more than $233,000 in program income receipts. As a result, HUD had no assurance that the Municipality met HOME program commitment and disbursement requirements.

OIG recommended that HUD (1) determine the eligibility of the unsupported HOME program costs and activities that showed signs of slow progress, (2) deobligate overstated obligations and put these funds to better use, (3) require the repayment of the ineligible expenditures, and (4) remit the unexpended funds to its treasury account. (Audit Report: **2014-AT-1007**)

HUD OIG audited the City of **Chicago, IL**, HOME program and found that the leases between the owners and the households for program-funded units in two projects included language prohibited by HUD's regulations and the City's regulatory agreements with the owners. As a result, the City drew down nearly $7.4 million in program funds for two projects in which the rights of 73 households were not protected.

The City did not always follow HUD's requirements in its use and reporting of program income. It (1) inappropriately drew down nearly $25.2 million in program funds from its HOME investment trust fund treasury account from January 1, 2012, through December 31, 2013, when it had available program income, (2) inappropriately used program income, (3) did not report more than $4.3 million in program income in IDIS in a timely manner, and (4) did not deposit program income into its HOME investment trust fund local account. As a result, (1) the U.S. Treasury paid more than $30,000 in unnecessary interest on the program funds that the City drew down from its treasury account when program income was available, (2) the City had more than $9,000 less in program income to be used for eligible program activities, and (3) HUD and the City lacked assurance regarding the amount of program income available to the City.

The City did not always conduct required annual compliance monitoring of projects in calendar year 2013. As a result, HUD and the City lacked assurance that households were (1) living in units that met HUD's property standards requirements, (2) income eligible, and (3) not paying excessive rents.

OIG recommended that HUD require the City to (1) ensure that leases between the owners and the households for program-funded units do not include prohibited language, (2) reimburse its program or HUD from non-Federal funds for transmission to the U.S. Treasury, (3) ensure that inspected units were program-assisted units, and (4) implement adequate procedures and controls to address the findings cited. (Audit Report: **2014-CH-1011**)

HUD OIG audited the City of **Huntsville, AL**, Community Development Department, which administers its CDBG and HOME programs, and found that the Department did not have adequate controls and procedures to ensure (1) appropriate accountability for and administration of the Mirabeau project and (2) that it used its HOME and CDBG funds for eligible activities. Specifically, the Department (1) inappropriately loaned more than $932,000 in HOME funds and more than $250,000 in community housing development organization (CHDO) funds to a developer, (2) did not fully document the use of more than $1 million in CDBG funds for five loans, (3) did not use $772,000 in HOME funds as intended, and (4) did not recover collateral of more than $323,000 in CDBG funds from its bank and $100,000 in HOME funds from its CHDO. In addition, the Department did not (1) realize potential income because 60 units were offline, (2) include all of the elements required by HUD regulations in its participation agreement with the developer of the Mirabeau Apartments, and (3) prepare a cost allocation plan to allocate the unit costs or identify the number of HOME-assisted units to support the HOME-assisted units in the project.

OIG recommended that HUD require the City to (1) reimburse nearly $2.4 million in ineligible costs and support or reimburse unsupported amounts to the Department's CDBG and HOME program accounts from non-Federal funds, (2) inspect the project and correct all deficiencies, (3) review all participation agreements, and (4) prepare a cost allocation plan for HUD's review. (Audit Report: **2014-AT-1005**)

HUD OIG audited the **Middlesex County, NJ**, HOME program and found that County officials did not always expend and administer HOME funds in compliance with program requirements. Specifically, they lacked support to show that funds were committed in accordance with regulations and expended for eligible activities, HUD's and the County's interest in HOME-assisted properties was protected, and a CHDO was properly organized. Consequently, (1) nearly $834,000 was not committed in a timely manner as required; (2) nearly $25,000 and more than $220,000 in HOME funds were expended for ineligible and unsupported activities, respectively; (3) HUD's and the County's interest in more than $980,000 in HOME-assisted properties was not protected; and (4) the County lacked documentation showing that a CHDO was properly organized.

OIG recommended that HUD instruct County officials to (1) provide support showing that nearly $834,000 was committed in a timely manner, (2) reimburse the County's HOME program line of credit from non-Federal funds for nearly $25,000 in ineligible costs and any unsupported amount of the allocated costs of more than $220,000, (3) record liens or other appropriate notices of record on HOME-assisted properties to ensure that HUD's and the County's more than $980,000 interest in these properties is protected, and (4) provide support showing that officials complied with eligibility requirements at the time of the initial certification and recertification of the County's CHDO. (Audit Report: **2014-NY-1005**)

HUD OIG audited **Pierce County, WA**, and found that the County claimed nearly $242,000 in matching funds for three HOME projects. Since these three projects had already received HOME funding and were under affordability agreements, the matching funds reported were ineligible. Also, the County did not support $2.6 million in HOME matching funds carried forward from prior years. As a result, it had a shortfall of nearly $395,000 in its match obligation for the program year beginning July 2008 and could be required to repay HUD almost $1.6 million in HOME funds, depriving low-income people in its jurisdiction of needed housing.

OIG recommended that HUD require the County to remove the ineligible matching funds from its HOME match carry forward and provide the eligible matching funds to its HOME trust fund from non-Federal sources or repay HUD. OIG also recommended that the County resubmit its match reports to calculate a new carry forward amount supported by a running match log and documentation and implement written policies and procedures for compliance with HOME requirements. (Audit Report: **2014-SE-1003**)

HUD OIG audited the **Miami-Dade County, FL**, HOME program and found that the County did not always comply with HOME requirements. Specifically, it did not properly (1) commit HOME funds for 25 activities, (2) support that a beneficiary was income eligible for 1 activity, and (3) manage its HOME agreements. As a result, more than $1.4 million in HOME funds was not properly committed, and $250,000 in committed HOME funds was not supported.

OIG recommended that HUD (1) recalculate the commitment requirement as a result of the County's invalid commitments, (2) require the County to implement policies and procedures to ensure compliance with HOME requirements, and (3) require the County to support homeowner rehabilitation for one activity or reimburse its program nearly $46,000 from non-Federal funds and put more than $204,000 in HOME funds to better use. (Audit Report: **2014-AT-1010**)

SUPPORTIVE HOUSING PROGRAM

HUD OIG audited Palladia, Inc., in **New York, NY**, regarding the administration of its Supportive Housing Program and found that Palladia officials generally carried out their program-assisted activities with the appropriate beneficiaries; however, they did not provide support for how program grant funds were expended, and they did not maintain effective program and financial management controls.

Consequently, Palladia officials could not assure HUD that program grant funds were spent in accordance with HUD rules and regulations and that the effectiveness of the grant activities was fully maximized as intended by HUD. As a result, more than $1.6 million in program operating expenditures was unsupported, and nearly $585,000 in required non-Federal cash matching funds for operating and supportive services was unsubstantiated.

OIG recommended that HUD instruct Palladia officials to (1) provide documentation to justify the unsupported costs, (2) provide adequate supporting documentation to substantiate that the cash match was met for the operating and supportive services costs, and (3) maintain sufficient supporting documentation and strengthen oversight controls over disbursements to ensure compliance with applicable regulations. (Audit Report: **2014-NY-1008**)

NEIGHBORHOOD STABILIZATION PROGRAM

HUD OIG audited the City of **Richmond, CA**'s NSP1 and found that the City did not administer its NSP1 in accordance with requirements related to procurement and cost eligibility. It awarded contracts to developers that lacked the capacity and financial resources to administer the program and did not monitor the rehabilitation progress or the quality of work performed by three developers. As a result, the rehabilitation of some properties suffered significant delays, while the rehabilitation of other properties had not been completed after more than 3 years. Further, the City paid more than $691,000 for rehabilitation work that was not performed and other ineligible and unreasonable costs and did not ensure that NSP1 properties were sold to eligible home buyers. These same issues likely occurred under the City's NSP3 and will continue unless HUD closely monitors the City to ensure compliance.

OIG recommended that HUD require the City to (1) repay HUD the actual administrative costs charged or more than $223,000 for mismanaging three developers and (2) repay HUD for the ineligible or unreasonable costs and for work not performed. OIG also recommended that HUD review the City's remaining NSP1 activities and its $1.1 million NSP3 grant and require the City to reimburse the programs for any ineligible or unreasonable costs. Further, OIG recommended that HUD pursue civil and other administrative sanctions against the City, its developers, or both for allowing NSP1 funds to be used for ineligible costs. (Audit Report: **2014-LA-1005**)

INVESTIGATION

PROGRAM RESULTS

Administrative-civil actions	12
Convictions-pleas-pretrial diversions	15
Financial recoveries	$3,511,890

BUSINESS MAN SENTENCED IN FRAUDULENT BILLING SCHEME

A property developer was sentenced in U.S. District Court to 24 months incarceration and 2 years supervised release and ordered to pay restitution to HUD in the amount of $235,412 following a conviction of fraudulent claims. The developer received HUD CDBG-funded Downtown Façade Project and Downtown Rental Rehabilitation grants from the City of St. Johns and the Michigan State Housing Development Authority to rehabilitate commercial properties. Under the grants, the owner was supposed to replace windows, doors, and façade materials at four properties and rehabilitate apartment units for use as low-income rental units. None of the grant activities was performed as promised. Instead, fictitious companies controlled by the developer submitted fraudulent payment requests to the City for work that was either not done or for amounts exceeding actual costs. This investigation was conducted by HUD OIG and the Federal Bureau of Investigation (FBI). (**Grand Rapids, MI**)

FORMER CASE WORKER SENTENCED

A former case worker for the City of Dallas Project Reconnect, a program funded by HUD CPD, was sentenced in U.S. District Court to 15 months incarceration and 12 months supervised release and ordered to pay restitution in the amount of $8,619 following earlier convictions of tampering with a witness, false statement to HUD, and deprivation of rights under color of law. The investigation determined that the former case worker lived in an apartment that was subsidized by Project Reconnect while the lease was under a third party's name and that during the investigation, he contacted the third party and instructed him to lie to investigators. The investigation further determined that the former case worker also used his position to circumvent the program's waiting list in exchange for sex with a client. When the client ended the relationship, he had her removed from the program. This investigation was conducted by HUD OIG, the FBI, and the Dallas Police Department. (**Dallas, TX**)

FIVE DISASTER RECOVERY PROGRAMS

In response to disasters, Congress may appropriate additional funding as Disaster Recovery grants to rebuild the affected areas and provide crucial seed money to start the recovery process. Since fiscal year 1993, Congress has appropriated $47 billion to the U.S. Department of Housing and Urban Development (HUD), from which HUD provides flexible grants to help cities, counties, and States recover from presidentially declared disasters. These active disaster grants nationwide have approximately $31.9 billion in obligations and $27.1 billion in disbursements. Since the passage of the Disaster Relief Appropriations Act of 2013, HUD has allocated $14 billion of the $15.2 billion in available Community Development Block Grant Disaster Recovery (CDBG-DR) funds, including $13 billion to assist communities located in the regions impacted by Hurricane Sandy. Of the $13 billion in HUD disaster funds allocated for the Superstorm Sandy recovery area, $2.6 billion has been obligated, and $1.8 billion has been disbursed. Of the $19.6 billion that was provided for Hurricanes Katrina, Rita, and Wilma, $18.2 billion, or 93 percent of the funds, has been disbursed for the period ending September 30, 2014. For the $6.1 billion that was provided for Hurricanes Ike, Gustav, and Dolly, $3.5 billion, or 59 percent of the funds, has been disbursed for the period ending September 30, 2014. Of the $3.4 billion provided for the "9-11" disaster in New York, $3.0 billion, or 88 percent, has been disbursed for the period ending September 30, 2014. For the $794 million remaining for the other active disasters, $373 million, or 47 percent of the funds, has been disbursed for the period ending September 30, 2014.

Keeping up with communities in the recovery process can be a challenging position for HUD. HUD's Office of Inspector General (OIG) continues to take steps to ensure that the Department remains diligent in assisting communities with their recovery efforts.

AUDIT

STRATEGIC INITIATIVE 3: CONTRIBUTE TO THE STRENGTHENING OF COMMUNITIES

Key program results		Questioned costs	Funds put to better use
Audit	5 audits[4]	$24,596,061	$21,856,700

[4] The total disaster-related audits consist of community planning and development audits. The questioned costs and funds put to better use amounts relate only to disaster-related costs.

HUD OIG audited the **State of New Jersey**, CDBG-DR-funded tourism marketing program to determine whether the content of its marketing campaign was proper and whether it procured services and products for its tourism marketing program in accordance with applicable Federal procurement and cost principle requirements.

The audit found nothing improper in the content of the State's marketing campaign. The State was challenged to quickly launch the campaign before the 2013 summer beach season. However, although the State complied with HUD's instructions by certifying that its policies and procedures were equivalent to Federal procurement requirements, it did not procure services and products for its tourism marketing program in a manner that fully met the intent of the Federal requirements. It did not immediately address the need for a required independent cost estimate and cost analysis before awarding a contract with a budget of up to $25 million for marketing and outreach services. Federal regulations required the State to make independent estimates before receiving bids or proposals. They also required the State to perform a cost analysis.

The State needed to fully demonstrate that the budgeted contract amount was fair and reasonable and that the $23 million it had disbursed under the contract was adequately supported. The State had begun taking corrective actions and providing documentation to resolve these deficiencies. HUD needs to assess the documentation to determine the appropriateness of all contract costs.

OIG recommended that HUD determine whether corrective actions and documentation provided by the State are adequate to show that (1) the overall contract price was fair and reasonable, (2) $19.5 million disbursed under the contract for marketing costs was fair and reasonable, and (3) $3.5 million disbursed under the contract for labor costs was allowable and supported or direct the State to repay HUD from non-Federal funds for any amount it cannot support. (Audit Report: **2014-PH-1008**)

HUD OIG audited the disaster recovery programs of the State of Vermont, Department of Housing and Community Development, **Montpelier, VT**, to determine whether the State administered its disaster recovery programs effectively and efficiently in accordance with applicable regulations; specifically, whether it (1) had the capacity to administer its disaster programs, (2) established and implemented controls to ensure that program activities were adequately documented and administered, and (3) expended funds for eligible activities.

The State expended funds for eligible activities; however, it did not always administer its CDBG-DR1 and -DR2 programs effectively and efficiently in accordance with all program requirements. Specifically, it did not (1) have the staffing capacity to administer its disaster recovery programs in accordance with all program requirements, (2) submit all quarterly performance reports in a timely manner, (3) perform adequate monitoring or oversight of funded activities, (4) follow HUD requirements regarding substantial and nonsubstantial amendments to action plans, and (5) correct discrepancies contained in quarterly progress reports submitted by subrecipients. As a result, there is a risk that the program mission will not be accomplished and that obligated CDBG-DR2 funding of $13.2 million will not be expended by the deadline of December 10, 2015. In addition, HUD lacked assurance that the State and its subrecipients complied with laws, regulations, grant agreements, and program requirements.

OIG recommended that HUD require the State to (1) determine the portion of the Disaster Recovery grant funds that it believes will not be expended by the December 10, 2015, deadline and request a waiver from HUD for an extension and (2) hire additional staff sufficient to ensure that its disaster recovery programs are administered effectively. (Audit Report: **2014-BO-1004**)

HUD OIG audited the **State of Texas**, CDBG-DR program, based on a hotline complaint, to determine whether the State (1) ensured that the contractor limited the award of CDBG-DR funds to eligible homeowners and homes, (2) ensured that the contractor met critical performance benchmarks in the Lower Rio Grande Valley Development Council's housing programs, and (3) adequately monitored the Development Council's housing programs.

Except for assisting ineligible homes, the allegations in the complaint were unsubstantiated. The State, the Development Council, and its contractor generally ensured that homeowners met most eligibility requirements, and they supported the homes' costs. However, (1) the State's contractor did not adequately document Hurricane Dolly damages for 15 assisted homes costing $1.6 million; (2) the contractor's 15 inspections did not clearly show the damage or identify the repairs needed that were related to Hurricane Dolly as required; and (3) the contractor did not perform its inspections in a timely manner, performed the inspection as the last step in the eligibility process, and did not use the Federal Emergency Management Agency or other sources to verify Hurricane Dolly damage. The State could fund at least 84 ineligible homeowners, costing at least $8.6 million, if its contractor does not correct the inspection process.

The State also did not ensure that its contractor met critical performance benchmarks. In addition, the contractor appeared to have capacity issues, and its subcontractor did not appear to adequately staff the program. As result, the contractor had missed all of its benchmarks and had constructed only 137 (17 percent) of the 815 estimated homes required to be completed.

OIG recommended that HUD require the State to (1) repay HUD for the homes that were not eligible for assistance, (2) ensure that the contractor adequately inspects for and documents Hurricane Dolly damage, (3) monitor its contractor, and (4) continue to withhold payments until the contractor meets its benchmarks. (Audit Report: **2014-FW-1004**)

INVESTIGATION

PROGRAM RESULTS

Administrative-civil actions	0
Convictions-pleas-pretrial diversions	3
Financial recoveries	$474,395

FORMER EXECUTIVE DIRECTOR GUILTY OF RECEIVING KICKBACKS

A former executive director of New Orleans Affordable Homeownership, an agency that pled guilty in U.S. District Court to conspiracy to commit theft from an agency receiving Federal funds. The former executive director conspired with contractors to overpay or pay for work not done and received kickbacks from those contractors. The former executive director also created and provided false invoices for at least one contractor to submit to the grand jury in an attempt to justify the overpayments. The total loss to HUD is approximately $400,000. This investigation was conducted by HUD OIG, the Federal Bureau of Investigation, the Internal Revenue Service – Criminal Investigations, the U.S. Postal Inspection Service, and the City of New Orleans OIG. (**New Orleans, LA**)

SIX OTHER SIGNIFICANT AUDITS AND INVESTIGATIONS

AUDIT

STRATEGIC INITIATIVE 4: CONTRIBUTE TO IMPROVING HUD'S EXECUTION OF AND ACCOUNTABILITY FOR FISCAL RESPONSIBILITIES AS A RELEVANT AND PROBLEM-SOLVING ADVISOR TO THE DEPARTMENT

Key program results		Questioned costs	Funds put to better use
Audit	7 Audits	-	-

The U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) more significant audits are discussed below.

REVIEW OF HUD'S COMPLIANCE WITH THE IMPROPER PAYMENTS INFORMATION ACT OF 2002

HUD OIG audited HUD's fiscal year 2013 compliance with the Improper Payments Information Act of 2002 as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA). IPERA was enacted to eliminate and recover improper payments by requiring agencies to identify and report on programs that are susceptible to significant improper payments. IPERA also requires each agency's Inspector General to perform an annual review of the agency's compliance with IPERA. The audit objectives were to (1) determine HUD's compliance with IPERA reporting and improper payment reduction requirements and (2) determine whether corrective action plans addressed the root causes of HUD's improper payments and were effectively implemented.

HUD did not comply with IPERA reporting requirements because it did not sufficiently and accurately report its (1) billing and program component improper payment rates; (2) actions to recover improper payments; (3) accountability; or (4) corrective actions, internal controls, human capital, and information systems as required by IPERA. In addition, HUD's supplemental measures and associated corrective actions did not sufficiently target the root causes of its improper payments because they did not track and monitor processing entities to ensure the prevention, detection, and recovery of improper payments due to rent component and billing errors, which are root causes identified by HUD's contractor studies.

OIG recommended that HUD (1) enhance its IPERA reporting process to ensure that it accurately reports on its improper payments and actions it took to reduce and recover improper payments and (2) reassess its supplemental measures and corrective actions to ensure that they target all root causes of error identified in the quality control studies. (Audit Report: **2014-FO-0004**)

REVIEW OF ANTIDEFICIENCY ACT

HUD OIG reviewed two Intergovernmental Personnel Act (IPA) agreements, as part of a joint assignment with OIG's Office of Investigation and Office of Legal Counsel, to determine whether HUD violated the Antideficiency Act (ADA) when it obtained the services of two people through IPA agreements.

During the review, there were potential ADA violations with one of the agreements. Specifically, HUD incorrectly used more than $620,000 in Office of Public and Indian Housing and Office of Housing-Federal Housing Commissioner personnel compensation funds to pay the salary of a senior advisor to the HUD Secretary. Additionally, HUD paid more than the agreement allowed and made payments without an agreement in place. HUD did not have procedures in place to prevent these potential ADA violations.

OIG recommended that HUD take appropriate actions to investigate, resolve, and report the potential ADA violations. Further, HUD should implement controls to prevent future occurrences. (Audit Memorandum: **2014-FW-0801**)

REVIEW OF HUD'S COMPLIANCE WITH THE USER FEE REQUIREMENTS

HUD OIG audited HUD's fiscal year 2013 compliance with the user fee requirements in Office of Management and Budget Circular A-25 and the Chief Financial Officers (CFO) Act of 1990 to determine whether HUD complied with the user fee requirements of the CFO Act and Circular A-25.

HUD had not always implemented its user fee policy in HUD CFO Handbook 1830.6, REV-1, which is designed to comply with Circular A-25 and CFO Act requirements for user fee reviews. HUD did not consider other user fees material in comparison to primary collections from insurance fees and loan guarantee fees at the Federal Housing and Administration and the Government National Mortgage Association. As a result, HUD may not recover potential fee revenue from beneficiaries of its programs.

OIG recommended that HUD implement HUD CFO Handbook 1830.6, REV-1; publish a user fee schedule; and address HUD's user fees in its CFO report. HUD planned to implement the HUD CFO Handbook 1830.6, REV-1, procedures in its next budget process. (Audit Report: **2014-KC-0006**)

INVESTIGATION SPECIAL REPORTS

DATA MATCHING MAKING AN IMPACT

HUD OIG's Office of Investigation routinely provides investigative assistance to the National Center for Missing and Exploited Children (NCMEC). Using data-matching techniques, HUD OIG assists NCMEC in locating missing children and sexual predators. This well-maintained relationship significantly improves the safety of the Nation's communities and the families living in them.

NCMEC provides HUD OIG with access to several databases containing the names of thousands of missing children and convicted or absconded sex offenders. To identify any missing children or sex offenders in HUD-funded housing, HUD OIG routinely compares the names in the NCMEC database with the names in HUD records.

In September 2013, HUD OIG identified an unregistered sex offender who was residing in a HUD-subsidized apartment in southern Georgia. OIG's regional office in Atlanta, GA, investigated the case, which led to the sex offender's arrest and prosecution.

On May 7, 2014, the subject was indicted by a Federal grand jury for failure to register as a sex offender, a felony punishable by up to 10 years in prison. Additionally, the subject was sentenced to 20 years in State prison after local police arrested the subject for a shooting.

In a separate case in February 2014, HUD OIG identified an 11-year-old boy who was the victim of an interstate parental kidnapping. OIG investigated the case at the regional level in Nevada to verify the child's identity.

The Nevada office obtained information from the local records and confirmed his identity. Working with local authorities, the regional office ensured the child's welfare and allowed the local authorities to begin the complicated process of resolving the child's custody.

HUD OIG is dedicated to detecting and deterring fraud and criminal activities throughout all Department programs. The diligent work of the Office of Investigation significantly impacts the way the Department does business and the security of the families living within the Nation's communities.

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Exterior of Cedars Pointe complex in state of disrepair

GREAT COUNTRY MORTGAGE BANKERS

The Great Country Mortgage Bankers (GCMB) was a Federal Housing Administration (FHA) direct endorsement lender headquartered in Coral Gables, FL, responsible for originating several thousand FHA loans over several years. The GCMB president had many other affiliated corporations, including Great Country Title Services (GCTS) and ERA Great Country Real Estate (GCRE). The GCMB president is also a partner and principal in several limited liability companies that were responsible for "condo conversions" in the South Florida area. Condominium conversion is the process of converting rental apartments to individual condominiums, which are then made available for sale to the public. GCMB was the sole lender for these condominium complexes, in which the vast majority of the units were sold and financed with FHA-insured loans. GCTS was the sole title company for these transactions.

The GCMB president had business arrangements with other investors, who were officers of other limited liability companies responsible for other "condo conversions" in the south and central Florida areas. For those conversions, GCMB was the sole lender, and GCTS conducted the closings for most of them. Most of those condominium purchases were financed with FHA-insured loans. In almost every instance, seller-funded downpayment assistance was provided via a nonprofit entity, and a "buy down" agreement was in place, whereby the seller paid to lower the buyer's interest rate temporarily.

When the investigation began in 2008, GCMB had the highest default rate of any FHA lender in the Nation. Soon after the investigation started, HUD terminated GCMB's FHA approval, and the company was essentially dissolved. The initial investigative focus was on three condominium conversion complexes: Cedars Pointe, Dadeland Place, and The Courts of Oakland Park. It quickly expanded to include many others as the scope of the fraud became apparent. Based upon information provided by HUD, GCMB originated loans in 40 condominium complexes, at least 10 of which the GCMB president either owned or had a financial interest in. The investigation uncovered that borrowers were given undisclosed financial incentives to purchase condominium homes in buildings where the president had a financial interest. The undisclosed incentives were paid either directly by one of the developers or partners or through GCRE as a purported refunded real estate commission. Allegedly, the GCRE refunds were a vehicle for the president to pay incentives to borrowers. In addition, borrowers' incomes were routinely inflated or their employment information fabricated. Fraudulent verification of employment forms and other supporting documents were created and submitted to HUD. Investigators determined that it was common at GCMB for loan officers and processors to work together to qualify borrowers and that underwriters allegedly participated in or were aware of the activity.

Twenty-five individuals have been charged in this investigation. These include the president and chief executive officer of GCMB, 3 partner developers, and 20 former employees of GCMB (5 loan processors, 3 underwriters, and 12 loan officers). One recruiter was also charged. Fourteen individuals have pled guilty.

The following is a summary of FHA loan defaults and claims for GCMB:

- Approximately 2,400 FHA loans were originated by GCMB from 2006 to 2008 ($467 million).
- Approximately 1,480 claims were paid, resulting in at least $165 million in losses to HUD-FHA.
- Approximately 380 of those claims resulted in loss amounts that have not yet been determined.

There are approximately 760 actively insured loans (the majority of which are in default) with an unpaid principal balance of $136 million.

Interior hallway showing the state of disrepair

SEVEN JOINT CIVIL FRAUD **INITIATIVES**

In recent years, the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), has enhanced its efforts to identify and investigate civil fraud and pursue civil actions and administrative sanctions, frequently combining efforts from its multiple disciplines to create teams of auditors, special agents, attorneys, and data analysts to conduct civil investigations. The central hub of these efforts is HUD OIG's Joint Civil Fraud Division, a distinct team of forensic auditors and special agents dedicated to investigating fraud and pursuing civil and administrative remedies.

HUD OIG's joint civil fraud teams work closely with the U.S. Department of Justice, U.S. Attorney's Offices, HUD's Office of General Counsel, and local prosecutors to pursue civil remedies under a variety of statutes and regulations, including the False Claims Act; Program Fraud Civil Remedies Act; and Financial Institutions Reform, Recovery, and Enforcement Act. HUD OIG also works with HUD's Departmental Enforcement Center to pursue debarments, suspensions, and limited denials of participation when appropriate.

HUD OIG's internal joint efforts, in conjunction with partnerships with other enforcement groups, result in civil outcomes that are meant to help HUD recover from unwarranted damages sustained due to fraud. Some of the highlights from this semiannual period resulting from these joint civil fraud efforts are noted below.

STRATEGIC INITIATIVE 1: CONTRIBUTE TO THE REDUCTION OF FRAUD IN SINGLE-FAMILY INSURANCE PROGRAMS

STRATEGIC INITIATIVE 2: CONTRIBUTE TO THE REDUCTION OF ERRONEOUS PAYMENTS IN RENTAL ASSISTANCE

PROGRAM RESULTS

Civil actions	8
Recoveries and receivables to HUD programs or HUD program participants	$919,944,703
Recoveries and receivables for other entities	$646,753,547[5]

[5] This amount represents funds that relate to HUD programs but were paid to other entities and not paid directly to HUD, such as fees paid to the U.S. Treasury for general Government purposes and amounts retained by the U.S. Department of Justice under 28 U.S.C. (United States Code) Part 527. This amount does not include an additional $8.9 billion derived from these cases that benefited other entities but was not related to HUD programs.

SINGLE FAMILY

BANK OF AMERICA SETTLED ALLEGATIONS OF FAILING TO COMPLY WITH FHA LOAN REQUIREMENTS

HUD OIG assisted the U.S. Department of Justice, U.S. Attorney's Office, Eastern District of New York, in conducting an investigation of Bank of America's origination of mortgage loans insured by the Federal Housing Administration (FHA) from May 1, 2009, through March 31, 2012. On August 20, 2014, Bank of America of **Charlotte, NC**, entered into a settlement agreement to pay $16.65 billion, of which $9.65 billion was to resolve pending potential legal claims. Of the $9.65 billion, Bank of America agreed to pay $800 million to settle its submission of claims through December 31, 2013, for FHA loans it originated on or after May 1, 2009. Of the $800 million attributable to FHA's direct endorsement lender program, the FHA insurance fund was to receive $437.6 million, with the remaining $362.4 million going to other Federal agencies. (Memorandum: **2014-FW-1808**; Office of Audit Region 6, Joint Civil Fraud Division)

JPMORGAN CHASE SETTLED ALLEGATIONS OF FAILING TO COMPLY WITH FHA LOAN REQUIREMENTS

HUD OIG assisted the U.S. Attorney's Office, Southern District of New York, in conducting an investigation of JPMorgan Chase Bank, N.A., and JPMorgan Chase & Co. (Chase), of **New York, NY**. The investigation began due to a *qui tam* filing in the U.S. District Court for the Southern District of New York. The False Claims Act allows private persons to file suit for violations of the False Claims Act on behalf of the Government. A suit filed by an individual on behalf of the Government is known as a *qui tam* action, and the person bringing the action is referred to as a "relator."

On February 4, 2014, the U.S. Attorney's Office of the Southern District of New York filed suit against Chase for not complying with FHA requirements based in part on OIG's review of the underwriting and refinancing of FHA loans. The U.S. Attorney's Office sought damages and civil penalties under the False Claims Act and common law. The lawsuit alleged that during the period January 1, 2002, through February 4, 2014, Chase routinely approved loans for FHA insurance and refinancing that did not meet applicable underwriting requirements and were, therefore, ineligible for insurance. However, FHA had insured the loans based on per loan certifications submitted by Chase that it had complied with FHA requirements when underwriting the loans. When the borrowers defaulted on the loans, FHA incurred substantial losses.

On the same date, February 4, 2014, Chase entered into a settlement agreement to pay $614 million to end the lawsuit. Of the settlement total, $564.6 million was attributable to FHA's direct endorsement lender program. The FHA insurance fund was to receive $336 million of the $564.6 million before incurring related costs, and the remaining $228.6 million was to be remitted to other Federal entities and the relator. As part of the settlement, Chase admitted, acknowledged, and accepted responsibility for certain conduct and agreed to comply with all rules of HUD's direct endorsement lender program and implement an enhanced quality control program to review FHA loans that it underwrites using TOTAL (a HUD program that works with lender underwriting programs to assess the credit worthiness of FHA borrowers). (Memorandum: **2014-CF-1807**; Joint Civil Fraud Division, Office of Investigation Region 2)

U.S. BANK SETTLED ALLEGATIONS OF FAILING TO COMPLY WITH FHA LOAN REQUIREMENTS

HUD OIG, in conjunction with HUD, the U.S. Department of Justice, and the U.S. Attorney's Offices for the Eastern District of Michigan and Northern District of Ohio, conducted a joint investigation of U.S. Bank National Association's loan originations, underwriting practices, and quality control program for FHA-insured loans.

On June 30, 2014, U.S. Bank of **Minneapolis, MN**, entered into a settlement agreement to pay $200 million. Of the settlement total, the FHA insurance fund received nearly $144.2 million before incurring related costs. As part of the settlement, U.S. Bank agreed that it engaged in certain conduct in connection with its origination, underwriting, quality control, and endorsement of single-family residential mortgage loans that were insured by FHA on or after January 1, 2006, and endorsed by U.S. Bank on or before December 31, 2011, and resulted in claims submitted to HUD. (Memorandum: **2014-CH-1801**; Office of Audit Region 5, Office of Investigation Region 5, Joint Civil Fraud Division)

REUNION MORTGAGE SETTLED ALLEGATIONS OF FAILING TO COMPLY WITH FHA LOAN REQUIREMENTS

HUD OIG assisted the U.S. Attorney's Office of the Northern District of California in the civil investigation of Reunion Mortgage, Inc. Reunion is a former FHA-approved mortgage lender, with its principal place of business located in **Milpitas, CA**. Based in large part on OIG's review of loans underwritten by Reunion between December 2007 and October 2009, the U.S. Attorney's Office filed a civil complaint against Reunion under the False Claims Act, multiple common law theories, and the Federal Debt Collection Procedures Act.

The initial complaint alleged that Reunion engaged in reckless underwriting of certain loans and falsely certified to FHA that those loans met HUD's requirements and were eligible for FHA insurance. The complaint further alleged that FHA relied on Reunion's certifications when insuring the loans, and as the borrowers on those loans defaulted, FHA incurred losses that it should not have incurred. The U.S. Attorney's Office later amended its complaint and further alleged that Reunion improperly issued dividends to its former co-owners that rendered the company insolvent and unable to pay its debts to the United States in violation of the Federal Debt Collections Procedures Act.

On May 16, 2014, Reunion and its former co-owners entered into a settlement agreement to pay $1.04 million to settle allegations that the company submitted false claims to FHA in violation of the False Claims Act, multiple common law theories, and the Federal Debt Collection Procedures Act. (Memorandum: **2014-CF-1810**; Joint Civil Fraud Division)

MULTIFAMILY HOUSING

NDC REAL ESTATE MANAGEMENT SETTLED ALLEGATIONS OF FALSIFYING OR MODIFYING RECORDS AND DOCUMENTS TO MAXIMIZE SECTION 8 HOUSING ASSISTANCE PAYMENTS

HUD OIG assisted the U.S. Attorney's Office for the Eastern District of Kentucky in the investigation of NDC Real Estate Management, Inc. The investigation began due to a *qui tam* filing in the U.S. District Court for the Eastern District of Kentucky. The relator alleged that NDC falsified or modified records and documents to maximize the amount of rental subsidies, known as Section 8 housing assistance payments, received by the project owners of two properties located in **Richmond, KY**.

HUD distributes Federal funds through its Section 8 program to assist qualified individuals in obtaining housing. The Section 8 program provides rental subsidies in the form of housing assistance payments to multifamily rental property owners and is administered on HUD's behalf by local public housing agencies. The Kentucky Housing Corporation administers the program for Kentucky. The housing corporation processed the subject project owners' requests for assistance payments that NDC had submitted on the project owners' behalf and that NDC had remitted to the project owners. Between January 2007 and December 2012, the housing corporation made assistance payments of more than $4 million for the Richmond properties.

Based in part on OIG's investigation of the project owners' requests for assistance payments and the supporting documentation, the U.S. Attorney's Office contended that the Unites States had civil claims against NDC under the False Claims Act. These civil claims arose from NDC's alleged falsification or wrongful modification of the project owners' requests for assistance payment forms and the supporting documentation in an attempt to maximize the amount of assistance payments for the Richmond properties. On August 4, 2014, NDC agreed to settle and pay HUD $750,000. The parties also agreed that the settlement did not constitute an admission of any liability or fault on the part of either NDC, the project owners, or others named. (Memorandum: **2014-CF-1808**; Joint Civil Fraud Division, Office of Investigation Region 4)

EIGHT LEGISLATION, REGULATION, AND OTHER DIRECTIVES

Reviewing and making recommendations on legislation, regulations, and policy issues is a critical part of the Office of Inspector General's (OIG) responsibilities under the Inspector General Act. During this 6-month reporting period, OIG has committed approximately 738 hours to reviewing 114 issuances. The draft directives consisted of 54 notices, 13 mortgagee letters, and 47 other directives. OIG provided comments on 41 (or 36 percent) of the issuances and provided 4 nonconcurrences. A summary of selected reviews for this 6-month period is below.

NOTICES, POLICY ISSUANCES, AND FINAL RULES

OFFICE OF SINGLE FAMILY HOUSING

Reverse mortgage – The Federal Housing administration (FHA) has been making needed changes to the reverse mortgage program to strengthen the Mutual Mortgage Insurance Fund. FHA issued four mortgagee letters (1) addressing the due and payable status when there is a nonborrowing spouse at the time of closing, (2) prohibiting misleading or deceptive advertising, (3) limiting the insurability of fixed-interest-rate mortgages with the single disbursement lump-sum payment option, and (4) announcing new principal limit factors.

Of these four program changes, FHA used the authority granted to it in the Reverse Mortgage Stabilization Act of 2013 to immediately implement protections to a nonborrowing spouse and also limited the insurability of fixed-rate mortgages through two mortgagee letters. Since the inception of the reverse mortgage program, FHA has interpreted provisions of the National Housing Act to require the reverse mortgage to be due and payable upon the death of the last surviving borrower, sale of the home, and other conditions, including failure to reside in the property and failure to pay required taxes and insurance. Mortgagee Letter 2014-07 was issued to provide another interpretation of the Act to extend the mortgage insurance eligibility requirements to any nonborrowing spouse of the borrower at the time of origination. This provision will eliminate the need for these nonborrowing spouses, including common law spouses, to refinance the reverse mortgage upon the death of the borrower. FHA intends to publish a rule for notice and comment that will revise its existing regulations to codify these revisions or to make such other or alternative changes as may then seem appropriate. Through the clearance process, OIG recommended that FHA require certifications from both the borrower and the nonborrowing spouse, at closing and annually thereafter, to ensure that the interests of both U.S. Department and Housing and Urban Development (HUD) and the lender are adequately protected.

FHA issued Mortgagee Letter 2014-11 to limit program risk from new variants of fixed-interest-rate options. The financial impact and operational difficulties posed by the statutory guarantee of payment by FHA on these products has led FHA to conclude that it can no longer insure fixed-interest-rate reverse mortgages that provide the borrower with options for ongoing monthly payments. Effective for reverse mortgages insured on or after June 25, 2014, FHA will limit insurance of fixed-rate mortgages under the reverse mortgage program to mortgages with a single disbursement payment option.

Single-family lender handbook – OIG also reviewed FHA's updated and consolidated single-family housing policy handbook. This update is part of an FHA initiative to provide borrowers with greater access to credit and make working with FHA more efficient and effective for lenders. This handbook reconciled more than 900 mortgagee letters and other policy guidance into a single, authoritative document to serve as the definitive guide on all aspects of FHA's single-family programs. OIG initially nonconcurred on the maximum combined loan-to-value limit. In response, FHA clarified that the current requirement of limiting the loan-to-value ratio to 125 percent when refinancing a loan prohibits borrowers from accessing the benefits of the loan modification programs.

OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT

Various waivers – OIG reviewed the fifth Notice on Clarifying Guidance, Waivers, and Alternative Requirements for Grantees in Receipt of Community Development Block Grant Disaster Recovery Funds Under the Disaster Relief Appropriations Act of 2013. After the review, HUD published a Federal Register notice on June 3, 2014, announcing additional funding of $436.6 million for the most impacted and distressed areas in Colorado, Illinois, and Oklahoma. This notice also granted a waiver to the State of Colorado to allow it to use up to $500,000 to support its tourism industry and promote travel to communities in the flood-impacted areas. This waiver had a significant impact as tourism is the primary economic contributor to the State economy and provides a valuable source of business revenue, taxes, and employment.

On October 7, 2014, HUD issued an additional waiver for the City of Minot, ND, modifying the requirement that the City comply with Section 414 of the Stafford Act. The Department has determined that without a statutory waiver and the establishment of alternative requirements, the City is unlikely to achieve its goals of contributing to the restoration of its affordable housing stock. The 2011 flood damaged 20 to 30 percent of the rental housing stock that was concentrated in an area that had the highest percentage of affordable housing. According to the City, 2,328 households were displaced as a result of the flood, and 2,062 were provided with temporary housing, but only 20 households continue to reside in temporary housing units assisted through other programs with other forms of assistance. The destruction has contributed to an increase in housing cost burden for nearly half of all rental households. The waiver will prevent a violation of duplicating insurance proceeds for tenants moving into the rehabilitated housing.

OFFICE OF MULTIFAMILY HOUSING

Tenant participation - The Department issued Housing Notice 2014-12 on September 4, 2014, to implement the tenant participation requirements in accordance with 24 CFR (Code of Federal Regulations) Part 245 and specifically added the procedures for appealing findings of complaints filed with the hub or program center. Such requirements reflect the Department's commitment to tenant participation individually and through legitimate tenant organizations. The Department believes that tenant participation is an important element in maintaining sustainable projects and communities.

Capturing excess bond proceeds – This final rule, effective August 28, 2014, amended HUD's regulations addressing reimbursement to FHA of excess bond proceeds. When a lender finances mortgages through the issuance and sale of bonds or through bond anticipation notes, the lender uses the funds from the payment of a mortgage insurance claim to pay off the remaining bond debts. At times, the amount paid by the FHA multifamily insurance claim was greater than the remaining bond debts. This final rule required lenders that finance a project using a project-specific trust indenture agreement to include language in the trust indenture to require that excess bond funds be returned to FHA. HUD requires similar payments of excess bond funds on obligations of public housing agencies; thus, the final rule provides consistency in the administration of the Department's bond-financed mortgages.

Section 207 refinancing – This final rule, which became effective on August 20, 2014, amended HUD's regulations governing the eligibility for FHA insurance of mortgages used for the purchase or refinancing of existing Section 207 cooperatives under section 223(f) of the National Housing Act. Although the statutory language authorizing such insurance did not distinguish between rental and cooperative multifamily projects, HUD's regulations limited FHA insurance to existing rental projects. Given the significant needs identified for multifamily cooperative financing, the Department determined that it was appropriate to reconsider the regulatory imposed limitation. Accordingly, this rule revised HUD's regulations to enable existing multifamily cooperative project owners to obtain FHA insurance for the refinancing of existing indebtedness.

OFFICE OF HEALTHCARE PROGRAMS

Reporting requirements – The Department published an interim rule on September 16, 2014, which revised the financial reporting deadlines for operators of healthcare facilities. This rule brought them in line with the reporting periods prescribed in HUD's Uniform Financial Reporting Standards, to which owners and borrowers of these properties are subject. The interim rule increased the amount of time operators have to comply with the reporting requirements. The interim rule provided that operators would have an additional 30 calendar days or 60 calendar days following the end of a fiscal quarter and 90 calendar days following the end of the fiscal yearend to comply with HUD's financial statement reporting requirements.

NINE AUDIT RESOLUTION

In the audit resolution process, Office of Inspector General (OIG) and U.S. Department of Housing and Urban Development (HUD) management agree upon needed actions and timeframes for resolving audit recommendations. Through this process, OIG strives to achieve measurable improvements in HUD programs and operations. The overall responsibility for ensuring that the agreed-upon changes are implemented rests with HUD managers. This chapter describes significant management decisions with which OIG disagrees. It also contains a status report on HUD's implementation of the Federal Financial Management Improvement Act of 1996 (FFMIA). In addition to this chapter on audit resolution, see appendix 3, table B, "Significant Audit Reports for Which Final Action Had Not Been Completed Within 12 Months After the Date of the Inspector General's Report."

AUDIT REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AS OF SEPTEMBER 30, 2014

HUD LACKED ADEQUATE CONTROLS TO ENSURE THE TIMELY COMMITMENT AND EXPENDITURE OF HOME FUNDS, ISSUE DATE: SEPTEMBER 28, 2009

HUD OIG audited HUD's HOME Investment Partnerships Program (HOME). The OIG report included a recommendation that the HUD Office of Community Planning and Development (CPD) establish and implement controls to ensure that field offices require participating jurisdictions to close out future HOME activities within a timeframe that will permit reallocation and use of the funds for eligible activities in time to avoid losing them to recapture by the United States Treasury under provisions of Public Law 101-510.

Since the report's issuance, management has issued three proposals on how to address recommendation 1D, with the latest proposal being presented on August 27, 2012. OIG rejected all three management decisions proposed by CPD to address the recommendation because they did not provide for the establishment and implementation of all of the controls needed to address the recommendation.

A portion of the recommendations dealt with the first-in, first-out (FIFO) issue, on which OIG submitted a request to the U.S. Government Accountability Office (GAO) for an opinion. OIG received a response to that opinion on July 17, 2013. While both HUD and OIG agreed to wait on the final opinion from GAO before responding to the issues noted during the audit for recommendations 3A, 3B, and 3C, no agreement was reached in relation to recommendation 1D, which also addressed FIFO issues. This issue was referred to the Acting Assistant Secretary on March 28, 2014, and the decision was pending as of September 30, 2014.

On June 5, 2014, HUD CPD entered its proposed management decisions for HUD OIG Audit Report 2014-FO-0003. HUD OIG concurred on the proposed management decisions with HUD's understanding that the effects of not removing the FIFO methodology retroactively will have implications on future years' financial statement audit opinions until the impact is assessed to be immaterial. HUD OIG found this methodology to be a departure from Federal generally accepted accounting principles (GAAP). OIG will also continue to report that HUD is not in compliance with laws and regulations until the cumulative method is no longer used (prospectively and retroactively) to determine whether commitment deadlines required by the HOME Investment Partnership Act are met by the grantees.

Since an agreement has been reached on HUD OIG Audit Report 2014-FO-0003, recommendations 1A, 1B, 1C, 15A, 15B, and 15C, which would affect recommendation 1D in this audit, HUD OIG is researching the best way to account for this recommendation. (Audit Report: **2009-AT-0001**)

THE CITY OF WEST PALM BEACH DID NOT ALWAYS PROPERLY ADMINISTER ITS HOME PROGRAM, ISSUE DATE: SEPTEMBER 30, 2013

HUD OIG audited the City of West Palm Beach's HOME program to determine whether the City administered its HOME program in accordance with applicable HUD requirements.

The City did not always administer its HOME program in accordance with applicable HUD requirements. Specifically, it did not properly commit HOME funds or accurately report activity information in HUD's Integrated Disbursement and Information System (IDIS). These conditions occurred because the City did not enforce HUD's 24-month commitment deadline requirement and did not have effective procedures to ensure that it reported current and accurate information in IDIS. This deficiency resulted in nearly $560,000 in HOME funds not being properly committed because activities were committed after the 24-month deadline, and two activities totaling $1 million were canceled, but the funds were not made available for other eligible HOME activities.

In addition, the City did not ensure that it charged adequately supported and eligible expenditures to the program. These expenditures were related to project delivery and operating costs. This condition occurred because City staff did not exercise due care in reviewing and supporting the City's expenditures. As a result, the City charged the HOME program more than $1.2 million in unsupported costs and nearly $230,000 in ineligible costs.

Among other things, OIG recommended that HUD require the City to (1) recapture more than $559,000 in HOME funds that it did not commit by the 24-month statutory deadline (recommendation 1A), (2) recapture more than $157,000 in remaining HOME funds for activities not committed by the 24-month statutory deadline (recommendation 1B), and (3) reprogram more than $28,000 in remaining funds and deobligate nearly $43,000 for funds not expended by the 5-year deadline (recommendation 2C).

HUD disagrees with OIG on recommendations 1A, 1B, and a portion of 2C related to the expenditure deadline. Regarding recommendations 1A and 1B, HUD states that the method used to determine compliance with the statutory HOME 24-month commitment requirement is detailed at 24 CFR (Code of Federal Regulations) 92.500(d)(2). Further explanation of this method is found in HUD Notice CPD 07-06, Commitment, CHDO [community housing development organization] Reservation, and Expenditure Deadline Requirements for the HOME Program (June 1, 2007). While HUD understands that its method of determining compliance was recently found by GAO to be noncompliant with the statutory language found in section 218(g) of Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended, HUD is making regulatory and systematic changes that will allow HOME participating jurisdictions to fully comply with the HOME statutory commitment requirement in the future. At the time the participating jurisdiction committed funds to the activities identified by OIG in finding 1, it was found to be in compliance with the HOME regulation at 24 CFR 92.500(d)(2). HUD cannot hold HOME participating jurisdictions accountable for requirements that are not set forth in regulation or guidance, especially when the participating jurisdiction was determined by HUD to be in compliance with the current regulation and guidance.

Regarding recommendation 2C, HUD agrees that the City must reprogram more than $28,000 in remaining funds for completed activity 699. However, HUD does not agree that nearly $43,000 in unexpended funds should be deobligated based on the rationale provided for recommendations 1A and 1B.

OIG rejected HUD CPD's proposed management decisions on March 12, 2014. OIG rejected the management decisions because at that time, HUD had not provided proposed corrective action on HUD OIG Audit Report 2014-FO-0003, recommendations 1A, 1B, 1C, 15A, 15B, and 15C, which address how HUD's cumulative method for determining compliance and the FIFO method of accounting for grants violated statutes and Federal GAAP. Any corrective action provided needs to take into account the FIFO effect on past grants and its impact on the funding of the grantees. Thus, OIG cannot accept any management decision that does not take into account the corrective action the Department plans to take to address GAO's and the Office of Management and Budget's (OMB) decision. These issues were referred to the General Deputy Assistant Secretary on March 31, 2014.

On June 5, 2014, HUD CPD entered its proposed management decisions for HUD OIG Audit Report 2014-FO-0003. HUD OIG concurred on the proposed management decisions with HUD's understanding that the effects of not removing the FIFO methodology retroactively will have implications on future years' financial statement audit opinions until the impact is assessed to be immaterial. HUD OIG found this methodology to be a departure from Federal GAAP. We will also continue to report that HUD is not in compliance with laws and regulations until the cumulative method is no longer used (prospectively and retroactively) to determine whether commitment deadlines required by the HOME Investment Partnership Act are met by the grantees.

Since an agreement has been reached on HUD OIG Audit Report 2014-FO-0003, recommendations 1A, 1B, 1C, 15A, 15B, and 15C, which would affect recommendations 1A, 1B, and 2C in this audit, HUD OIG is researching the best way to account for these recommendations. (Audit Report: **2013-AT-1008**)

ADDITIONAL DETAILS TO SUPPLEMENT OUR REPORT ON HUD'S FISCAL YEARS 2013 AND 2012 (RESTATED) FINANCIAL STATEMENTS, ISSUE DATE: DECEMBER 16, 2013

HUD OIG audited the Office of Public and Indian Housing's (PIH) implementation of U.S. Treasury cash management regulations as part of the annual audit of HUD's consolidated financial statements for fiscal years 2013 and 2012. The OIG report found that HUD's implementation of the new cash management process for the Housing Choice Voucher program departed from Treasury cash management requirements and Federal GAAP. HUD OIG also reported that there were not sufficient internal controls over the process in place to ensure accurate and reliable financial reporting. The weaknesses in the process failed to ensure that material financial transactions were included in HUD's consolidated financial statements and allowed public housing agencies (PHA) to continue to hold funds in excess of their immediate disbursing needs, which is in violation of Treasury cash management regulations.

The OIG report included a recommendation that the PIH implement a cost-effective method for automating the cash management process to include an electronic interface of transactions to the standard general ledger.

Since the report's issuance, the Department issued three proposals on how to address recommendation 2C on March 31, 2014, April 17, 2014, and May 28, 2014. However, OIG rejected all three proposals because they were too vague and did not include a high-level plan showing the actions PIH will take from now until the final action date to implement corrective action. Further, the proposals included several contingencies; therefore, OIG has no reasonable way to determine PIH's progress in addressing the recommendation.

This issue was referred to the Assistant Secretary on June 19, 2014, and a 30-day extension was requested due to a change in leadership. The request was granted; however, a new proposal had not been made as of September 30, 2014. This issue was referred a second time to the Assistant Secretary on September 25, 2014. (Audit Report: **2014-FO-0003**)

THE BOSTON OFFICE OF PUBLIC HOUSING DID NOT PROVIDE ADEQUATE OVERSIGHT OF ENVIRONMENTAL REVIEWS OF THREE HOUSING AGENCIES, INCLUDING REVIEWS INVOLVING RECOVERY ACT FUNDS, ISSUE DATE: FEBRUARY 2, 2014

HUD OIG audited the Boston Office of Public and Indian Housing's oversight of environmental reviews of three PHAs to determine whether the Boston Office's oversight of public housing environmental reviews within its jurisdiction ensured that (1) the responsible entities performed the required reviews and (2) HUD did not release funds until all required documents were submitted.

The Boston Office did not provide adequate oversight of three PHAs to ensure that the responsible entities properly completed and documented environmental reviews. Further, it did not maintain sufficient internal control records. These conditions occurred because the Boston Office thought that CPD was responsible for monitoring responsible entities for compliance with requirements and because the Boston Office elected not to follow PIH guidance. As a result, three PHAs spent more than $85 million, including more than $39 million in American Recovery and Reinvestment Act of 2009 (ARRA) grant funds, for projects that either did not have required environmental reviews or the environmental reviews were not adequately supported.

The Boston Office Did Not Provide Adequate Oversight To Ensure That the Responsible Entities Properly Completed Environmental Reviews for All Years.

Because the Boston Office did not provide adequate oversight, it did not determine that a contractor improperly performed environmental reviews for the Boston Housing Authority and made determinations of compliance with requirements. While a PHA may use consultants to perform a significant portion of the environmental review, only HUD or a responsible entity may perform the reviews and determine compliance with requirements. A responsible entity assumes responsibility for conducting the environmental reviews, decision making, and other actions that would otherwise apply to HUD under the National Environmental Policy Act of 1969 (NEPA) and other provisions of law that further the purposes of NEPA. The environmental review process consists of all actions that a responsible entity must take to determine compliance. The Boston Office did not determine that the City of Boston failed to meet the following regulatory requirements:

- Assume responsibility for decision making,
- Review consultant work to ensure proper compliance,
- Identify itself as the entity to receive public comments,
- Reevaluate substantial changes in projects,
- Maintain the environmental review record, and
- Inform HUD if it does not have the capacity to perform the environmental reviews for the PHA.

The Boston Office did not maintain tracking logs or separate files for each PHA as required by HUD's Field Office Environmental Review Guidance. The guidance required, at a minimum, maintaining tracking logs that detailed who performed the environmental reviews; whether the form HUD-7015.15, Request for Release of Funds and Certification, was received and cleared; and whether HUD performed the environmental reviews directly. The guidance further required maintaining a separate environmental file for each PHA. The Boston Office had one combined log that was most likely incomplete and not current and claimed that separate environmental review files were not necessary and the office did not maintain them.

The Boston Office's deputy director cited section A.1.h of a notice published in the Federal Register on May 30, 2012, that his office believed delegated the overall departmental responsibility for compliance with NEPA to CPD. However, according to the notice's summary, its purpose was for the Assistant Secretary for

Community Planning and Development to redelegate to the Deputy Assistant Secretaries and other specified HUD officials all powers and authorities necessary to carry out CPD programs, except those powers and authorities specifically excluded. The notice did not delegate authority for CPD to conduct environmental reviews of PIH programs. Even if the notice had been interpreted to grant such authority, it was issued after most of the questioned environmental reviews should have been completed and certified. Thus, it would not have applied to the grants reviewed during the audit.

Because the environmental reviews did not comply with requirements, the PHAs incurred more than $85 million in questioned costs, including more than $39 million in ARRA funds as detailed in table 1.

TABLE 1: QUESTIONED COSTS

Year	Boston Housing Authority	Nashua Housing Authority	New Bedford Housing Authority	Total
2009 ARRA funds	$33,329,733	$1,169,494	$4,860,197	$39,359,424
2011 capital funds	21,478,604	874,261	3,154,021	25,506,886
2012 capital funds	17,058,105	728,596	2,989,066	20,775,767
Total	**$71,866,442**	**$2,772,351**	**$11,003,284**	**$85,642,077**

OIG's recommendations include requiring three PHAs to (1) repay HUD, for transmission to the U.S. Treasury, more than $4.8 million and provide support or repay more than $34 million in 2009 ARRA funds, (2) provide support for or repay HUD more than $45 million in Public Housing Capital Fund grant funds, and (3) take available actions against three PHAs and their responsible entities. To correct systemic weaknesses identified in this report, OIG will make recommendations to HUD headquarters officials in an upcoming nationwide audit report.

At an exit conference on December 13, 2013, the Boston Office informed OIG that it disagreed with the recommendations in the audit report. On June 6, 2014, OIG received a nonconcurrence memorandum from the Acting Director of the Boston Office, stating that the Office's position had not changed. He included an attachment in his response, which was a memorandum that the former Assistant Secretary for Public and Indian Housing sent to the Inspector General on April 29, 2014, stating that release of additional audits focusing on repayments threatens HUD's position to support place-based determinations by potentially discouraging use of the Part 58 process. She requested that the Inspector General consider an elevated determination before more audits were publicly released.

The Boston Office believes that CPD's Office of Environment and Energy (OEE) is the delegated HUD office to monitor responsible entities performing environmental reviews. The Boston Office further believes that the responsible entities, not the PHAs, bear financial responsibility when environmental reviews are not properly completed. Regarding questioned expenditures identified in the audit, the Boston Office maintains that it has documentation supporting that environmental reviews were completed before the expenditure or release of funds to the PHAs. Further, the Boston Office stated in its response to the draft report that since the record is clear, it can find no harm caused by the implementation of the capital projects associated with the grants cited in the report. It believes that the burden of proof that would be required to complete the actions recommended cannot be adjudicated by PIH since it is not delegated to act in this capacity.

Because OIG was unable to reach agreement with the Boston Office, it referred the matter to the Acting Assistant Secretary for Public and Indian Housing on July 22, 2014. On August 7, 2014, OIG met with the Acting Assistant Secretary for Public and Indian Housing and discussed the recommendations and possible resolution. On August 26, 2014, OIG received PIH's management decisions on the actions it agreed to take to resolve the recommendations. PIH's actions placed all of the responsibility on CPD OEE. In PIH's management decisions, the Acting Assistant Secretary for Public and Indian Housing stated that PIH management decisions were to recommend concurring and closing the recommendations by referring the matter to OEE to perform compliance monitoring and take the actions necessary to enforce the requirements.

Since PIH's proposed resolution included another program office, OIG held a conference call on September 4, 2014, with the Director of OEE. The Director did not agree with PIH's recommended actions. OEE does not believe that it owns all of the monitoring of responsible entities as each Assistant Secretary has a responsibility under the requirements. Further, OEE stated that the Office of Native American Programs does its own environmental monitoring and has provided PIH with examples of the monitoring process. OEE stated that PIH has responsibility for monitoring or training for environmental compliance. OEE stated that it will agree to take on a larger role in the process but cannot be the sole responsible department for all program areas as its resources are strictly from CPD and OEE has authority over only one program area, CPD.

OIG disagreed with PIH's position. The Boston Office was unable to provide convincing documentation to support its assertion that CPD, more specifically OEE, was responsible for monitoring PHAs. While OEE has overall responsibility for environmental policy and procedures, this responsibility does not include implementation. As 24 CFR 50.10(a) states, it is the responsibility of all Assistant Secretaries, the General Counsel, and the HUD approving official to ensure that the requirements of this part are implemented. PIH has an Assistant Secretary who is responsible for ensuring implementation. Further, it has an environmental clearance officer whose role is to provide environmental compliance reviews.

The audit questioned PHA funding when the PHAs spent funds before or without an environmental review and when they could not provide adequate documentation to show that environmental reviews were properly completed. Further, the Boston Office files may contain certifications that the responsible entities performed environmental reviews, but the audit showed that they did not perform them or did not perform them correctly. OIG has not changed its position since the report was issued.

On September 30, 2014, OIG referred the recommendations to the Deputy Secretary because OIG could not resolve them with PIH. (Audit Report: **2014-FW-0001**)

SIGNIFICANTLY REVISED MANAGEMENT DECISIONS

Section 5(a)(11) of the Inspector General Act, as amended, requires that OIG report information concerning the reasons for any significantly revised management decisions made during the reporting period. During the current reporting period, there were significantly revised management decisions on four audits.

HUD SUBSIDIZED AN ESTIMATED 2,094 TO 3,046 HOUSEHOLDS THAT INCLUDED LIFETIME REGISTERED SEX OFFENDERS, ISSUE DATE: AUGUST 14, 2009

HUD OIG audited HUD's requirement prohibiting lifetime registered sex offenders from admission to HUD-subsidized housing to determine the extent to which lifetime registered sex offenders occupied HUD-subsidized housing. OIG determined that HUD subsidized an estimated 2,094 to 3,046 households that included lifetime registered sex offenders. This number included individuals who were ineligible at the time of admission due to lifetime registration status, individuals who were admitted and convicted before the current law was enacted, and individuals who were eligible at the time of admission but later became lifetime registered sex offenders.

Among other things, OIG recommended that HUD urge properties to aggressively pursue termination of tenancy for lifetime sex offenders to the extent currently allowed by law, to include those who have lied on application or recertification forms or are otherwise excluded by property policy. In its original management decision, HUD agreed to issue a revised notice and create a lease addendum. On April 14, 2014, HUD submitted a revised management decision, stating that Housing Notice 2012-11, Handbook 4350.3, and existing language in the model lease covered the recommendation in full and made the previously proposed lease addendum duplicative and unnecessary.

OIG also recommended that HUD seek legislative changes and if legislative changes were passed, develop and implement a plan to detect lifetime registered sex offenders occupying subsidized housing, such as by matching the National Sex Offender Registry database to its own data and then following up on preliminary matches. In its original management decision, HUD stated that any legislation passed should contain language that allows HUD to send data from its systems to the National Crime Information Center to check for initial matches with the sex offender registry. On June 26, 2014, HUD submitted a revised management decision to close this recommendation without further action because the legislation submitted to OMB for consideration had not been acted on by Congress.

On April 15, 2014, and June 27, 2014, OIG agreed with the revised significant management decisions and closed the recommendations. (Audit Report: **2009-KC-0001**)

THE CITY OF EAST ST. LOUIS DID NOT PROPERLY ALLOCATE SALARY AND BUILDING EXPENSES OR PROPERLY DOCUMENT ITS PROCESS TO SECURE A CONSULTING SERVICES CONTRACT, ISSUE DATE: MARCH 26, 2010

HUD OIG audited the City of East St. Louis' Community Development Block Grant (CDBG) program to determine whether the City properly expended CDBG funds for salaries and building expenses and followed proper procurement processes while awarding significant administration contracts. OIG determined that the City did not properly allocate salary and building expenses to the CDBG program. It also did not properly document the cost estimate and selection process used to procure a contract for developing its 5-year consolidated plan.

Among other things, OIG recommended that HUD require the City to provide supporting documentation showing that the funds paid for direct and indirect salary expenses were reasonable, necessary, allowable, and allocable to the CDBG program or reimburse its program nearly $918,000 from non-Federal funds. In addition, OIG recommended that HUD require the City to provide supporting documentation showing that the funds paid for the administration contract were reasonable and necessary or reimburse its CDBG program nearly $50,000 from non-Federal funds.

In its original management decision, HUD agreed to require the City to provide documentation of the amount that was reasonable for it to charge for administration for the past 5 years and repay the difference, if any. HUD also agreed to require the City to demonstrate that the amount it expended for the administration contract was reasonable and reimburse its CDBG account for any amount determined to be unreasonable. HUD recently submitted a revised management decision documenting that the Deputy Secretary decided to exercise his discretion to not require repayment. Following the audit, HUD took alternative corrective actions to address the City's noncompliance and transferred full administrative responsibility for the grant program to St. Clair County, IL. Beginning in fiscal year 2012, the City became a member of the St. Clair County Urban County and did not have a CDBG program to administer. On September 30, 2014, OIG agreed with the revised significant management decision. However, OIG disagrees with the process HUD used to forgive the costs, as the Deputy Secretary should have first sought concurrence of the Assistant Inspector General for Audit as required by HUD Handbook 2000.06, REV-4, paragraph 5-7(C)(2)(b). (Audit Report: **2010-KC-1003**)

THE CITY OF EAST ST. LOUIS AWARDED BLOCK GRANT PROGRAM FUNDS TO RECIPIENTS WITHOUT ADEQUATELY VERIFYING THEIR ELIGIBILITY, ISSUE DATE: SEPTEMBER 28, 2010

OIG audited the City of East St. Louis' CDBG program to determine whether the City properly verified the eligibility of CDBG-funded housing rehabilitation recipients. OIG determined that the City awarded CDBG funds to 143 recipients without adequately verifying their eligibility to receive housing rehabilitation assistance. Specifically, it did not verify eligibility criteria such as evidence of flood insurance, homeowners insurance, code compliance, and income eligibility.

Among other things, OIG recommended that HUD require the City to provide documentation showing that the recipients were eligible or reimburse its CDBG program more than $1.2 million expended on ineligible recipients.

In its original management decision, HUD agreed to obtain documentation demonstrating eligibility or provide a copy of reimbursement documentation. HUD recently submitted a revised management decision documenting that the Deputy Secretary decided to exercise his discretion to not require repayment. Following the audit, HUD took alternative corrective actions to address the City's noncompliance and transferred full administrative responsibility for the grant program to St. Clair County, IL. Beginning in fiscal year 2012, the City became a member of the St. Clair County Urban County and did not have a CDBG program to administer. On September 30, 2014, OIG agreed with the revised significant management decision. However, OIG disagrees with the process HUD used to forgive the costs, as the Deputy Secretary should have first sought concurrence of the Assistant Inspector General for Audit as required by HUD Handbook 2000.06, REV-4, paragraph 5-7(C)(2)(b). (Audit Report: **2010-KC-1008**)

THE CITY OF EAST ST. LOUIS, IL, DID NOT PROPERLY MANAGE HOUSING REHABILITATION CONTRACTS FUNDED BY THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM, ISSUE DATE: FEBRUARY 9, 2011

HUD OIG audited the City of East St. Louis' CDBG program to determine whether the City properly managed its housing rehabilitation contracts. OIG determined that the City awarded more than $1 million in CDBG funds for 124 of the 147 rehabilitation contracts reviewed without adequately ensuring that it complied with requirements and that the work was completed in an acceptable manner. Specifically, it did not ensure that contractors completed all of the contracted work as required and at a reasonable cost. Additionally, the City created scopes of work for the rehabilitation contracts that were not detailed and specific in nature. Finally, it did not comply with Federal procurement requirements and its own policies and procedures when it managed the rehabilitation contracts.

Among other things, OIG recommended that HUD require the City to pursue collection of nearly $128,000 paid to contractors for projects in which rehabilitation work was not performed or was performed improperly.

In its original management decision, HUD agreed to require the City to reimburse HUD by retrieving from the contractors nearly $128,000 or by other means determined by the City. HUD recently submitted a revised management decision documenting that the Deputy Secretary decided to exercise his discretion to not require repayment. Following the audit, HUD took alternative corrective actions to address the City's noncompliance and transferred full administrative responsibility for the grant program to St. Clair County, IL. Beginning in fiscal year 2012, the City became a member of the St. Clair County Urban County and did not have a CDBG program to administer. On September 30, 2014, OIG agreed with the revised significant management decision. However, OIG disagrees with the process HUD used to forgive the costs, as the Deputy Secretary should have first sought concurrence of the Assistant Inspector General for Audit as required by HUD Handbook 2000.06, REV-4, paragraph 5-7(C)(2)(b). (Audit Report: **2011-KC-1001**)

SIGNIFICANT MANAGEMENT DECISION WITH WHICH OIG DISAGREES

During the reporting period, OIG did not have any reports in which it disagreed with the significant management decision.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT OF 1996

HUD did not substantially comply with FFMIA during fiscal year 2014. HUD's continued noncompliance is largely due to a reliance on legacy financial systems and information security weaknesses. While HUD has continued to work toward financial management system modernization and FFMIA compliance, significant challenges remain. Section 803(A) of FFMIA requires that each agency establish and maintain financial management systems that comply with (1) Federal financial management system requirements, (2) Federal accounting standards, and (3) the United States Standard General Ledger and at the transaction level. While OIG has long reported on HUD's lack of an integrated "core financial system" as an FFMIA noncompliance, OMB made substantial changes to the FFMIA framework that took effect in 2014, eliminating the term. With its issuance of appendix D to Circular A-123, OMB noted the need to reduce the cost, risk, and complexity of financial system modernizations and add flexibility to a burdensome framework that often led to costly and ineffective solutions.

Like many other agencies, HUD struggled to modernize its legacy financial systems within the context of the previous FFMIA framework. HUD's financial systems, many of which were developed and implemented before the issue date of current standards, were not designed to provide the range of financial and performance data currently required. HUD has been working to modernize its legacy financial management system since fiscal year 2003. The previous project, the HUD Integrated Financial Management Improvement Project (HIFMIP), was based on plans to implement a solution that replaced two of the applications currently used for core processing. In March 2012, work on HIFMIP was stopped, and the project was later canceled. HUD spent more than $35 million on the failed HIFMIP project. In the fall of 2012, the New Core Project was created to move HUD forward to implement a new core financial system. The project migrates HUD's financial transactions and systems to a shared service provider, the U.S. Department of Treasury, Bureau of Fiscal Services' Administrative Resource Center (ARC). Specifically, ARC will provide support for (1) funds management, (2) purchasing, (3) accounts payable, (4) accounts receivable, (5) cash management, (6) cost accounting, (7) a core financial system, (8) a general ledger, (9) financial reporting, (10) grants management, and (11) loans management.

The project includes three phases. Phase 1 of the project has been separated into four different releases. Each release defines a particular function that will be transferred to Treasury's shared services platform. Release 1 transferred the travel and relocation functions to Treasury on October 1, 2014. Release 2 will cover time and attendance and is scheduled for implementation on February 8, 2015. Release 3 will cover migration of the core financial services that are owned by the Office of the Chief Financial Officer. These services include the migration of accounting system services associated with budget execution, accounting, finance, data warehouse reporting, and an interface solution. Release 3 is scheduled for implementation in the fourth quarter of fiscal year 2015 or the first quarter of fiscal year 2016. Release 4 will address HUD's grant and loan accounting systems. Details regarding this release have not been finalized, and there is no scheduled date for implementation. Phase 2 of the project will address managerial cost accounting, budget formulation, and a fixed assets system. Phase 3 of the project will address the consolidation of the Federal Housing Administration and the Government National Mortgage Association as well as the migration of the functionality of the HUD Line of Credit Control System. Details regarding phases 2 and 3 have not been finalized, and there are no scheduled dates for implementation.

FFMIA requires OIG to report in its Semiannual Reports to Congress instances and reasons when an agency has not met the intermediate target dates established in its remediation plan required by FFMIA. At the end of 2014, HUD reported that 4 of 40 financial systems were not in substantial compliance with FFMIA. These four systems are (1) the Integrated Disbursement and Information System (IDIS), (2) the Facilities Integrated Resources Management System (FIRMS), (3) the HUD Procurement System (HPS), and (4) the Small Purchase System (SPS).

IDIS does not comply with applicable Federal accounting standards or the U.S. Standard General Ledger at the transaction level. IDIS uses the FIFO method to account for the disbursement of formula grant obligations and lacks key data elements essential to properly track or account for grant disbursement. In addition to eliminating FIFO for fiscal year 2015 grant year funds and later, HUD plans to add new data elements and configure new automated controls and accounting logic to achieve FFMIA compliance.

The FIRMS application does not comply with Federal financial management systems requirements. While HUD had identified FIRMS as FFMIA noncompliant since 2010, technical issues, including a lapsed maintenance contract, have rendered FIRMS nonfunctional. As a result, HUD did not have a functional, automated property management system during fiscal year 2014. While HUD had initially hoped to resolve the issue by February 2014, resource constraints have resulted in significant delays. To achieve eventual FFMIA compliance and meet business requirements regarding property management, HUD plans to decommission FIRMS and transition to a shared service provider, the Federal Aviation Administration.

HUD's legacy procurement applications, HPS and SPS, do not comply with Federal financial management systems requirements. During fiscal year 2012, the Office of the Chief Procurement Officer (OCPO) implemented a new procurement system, the HUD Integrated Acquisition Management System (HIAMS), to replace these noncompliant systems. With the implementation of HIAMS in January 2012, no new contract actions were entered into HPS, but modification and deobligation actions were being created to perform closeout of the contracts in the system. SPS was still being used by the Department to modify purchase orders open as of January 2012, while HIAMS was enabled to use the contracting number system for the few existing purchase orders. In fiscal year 2014, OCPO was working to migrate the data in HPS and SPS to the HIAMS Enterprise Acquisition Reporting Tool so that historical data can be reported. HUD hopes to decommission the HPS and SPS procurement applications once technical issues associated with the migration have been addressed and the data transfer is complete.

In fiscal year 2014, OIG determined that HUD's information security program had significant deficiencies and many areas of the program did not comply with the Federal Information Security Management Act. Collectively and in the aggregate, systems deficiencies continued to exist.

APPENDIX 1 PEER REVIEW REPORTING

BACKGROUND

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law No. 111-203), section 989C, requires inspectors general to report the latest peer review results in their semiannual reports to Congress. The purpose in doing so is to enhance transparency within the government. Both the Office of Audit and Office of Investigation are required to undergo a peer review of their individual organizations every 3 years. The purpose of the review is to ensure that the work completed by the respective organizations meets the applicable requirements and standards. The following is a summary of the status of the latest round of peer reviews for the organization.

OFFICE OF AUDIT

PEER REVIEW CONDUCTED ON HUD OIG

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), received a grade of pass (the highest rating) on the peer review report issued by U.S. Department of Education Inspector General on September 28, 2012. There were no recommendations included in the System Review Report. The report stated:

> *In our opinion, the system of quality control in effect for the year ended March 31, 2012, for the audit organization of the HUD OIG has been suitably designed and complied with to provide the HUD OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of pass, pass with deficiencies, or fail. The HUD OIG has received a peer review rating of pass.*

PEER REVIEW CONDUCTED BY HUD OIG ON DOD

HUD OIG conducted an external peer review of the U.S. Department of Defense, Office of Inspector General (DoD OIG), Office of Audit, and issued a final report November 13, 2012. DoD OIG received a peer review rating of pass (with a scope limitation). There are no outstanding recommendations. A copy of the external quality control review report can be viewed at www.dodig.mil/pubs/reviews.html.

OFFICE OF INVESTIGATION

PEER REVIEW CONDUCTED BY HUD OIG ON SSA OIG

HUD OIG conducted an external peer review of the U.S. Social Security Administration (SSA) OIG, Office of Investigation, and issue a final report on August 12, 2013. HUD OIG determined that SSA OIG complied with applicable quality standards.

PEER REVIEW CONDUCTED ON HUD OIG BY DOJ OIG

The U.S. Department of Justice (DOJ) OIG conducted a peer review of the HUD OIG, Office of Investigation, and issued a final report on April 28, 2014. DOJ OIG determined that HUD OIG was in compliance with the quality standards established by the Council of Inspectors General on Integrity and Efficiency and the Attorney General's guidelines.

APPENDIX 2 AUDIT REPORTS **ISSUED**

INTERNAL REPORTS

AUDIT REPORTS

CHIEF FINANCIAL OFFICER	
2014-DP-0006	Program Accounting System, 09/23/2014.
2014-FO-0004	HUD's Fiscal Year 2013 Compliance With the Improper Payments Elimination and Recovery Act of 2010, 04/15/2014.
2014-KC-0006	The HUD Office of the Chief Financial Officer Had Not Always Implemented Its User Fee Policy, 09/30/2014.
CHIEF INFORMATION OFFICER	
2014-DP-0005	Fiscal Year 2013 Review of Information Systems Controls in Support of the Financial Statements Audit, 04/30/2014.
HOUSING	
2014-CH-0001	HUD Did Not Always Provide Adequate Oversight of Its Property-Flipping Waiver Requirements, 09/30/2014. Questioned: $2,535,235; unsupported: $1,047,314; better use: $273,881,986.
2014-KC-0002	The Data in CAIVRS Did Not Agree With the Data in FHA's Default and Claims Systems, 07/02/2014. Better use: $9,501,619.
2014-KC-0003	HUD Did Not Always Enforce the Requirements of the Regulatory Agreements and HUD Handbooks Pertaining to Owner Advances and Distributions, 09/17/2014.
2014-KC-0004	Lenders Generated $428 Million in Gains From Modifying Defaulted FHA Loans, 09/24/2014. Better use: $50,286,000.
2014-LA-0005	HUD Did Not Always Recover FHA Single-Family Indemnification Losses and Ensure That Indemnification Agreements Were Extended, 08/08/2014. Questioned: $37,479,953; better use: $1,040,145.
2014-PH-0001	HUD Policies Did Not Always Ensure That HECM Borrowers Complied With Residency Requirements, 09/30/2014. Better use: $3,362,055.
PUBLIC AND INDIAN HOUSING	
2014-FW-0002	Improvements Are Needed Over Environmental Reviews of Public Housing and Recovery Act Funds in the Kansas City Office, 05/12/2014. Questioned: $20,010,033; unsupported: $18,970,236.

2014-FW-0003	Improvements Are Needed Over Environmental Reviews of Public Housing and Recovery Act Funds in the Columbia Office, 06/19/2014.
2014-FW-0004	Improvements Are Needed Over Environmental Reviews of Public Housing and Recovery Act Funds in the Greensboro Office, 07/14/2014.
2014-FW-0005	Improvements Are Needed Over Environmental Reviews of Public Housing and Recovery Act Funds in the Detroit Office, 09/24/2014. Questioned: $34,706,599; unsupported: $33,829,239.
2014-KC-0005	Wellston Housing Authority Improperly Administered the Community Service and Self-Sufficiency Requirement, 09/24/2014. Better use: $301,938.
2014-LA-0003	HUD Adequately Implemented and Monitored the HUD-VASH Program, but Changes Are Needed To Improve Lease Rates, 06/18/2014.
2014-LA-0004	HUD Could Not Support the Reasonableness of the Operating and Capital Fund Programs' Fees and Did Not Adequately Monitor Central Office Cost Centers, 06/30/2014. Questioned: $6,943,181; unsupported: $6,191,321; better use: $81,613,671.
2014-LA-0006	HUD's ONAP Lacked Adequate Controls Over the ICDBG Closeout Process, 08/19/2014. Better use: $3,999,955.
2014-NY-0002	HUD's Monitoring of Public Housing Authority Demolition and Disposition Projects Was Not Always Adequate to Ensure Data in IMS/PIC Was Accurate, 06/11/2014. Questioned: $554,714.
2014-NY-0003	Asset Repositioning Fees for Public Housing Authorities With Units Approved for Demolition or Disposition Were Not Always Accurately Calculated, 09/04/2014. Questioned: $6,206,924; better use: $1,516,882.
AUDIT-RELATED MEMORANDUMS[6]	
CHIEF FINANCIAL OFFICER	
2014-FW-0801	Potential Antideficiency Act Violations Intergovernmental Personnel Act Agreements, 05/30/2014.
COMMUNITY PLANNING AND DEVELOPMENT	
2014-AT-0801	HUD's Monitoring of the Vieques Sports City Complex's Section 108 Loan Guarantee Program, 09/18/2014.
HOUSING	
2014-KC-0801	Memorandum Report on the Office of Inspector General's Internal Audit of HUD's Single Family Seven-Loan Limit, 09/30/2014.

[6] The memorandum format is used to communicate the results of reviews not performed in accordance with generally accepted government auditing standards, to close out assignments with no findings and recommendations, to respond to requests for information, to report on the results of a survey, or to report the results of civil actions or settlements.

EXTERNAL REPORTS

AUDIT REPORTS	
COMMUNITY PLANNING AND DEVELOPMENT	
2014-AT-1005	The City of Huntsville, Community Development Department, Did Not Adequately Account for and Administer the Mirabeau Apartments Project, Huntsville, AL, 05/29/2014. Questioned: $3,410,362; unsupported: $1,031,000.
2014-AT-1006	Hillsborough County Did Not Always Properly Administer Its CDBG Program, Tampa, FL, 07/09/2014. Questioned: $1,016,092; unsupported: $784,469.
2014-AT-1007	The Municipality of Carolina Did Not Properly Administer Its HOME Program, Carolina, PR, 08/08/2014. Questioned: $8,668,756; unsupported: $8,606,552; better use: $443,551.
2014-AT-1010	Miami-Dade County Did Not Always Properly Administer Its HOME Program, Miami, FL, 09/11/2014. Questioned: $45,600; unsupported: $45,600; better use: $1,682,650.
2014-BO-1004	The Department of Housing and Community Development Did Not Always Operate Its Disaster Recovery Programs Effectively and Efficiently, Montpelier, VT, 09/29/2014. Better use: $13,232,000.
2014-CH-1011	The City of Chicago Lacked Adequate Controls Over Its HOME Investment Partnerships Program-Funded Rental New Construction Projects and Program Income, Chicago, IL, 09/30/2014. Questioned: $285,123; better use: $7,116,489.
2014-DE-1003	The Colorado Coalition for the Homeless Incorrectly Allocated Its Employee Payroll Time and Charged Ineligible Cost to Its Grants, Denver, CO, 09/30/2014. Questioned: $178,753; unsupported: $63,180.
2014-FW-1004	The State of Texas' Contractor Did Not Perform Adequate Hurricane Dolly Damage Inspections and Failed To Meet Critical Performance Benchmarks, Austin, TX, 07/15/2014. Questioned: $1,609,580; better use: $8,624,700.
2014-FW-1007	The Jefferson Parish Department of Community Development Did Not Always Support Expenditures, Comply With Procurement Requirements, or Provide Adequate Oversight of Subrecipients, Jefferson, LA, 09/30/2014. Questioned: $1,400,577; unsupported: $1,400,577.
2014-LA-1003	The County of San Bernardino Adequately Ensured That NSP Developer Fees Met HUD Requirements, San Bernardino, CA, 06/05/2014.
2014-LA-1005	The City of Richmond Did Not Administer Its NSP in Accordance With Requirements, Richmond, CA, 08/22/2014. Questioned: $914,090; better use: $595,863.
2014-LA-1006	The City of Pomona Did Not Administer Its NSP in Accordance With HUD Rules and Requirements, Pomona, CA, 09/25/2014. Questioned: $662,303; unsupported: $584,148.
2014-LA-1007	The City of Los Angeles Did Not Always Ensure That CDBG-Funded Projects Met National Program Objectives, Los Angeles, CA, 09/29/2014. Questioned: $1,975,817; unsupported: $1,975,817.

2014-NY-1004	The City of Elmira Did Not Always Administer Its CDBG Program in Accordance With HUD Requirements, Elmira, NY, 05/20/2014. Questioned: $822,110; unsupported: $797,048.
2014-NY-1005	Financial and Administrative Control Weaknesses Existed in Middlesex County, NJ's HOME Investment Partnerships Program, Middlesex County, NJ, 06/10/2014. Questioned: $990,907; unsupported: $965,928; better use: $1,068,536.
2014-NY-1006	Monmouth County Expended CDBG Funds for Eligible Activities, But Control Weaknesses Need To Be Strengthened, Monmouth County, NJ, 07/02/2014. Questioned: $1,120,553; unsupported: $1,069,198.
2014-NY-1008	Palladia, Inc., Did Not Administer Its Supportive Housing Program in Accordance With HUD Requirements, New York, NY, 07/25/2014. Questioned: $1,615,057; unsupported: $1,615,057; better use: $584,579.
2014-NY-1009	The City of Jersey City's HOME Investment Partnerships Program Administration Had Financial and Administrative Controls Weaknesses, City of Jersey City, NJ, 09/18/2014. Questioned: $3,576,682; unsupported: $949,362; better use: $11,963,555.
2014-NY-1010	The City of Passaic Expended CDBG Funds for Eligible Activities but Needs To Address Administrative Weaknesses, Passaic, NJ, 09/30/2014. Questioned: $233,740; unsupported: $233,740; better use: $306,710.
2014-NY-1011	The Lower Manhattan Development Corporation Generally Administered CDBG Disaster Recovery Assistance Funds in Accordance With HUD Regulations, New York, NY, 09/30/2014.
2014-PH-1004	The County of Northumberland Did Not Administer Its Homelessness Prevention and Rapid Re-Housing Program Grant According to Recovery Act Requirements, Sunbury, PA, 04/30/2014. Questioned: $174,332; unsupported: $159,149; better use: $3,541
2014-PH-1005	Catholic Social Services of the Diocese of Scranton, PA, Generally Administered Its Supportive Housing and HOME Program Funds for St. Hedwig's Veterans Village in Accordance With Applicable Requirements, Scranton, PA, 05/23/2014.
2014-PH-1007	The Cumberland Plateau Regional Housing Authority Did Not Procure Services in Accordance With HUD Requirements, Lebanon, VA, 07/15/2014. Questioned: $620,874; unsupported: $308,797.
2014-PH-1008	The State of New Jersey Did Not Fully Comply With Federal Procurement and Cost Principle Requirements in Implementing Its Tourism Marketing Program, Trenton, NJ, 08/29/2014. Questioned: $22,986,481; unsupported: $22,986,481.
2014-PH-1009	The State of New Jersey Demonstrated Homeowner Eligibility for Its Homeowner Resettlement Program, Trenton, NJ, 09/05/2014.
2014-SE-1003	Pierce County Claimed Ineligible and Unsupported HOME Matching Funds, Tacoma, WA, 07/17/2014. Questioned: $1,821,223; unsupported: $1,579,244.
2014-SE-1005	King County Did Not Meet Shelter Plus Care Matching Requirements, Seattle, WA, 07/28/2014. Questioned: $920,908; unsupported: $920,908.

HOUSING	
2014-AT-1009	The Housing Authority of the City of Meridian Did Not Adequately Maintain Its FHA-Insured Rental Apartments, Meridian, MS, 08/25/2014.
2014-AT-1011	PK Management, LLC, Did Not Ensure Adequate Accountability and Administration of Its Multifamily Projects, Birmingham, AL, 09/22/2014. Questioned: $435,425; unsupported: $218,676; better use: $174,995.
2014-AT-1012	EverBank Did Not Properly Determine Mortgagor Eligibility for FHA's Preforeclosure Sale Program, Jacksonville, FL, 09/29/2014. Questioned: $1,567,518.
2014-AT-1013	Peoples Home Equity, Inc., Did Not Follow HUD Requirements in Approving FHA Loans and Implementing Its Quality Control Program, Brentwood, TN, 09/30/2014. Questioned: $971,959; better use: $521,242.
2014-AT-1015	Prudential Huntoon Paige Associates, LTD Did Not Underwrite and Process a $49 Million Loan in Accordance With HUD Requirements, Arlington, VA, 09/30/2014. Questioned: $20,157,329.
2014-CH-1010	The Owner and Former Management Agents Lacked Adequate Controls Over the Operation of Lake Village of Auburn Hills, MI, 09/29/2014. Questioned: $7,581,284; unsupported: $7,247,373.
2014-CH-1012	The Owner and Former Management Agents Lacked Adequate Controls Over the Operation of Lake Village of Fairlane Apartments, Dearborn, MI, 09/30/2014. Questioned: $3,045,300; unsupported: $2,980,798.
2014-FW-1001	Summit Bradford Apartments Did Not Comply With the Requirements of Its Housing Assistance Payments Contract, Tulsa, OK, 04/09/2014. Questioned: $177,262; unsupported: $98,818.
2014-FW-1005	The Former Owner of Yale Court Apartments Used Project Funds in Violation of the Regulatory Agreement With HUD, Houston, TX, 09/22/2014.
2014-FW-1006	Cornerstone Home Lending Did Not Adequately Underwrite 16 Loans, Violated the Real Estate Settlement Procedures Act, and Did Not Implement an Adequate Quality Control Plan During Our Review Period, Houston, TX, 09/26/2014. Questioned: $981,574; better use: $153,856.
PUBLIC AND INDIAN HOUSING	
2014-AT-1008	The Boca Raton Housing Authority's Administration of Its Section 8 Housing Choice Voucher Program Tenant Files Had Some Deficiencies, Boca Raton, FL, 08/18/2014. Questioned: $18,507; better use: $1,025.
2014-AT-1014	The Memphis Housing Authority Did Not Always Ensure That Its Housing Choice Voucher Program Units Met HUD's Housing Quality Standards, Memphis, TN, 09/30/2014. Questioned: $68,158; better use: $34,024,752.
2014-AT-1016	The Housing Authority of the City of Spartanburg Used HUD Program Funds for Ineligible Expenses, Spartanburg, SC, 09/30/2014. Questioned: $2,425,290; unsupported: $2,396,815.
2014-BO-1002	Chelsea Housing Authority, Review of Cost Allocations and Reasonableness of Salaries, Chelsea, MA, 04/30/2014. Questioned: $9,467,745; unsupported: $8,770,274.

2014-BO-1003	Authority Officials Did Not Always Follow HUD Requirements, Bridgeport, CT, 07/31/2014. Questioned: $118,603; better use: $616,368.
2014-CH-1003	The Hamtramck Housing Commission Did Not Always Administer Its Grant in Accordance With Recovery Act, HUD's, or Its Own Requirements, Hamtramck, MI, 04/30/2014. Questioned: $1,125,000; unsupported: $1,024,192.
2014-CH-1004	The Moline Housing Authority Did Not Always Follow HUD's Requirements and Its Own Policies Regarding the Administration of Its Program, Moline, IL, 07/14/2014. Questioned: $299,207; unsupported: $220,704; better use: $51,238.
2014-CH-1005	The Adams Metropolitan Housing Authority Generally Used Public Housing Program Funds in Accordance With HUD's and Its Own Requirements, Manchester, OH, 07/31/2014.
2014-CH-1006	The Goshen Housing Authority Failed To Follow HUD's and Its Own Requirements Regarding the Administration of Its Program, Goshen, IN, 08/14/2014. Questioned: $367,989; unsupported: $274,406; better use: $1,051,687.
2014-CH-1007	The Jackson Housing Commission Needs To Improve Its Administration of Its Section 8 Housing Choice Voucher Program, Jackson, MI, 08/29/2014.
2014-CH-1008	The Ferndale Housing Commission Generally Administered Its Housing Choice Voucher Program Household Files in Accordance With HUD's and Its Own Requirements, Ferndale, MI, 09/11/2014.
2014-CH-1009	The Pontiac Housing Commission Did Not Always Administer Its Section 8 Housing Choice Voucher Program in Accordance With HUD's and Its Own Requirements, Pontiac, MI, 09/12/2014. Questioned: $385,157; unsupported: $224,674; better use: $57,418.
2014-DE-1002	A Former Employee of the Helena Housing Authority Improperly Released Personally Identifiable Information, Helena, MT, 09/25/2014.
2014-FW-1002	The Truth or Consequences Housing Authority's Financial Controls Were Not Adequate To Ensure That It Used Its Low-Rent Funds Appropriately, Truth or Consequences, NM, 05/27/2014.
2014-FW-1003	The St. Charles Parish Housing Authority Mismanaged Its Section 8 Housing Choice Voucher Program, Boutte, LA, 07/02/2014. Questioned: $605,575; unsupported: $570,834; better use: $1,325.
2014-KC-1004	The Nevada Housing Authority Did Not Properly Classify Tenants as Exempt From the Community Service and Self-Sufficiency Requirement, Nevada, MO, 09/11/2014. Better use: $33,547.
2014-LA-1002	Southern Nevada Regional Housing Authority Did Not Always Follow Requirements for Its Operating Funds and Public Housing Assets, Las Vegas, NV, 04/17/2014. Questioned: $700,710; unsupported: $193,231.
2014-LA-1004	The White Mountain Apache Housing Authority Did Not Always Comply With Its Indian Housing Block Grant Requirements, White River, AZ, 07/08/2014. Questioned: $10,673,267; unsupported: $8,339,864; better use: $1,065,780.
2014-NY-1002	The New York City Housing Authority Did Not Always Administer Its Section 8 Housing Choice Voucher Program in Accordance With Regulations, New York, NY, 05/01/2014. Questioned: $4,379,009; unsupported: $24,009.

2014-NY-1003	The New York City Housing Authority Did Not Always Ensure that Its Housing Choice Voucher Program Units Met HUD's Housing Quality Standards, New York, NY, 05/01/2014. Questioned: $92,576; better use: $148,060,576.
2014-NY-1007	The Niagara Falls Housing Authority Did Not Always Administer Its HOPE VI Grant Program and Activities in Accordance With HUD Requirements, Niagara Falls, NY, 07/10/2014. Questioned: $1,514,296.
2014-PH-1006	The Housing Authority of the County of Lackawanna Needs To Improve Its Housing Quality Standards Inspections and Properly Abate Housing Assistance Payments as Required, Dunmore, PA, 07/01/2014. Questioned: $37,154; better use: $1,115,299.
2014-SE-1002	The Yakama Nation Housing Authority Did Not Always Spend Its Recovery Act Funds in Accordance With Requirements, Wapato, WA, 04/29/2014. Questioned: $1,464,314; unsupported: $1,281,761.
2014-SE-1004	Allegations Against the Northeast Oregon Housing Authority Were Unsubstantiated or Did Not Violate HUD Requirements, La Grande, OR, 07/28/2014.
AUDIT-RELATED MEMORANDUMS[7]	
COMMUNITY PLANNING AND DEVELOPMENT	
2014-DE-1802	Complaint Allegations Substantiated - City of Colorado Springs' HOME and CDBG Programs, Colorado Springs, CO, 09/30/2014. Questioned: $88,985; unsupported: $20,304.
GENERAL COUNSEL	
2014-CF-1805	Final Civil Action: Borrower Settled Allegations of Making a False Certification to HUD Regarding a Home Purchase Under the Federal Housing Administration Program, Brentwood, CA, 08/11/2014. Questioned: $57,500.
2014-CF-1806	President of FHA-Approved Lender Settled Allegations of Causing a False Statement To Be Made to HUD Regarding an FHA-Insured Loan, Berea, OH, 08/21/2014. Better use: $750.
2014-CF-1807	JPMorgan Chase Settled Allegations of Failing to Comply With HUD's FHA Loan Requirements, New York, NY, 09/02/2014. Questioned: $336,000,000.
2014-CF-1808	NDC Real Estate Management, Inc., Settled Allegations of Falsifying or Modifying Records and Documents to Maximize HUD's Section 8 Housing Assistance Payments, Richmond, KY, 09/02/2014. Questioned: $750,000.
2014-CF-1809	Final Civil Action: Judgement Imposed on Loan Officers Regarding Allegations of Making a False Certification to HUD for a Home Purchase Under the FHA Program, Brentwood, CA, 09/25/2014. Questioned: $250,000.
2014-CF-1810	Reunion Mortgage, Inc., Settled Allegations of Making False Claims to the FHA, Milpitas, CA, 09/25/2014. Questioned: $1,040,000.

[7] The memorandum format is used to communicate the results of reviews not performed in accordance with generally accepted government auditing standards, to close out assignments with no findings and recommendations, to respond to requests for information, to report on the results of a survey, or to report the results of civil actions or settlements.

2014-CH-1801	Final Civil Action: U. S. Bank Settled Allegations of Failing To Comply With HUD's FHA Loan Requirements, Washington, DC, 09/30/2014. Questioned: $144,199,970.
2014-FW-1808	Final Civil Action: Bank of America Settled Allegations of Failing To Comply With HUD's FHA Underwriting Requirements, Charlotte, NC, 09/30/2014. Questioned: $437,646,483.
2014-PH-1804	Final Civil Action: Borrower Settled Alleged Violations of Home Equity Conversion Mortgage Program, Washington, DC, 06/30/2014. Better use: $3,000.
2014-PH-1805	Final Civil Action Borrower Settled Alleged Violations of Home Equity Conversion Mortgage Program, Washington, DC, 07/30/2014. Better use: $5,000.
HOUSING	
2014-DE-1801	Memorandum Report on the Wyoming Community Development Authority's Role in the Village Creek Townhomes' 51 FHA Mortgage Defaults, Cheyenne, WY, 08/12/2014.
2014-FW-1803	Southwest Stage Funding, LLC, dba Cascade Financial Services, Took Corrective Action on Loans That Did Not Meet All HUD and FHA Requirements, Gilbert, AZ, 07/23/2014.
PUBLIC AND INDIAN HOUSING	
2014-BO-1801	The Housing Authority of the City of Stamford Took Appropriate Action To Resolve a Complaint While Complying With Procurement Regulations, Stamford, CT, 09/26/2014.
2014-FW-1804	The Management of the Housing Authority of the City of Beeville Did Not Exercise Adequate Oversight and Allowed Ineligible and Unsupported Costs, Beeville, TX, 08/01/2014. Questioned: $75,583; unsupported: $42,508.
2014-FW-1805	The Kenner Housing Authority Did Not Administer Its Public Housing and Recovery Act Programs in Accordance With Regulations and Guidance, Kenner, LA, 08/13/2014. Questioned: $2,806,655; unsupported: $2,805,806.
2014-FW-1806	The South Landry Housing Authority Did Not Always Comply With Federal Procurement and Financial Requirements, Including a Procurement Using Recovery Act Funds, Grand Coteau, LA, 08/19/2014. Questioned: $1,034,740; unsupported: $1,030,900.
2014-FW-1807	The Beaumont Housing Authority Needs To Improve Controls Over Its Housing Programs, Beaumont, TX, 09/22/2014. Questioned: $10,184; better use: $1,224.
2014-PH-1803	Review of the Housing Authority of the City of Pittsburgh's Compliance With Federal Lobbying Disclosure Requirements and Restrictions, Pittsburgh, PA, 05/02/2014. Questioned: $80,000; unsupported: $80,000.
2014-PH-1806	Review of Home Forward's Compliance With Federal Lobbying Disclosure Requirements and Restrictions, Portland, OR, 09/05/2014. Questioned: $643.

APPENDIX 3 TABLES

TABLE A

Audit reports issued before the start of period with no management decision at 09/30/2014

REPORT NUMBER & TITLE	REASON FOR LACK OF MANAGEMENT DECISION	ISSUE DATE
* 2009-AT-0001 HUD Lacked Adequate Controls to Ensure the Timely Commitment and Expenditure of HOME funds	See chapter 9, page 51	09/28/2009
* 2013-AT-1008 The City of West Palm Beach Did Not Always Properly Administer Its HOME Program	See chapter 9, page 52	09/30/2013
* 2014-FO-0003 Additional Details To Supplement Our Report on HUD's Fiscal Years 2013 and 2012 (Restated) Financial Statements	See chapter 9, page 53	12/16/2013
2014-FW-0001 The Boston Office of Public Housing Did Not Provide Adequate Oversight of Environmental Reviews of Three Housing Agencies, Including Reviews Involving Recovery Act Funds	See chapter 9, page 54	02/07/2014

*Significant audit reports described in previous semiannual reports

TABLE B

Significant audit reports for which final action had not been completed within 12 months after the date of the Inspector General's report

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2002-AT-1002	Housing Authority of the City of Tupelo, Housing Programs Operations, Tupelo, MS	07/03/2002	10/31/2002	07/01/2015
2005-AT-1013	Corporacion Para el Fomento Economico de la Ciudad Capital Did Not Administer Its Independent Capital Fund in Accordance With HUD Requirements, San Juan, PR	09/15/2005	01/11/2006	Note 1
2006-NY-0001	HUD's Controls over the Reporting, Oversight, and Monitoring of the Housing Counseling Assistance Program Were Not Adequate	06/08/2006	01/08/2007	10/01/2015
2006-KC-1013	The Columbus Housing Authority Improperly Expended and Encumbered Its Public Housing Funds, Columbus, NE	08/30/2006	10/17/2006	11/30/2014
2006-DP-0802	Assessment of HUD's Compliance With OMB Memorandum M-06-16, "Protection of Sensitive Agency Information"	09/21/2006	11/24/2006	Note 2
2007-AT-1010	The Cathedral Foundation of Jacksonville Used More Than $2.65 Million in Project Funds for Questioned Costs, Jacksonville, FL	08/14/2007	12/03/2007	04/10/2017
2008-AO-1002	State of Louisiana, Road Home Program, Funded 418 Grants Coded Ineligible or Lacking an Eligibility Determination, Baton Rouge, LA	01/30/2008	05/12/2008	Note 1
2008-AT-0003	HUD Lacked Adequate Controls Over the Physical Condition of Section 8 Voucher Program Housing Stock	05/14/2008	09/10/2008	10/31/2014
2008-DP-0004	Review of Selected FHA Major Applications' Information Security Controls	06/12/2008	10/08/2008	Note 1
2008-LA-1012	The Housing Authority of the City of Calexico Did Not Comply With Public Housing Program Rules and Regulations, Calexico, CA	07/01/2008	10/14/2008	12/31/2014

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2009-BO-1002	Orchard Court Multifamily Project Was Not Properly Managed in Accordance with HUD Regulations, Bath, ME	11/06/2008	01/16/2009	02/19/2015
2009-AO-1001	State of Louisiana, Road Home Program, Did Not Ensure That Road Home Employees Were Eligible To Receive Additional Compensation Grants, Baton Rouge, LA	05/05/2009	09/16/2009	Note 1
2009-AO-1002	State of Louisiana, Road Home Program, Did Not Ensure That Multiple Disbursements to a Single Damaged Residence Address Were Eligible, Baton Rouge, LA	05/05/2009	09/16/2009	Note 1
2009-NY-1012	The City of Rome Did Not Administer Its Economic Development Activity in Accordance With HUD Requirements, Rome, NY	05/20/2009	09/23/2009	01/30/2032
2009-DP-0005	Review of Implementation of Security Controls Over HUD's Business Partners	06/11/2009	11/17/2009	12/31/2014
2009-CH-1011	The Housing Authority of the City of Terre Haute Failed To Follow Federal Requirements and Its Employment Contract Regarding Nonprofit Development Activities, Terre Haute, IN	07/31/2009	11/24/2009	04/01/2015
2009-AT-0001	HUD Lacked Adequate Controls To Ensure the Timely Commitment and Expenditure of HOME funds	09/28/2009	03/18/2011	Note 3
2010-AT-1003	The Housing Authority of Whitesburg Mismanaged Its Operations, Whitesburg, KY	04/28/2010	08/26/2010	11/29/2035
2010-PH-1008	Sasha Bruce Youthwork, Incorporated, Did Not Support More Than $1.9 Million in Expenditures, Washington, DC	05/11/2010	11/03/2010	Note 2
2010-CH-1008	The DuPage Housing Authority Inappropriately Administered Its Section 8 Project-Based Voucher Program, Wheaton, IL	06/15/2010	10/08/2010	07/31/2015

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2011-CH-1001	The City of Flint Lacked Adequate Controls Over Its HOME Program Regarding Community Housing Development Organizations' Home-Buyer Projects, Subrecipients' Activities, and Reporting Accomplishments in HUD's System, Flint, MI	10/13/2010	02/03/2011	01/30/2015
2011-FO-0003	Additional Details to Supplement Our Report on HUD's Fiscal Years 2010 and 2009 Financial Statements	11/15/2010	08/08/2011	06/15/2015
2011-NY-1004	The City of Binghamton Did Not Always Administer Its Section 108 Loan Program in Accordance With HUD Requirements, Binghamton, NY	12/21/2010	04/20/2012	Note 1
2011-PH-1005	The District of Columbia Did Not Administer Its HOME Program in Accordance With Federal Requirements, Washington, DC	12/23/2010	04/22/2011	Note 1
2011-CH-1003	The City of Cleveland Lacked Adequate Controls Over Its HOME Investment Partnerships Program and American Dream Downpayment Initiative-Funded Afford-A-Home Program, Cleveland, OH	12/27/2010	04/26/2011	Note 2
2011-CH-1004	The State of Indiana's Administrator Lacked Adequate Controls Over the State's HOME Investment Partnerships Program and American Dream Downpayment Initiative-Funded First Home/PLUS Program, Indianapolis, IN	01/31/2011	05/25/2011	04/30/2015
2011-CH-1006	The DuPage Housing Authority Inappropriately Administered Its Section 8 Housing Choice Voucher Program, Wheaton, IL	03/23/2011	07/28/2011	07/31/2015
2011-KC-1003	The Missouri Housing Development Commission Did Not Always Disburse Its Tax Credit Assistance Program Funds in Accordance With Recovery Act Requirements, Kansas City, MO	04/01/2011	07/29/2011	Note 1

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2011-NY-1009	The East Orange Revitalization and Development Corporation Did Not Always Comply With HOME Program Requirements and Federal Regulations, East Orange, NJ	04/07/2011	08/03/2011	07/01/2015
2011-AT-1006	The Municipality of Mayaguez Did Not Ensure Compliance With HOME Program Objectives, Mayaguez, PR	04/08/2011	08/05/2011	Note 1
2011-NY-1010	The City of Buffalo Did Not Always Administer Its CDBG Program in Accordance With HUD Requirements, Buffalo, NY	04/15/2011	01/25/2012	12/19/2014
2011-AO-1005	The State of Mississippi Generally Ensured That Disbursements to Program Participants Were Eligible and Supported, Jackson, MS	04/18/2011	08/16/2011	Note 1
2011-FW-0002	The Office of Healthcare Programs Could Increase Its Controls To More Effectively Monitor the Section 232 Program	04/26/2011	08/17/2011	06/30/2015
2011-CH-1008	The State of Michigan Lacked Adequate Controls Over Its NSP Regarding Awards, Obligations, Subgrantees' Administrative Expenses and Procurement, and Reporting Accomplishments, Lansing, MI	06/03/2011	11/30/2011	Note 1
2011-AO-0001	The Lafayette Parish Housing Authority Violated HUD Procurement Requirements and Executed Unreasonable and Unnecessary Contracts	06/22/2011	10/13/2011	12/31/2014
2011-LA-1016	The City of Compton Did Not Administer Its HOME Program in Compliance With HOME Requirements, Compton, CA	08/18/2011	12/15/2011	11/03/2014
2011-NY-1016	The City of Buffalo Did Not Always Disburse Homelessness Prevention and Rapid Re-Housing Program Funds in Accordance With Regulations, Buffalo, NY	09/22/2011	01/25/2012	Note 1
2011-AT-1018	The Municipality of San Juan Did Not Properly Manage Its HOME Investment Partnerships Program, San Juan, PR	09/28/2011	01/12/2012	12/31/2014

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2011-CH-1014	The City of Cleveland Lacked Adequate Controls Over Its HOME Investment Partnerships Program-Funded Housing Trust Fund Program Home-Buyer Activities, Cleveland, OH	09/29/2011	01/26/2012	Note 2
2011-CH-1015	The Springfield Metropolitan Housing Authority Did Not Administer Its Grant in Accordance With Recovery Act and HUD Requirements, Springfield, OH	09/30/2011	01/24/2012	05/01/2015
2011-CH-1018	The Pontiac Housing Commission Did Not Adequately Administer Its American Recovery and Reinvestment Act Capital Fund Grant, Pontiac, MI	09/30/2011	01/10/2012	04/01/2015
2012-NY-1002	The City of New York Charged Questionable Expenditures to Its HPRP, New York, NY	10/18/2011	02/16/2012	Note 1
2012-NY-1003	The City of Syracuse Did Not Always Administer Its CDBG Program in Accordance With HUD Requirements, Syracuse, NY	10/25/2011	02/22/2012	12/31/2014
2012-PH-0001	HUD Needed to Improve Its Use of Its Integrated Disbursement and Information System To Oversee Its CDBG Program	10/31/2011	02/28/2012	Note 1
2012-FO-0003	Additional Details To Supplement Our Report on HUD's Fiscal Years 2011 and 2010 Financial Statements	11/15/2011	05/10/2012	Note 2
2012-LA-0001	HUD Did Not Adequately Support the Reasonableness of the Fee-for-Service Amounts or Monitor the Amounts Charged	11/16/2011	03/27/2012	04/15/2015
2012-CH-1004	The State of Indiana's Administrator Lacked Adequate Controls Over the State's HOME Investment Partnerships Program Regarding CHDOs' Activities and Income, Indianapolis, IN	02/24/2012	06/22/2012	04/30/2015
2012-FW-1005	The State of Texas Did Not Follow Requirements for Its Infrastructure and Revitalization Contracts Funded With CDBG Disaster Recovery Program Funds, Austin, TX	03/07/2012	07/05/2012	12/31/2014

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2012-LA-1005	The City of Los Angeles Did Not Expend Brownfields Economic Development Initiative and Section 108 Funds for the Goodyear Industrial Tract Project in Accordance With HUD Requirements, Los Angeles, CA	03/13/2012	09/19/2012	03/31/2015
2012-PH-1008	Mountain CAP of WV, Inc., Did Not Administer Its HPRP in Accordance With Applicable Recovery Act and HUD Requirements, Buckhannon, WV	03/15/2012	07/12/2012	Note 1
2012-AT-1009	The Municipality of Bayamón Did Not Always Ensure Compliance With HOME Investment Partnerships Program Requirements, Bayamon, PR	05/23/2012	09/18/2012	Note 1
2012-LA-1008	The City of Phoenix Did Not Always Comply With Program Requirements When Administering Its NSP1 and NSP2 Grants, Phoenix, AZ	06/15/2012	10/15/2012	Note 2
2012-CH-1009	The Hammond Housing Authority Did Not Administer Its Recovery Act Grants in Accordance With Recovery Act, HUD's, and Its Own Requirements, Hammond, IN	08/03/2012	11/30/2012	02/01/2015
2012-PH-1011	Prince George's County Generally Did Not Administer Its HOME Program in Accordance With Federal Requirements, Largo, MD	08/03/2012	11/30/2012	Note 2
2012-NY-1011	The City of Elizabeth Did Not Always Administer Its CDBG Program in Accordance With Regulations, Elizabeth, NJ	08/15/2012	12/07/2012	Note 2
2012-KC-0003	HUD Did Not Effectively Oversee and Manage the Receivership of the East St. Louis Housing Authority	09/05/2012	01/15/2013	12/31/2014
2012-AT-1015	Little Haiti Did Not Fully Comply With Federal Rules When Administering NSP2, Miami, FL	09/06/2012	01/03/2013	Note 2
2012-LA-0003	HUD Did Not Always Enforce REO M&M III Program Requirements	09/18/2012	01/09/2013	Note 2

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2012-CH-1011	The Stark Metropolitan Housing Authority Did Not Always Administer Its Grant in Accordance With Recovery Act, HUD's, and Its Own Requirements, Canton, OH	09/27/2012	01/15/2013	12/31/2018
2012-CH-1012	The Saginaw Housing Commission Did Not Always Administer Its Section 8 Housing Choice Voucher Program in Accordance With HUD's and Its Own Requirements, Saginaw, MI	09/27/2012	01/07/2013	01/01/2023
2012-CH-1013	The Flint Housing Commission Did Not Always Administer Its Grants in Accordance With Recovery Act, HUD's, and Its Own Requirements, Flint, MI	09/27/2012	01/24/2013	10/31/2014
2012-FO-0006	HUD's Oversight of Recovery Act-Funded Housing Programs	09/27/2012	03/05/2013	Note 2
2012-CH-0801	HUD's Office of Community Planning and Development Needs To Improve Its Tracking of HOME Investment Partnerships Program Technical Assistance Activities	09/28/2012	02/13/2013	Note 2
2012-CH-1803	A Summary of the Foreclosure and Claims Process Reviews for Five Mortgage Servicers That Engaged in Improper Foreclosure Practices, Washington, DC	09/28/2012	01/30/2013	Note 2
2012-DP-0005	Review of Controls Over HUD's Mobile Devices	09/28/2012	12/18/2012	09/30/2015
2012-CH-1015	Allen Mortgage, LLC, Did Not Comply With HUD Requirements for Underwriting FHA Loans and Fully Implement Its Quality Control Program in Accordance With HUD's Requirement, Centennial Park, AZ	09/30/2012	02/04/2013	Note 2
2013-PH-1001	Luzerne County Did Not Properly Evaluate, Underwrite, and Monitor a High-Risk Loan, Wilkes-Barre, PA	10/31/2012	01/31/2013	Note 2
2013-FO-0003	Additional Details To Supplement Our Report on HUD's Fiscal Years 2012 and 2011 Financial Statements	11/15/2012	05/15/2013	12/31/2014

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2013-AT-1001	The Municipality of Ponce Did Not Always Ensure Compliance With HOME Investment Partnerships Program Requirements, Ponce, PR	11/30/2012	03/29/2013	Note 2
2013-NY-1001	The City of Albany CDBG Recovery Act Program, Albany, NY	12/06/2012	04/03/2013	12/31/2014
2013-PH-0002	HUD Policies Did Not Always Ensure That Borrowers Complied With Program Residency Requirements	12/20/2012	04/19/2013	Note 2
2013-SE-1001	The Idaho Housing and Finance Association Did Not Always Comply With HOME Investment Partnerships Program Match and Compliance Monitoring Requirements, Boise, ID	12/21/2012	12/21/2012	Note 2
2013-FO-0004	Information System Deficiencies Noted During Federal Housing Administration's Fiscal Year 2012 Financial Statement Audit	01/15/2013	08/22/2013	Note 2
2013-NY-1004	The City of Paterson Had Weaknesses in the Administration of Its Housing Opportunities for Persons with AIDS Program, Paterson, NJ	02/25/2013	04/15/2013	Note 2
2013-DP-0004	Technical Security Control Weaknesses in Selected Ginnie Mae Applications	02/28/2013	06/26/2013	Note 2
2013-LA-1003	Bay Vista Methodist Heights Violated Its Agreement With HUD When Administering Its Trust Funds, San Diego, CA	03/14/2013	05/15/2013	Note 2
2013-AT-1003	The Municipality of Arecibo Did Not Always Ensure Compliance With CDBG Program Requirements, Arecibo, PR	03/22/2013	06/14/2013	Note 2
2013-IE-0803	Follow-up of the Inspections and Evaluations Division on Its Inspection of the State of Louisiana's Road Home Elevation Incentive Program Homeowner Compliance (IED-09-002, March 2010)	03/29/2013	09/29/2014	04/30/2015
2013-FW-1004	The Housing Authority of the City of El Paso Did Not Follow Recovery Act Obligation Requirements or Procurement Policies, El Paso, TX	04/12/2013	08/27/2013	10/31/2014

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2013-LA-1802	Pulte Mortgage LLC, Allowed the Recording of Prohibited Restrictive Covenants, Englewood, CO	04/18/2013	01/10/2014	12/31/2014
2013-LA-1803	CTX Mortgage Company LLC Allowed the Recording of Prohibited Restrictive Covenants, Dallas, TX	04/18/2013	01/10/2014	01/29/2015
2013-LA-1004	The City of San Bernardino Did Not Administer Its CDBG and CDBG-Recovery Act Programs in Accordance With HUD Rules and Regulations, San Bernardino, CA	04/23/2013	09/06/2013	09/09/2015
2013-NY-1006	Nassau County Did Not Administer Its HOME Investment Partnerships Program in Accordance With HUD Requirements, Nassau County, NY	05/13/2013	09/06/2013	Note 2
2013-LA-1006	The City of Santa Ana Did Not Administer NSP2 Funds in Accordance With HUD Rules and Requirements, Santa Ana, CA	06/17/2013	09/30/2013	12/05/2014
2013-FW-1006	The Management and Board of Commissioners of the Harris County Housing Authority Mismanaged the Authority, Houston, TX	06/19/2013	02/11/2014	08/13/2016
2013-KC-0002	HUD Did Not Enforce the Reporting Requirements of Section 3 of the Housing and Urban Development Act of 1968 for Public Housing Authorities	06/26/2013	10/24/2013	07/31/2015
2013-LA-1007	The County of Santa Barbara Did Not Comply With HOME Investment Partnerships Program Requirements, Santa Barbara, CA	07/09/2013	11/04/2013	10/24/2014
2013-NY-0003	HUD Officials Did Not Always Monitor Grantee Compliance With the CDBG Timeliness Spending Requirement	07/19/2013	11/26/2013	11/26/2014
2013-AT-1006	The Puerto Rico Housing Finance Authority Did Not Always Comply With HOME Requirements, San Juan, PR	07/23/2013	11/20/2013	11/15/2014
2013-BO-1002	The City of Worcester Did Not Properly Administer Its CDBG Program, Worcester, MA	07/29/2013	03/28/2014	12/04/2014

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2013-NY-1009	Essex County's HOME Investment Partnerships Program Was Not Always Administered in Compliance With Program Requirements and Federal Regulations, Essex County, NJ	08/09/2013	11/05/2013	11/04/2014
2013-LA-1008	The Lending Company, Inc., Did Not Always Comply With FHA Underwriting and Quality Control Program Requirements, Phoenix, AZ	08/20/2013	12/24/2013	12/24/2014
2013-AT-0003	Economic Development Programs Lacked Adequate Controls To Ensure Program Effectiveness	09/03/2013	02/04/2014	12/31/2014
2013-LA-0002	FHA Paid Claims for Approximately 4,457 Preforeclosure Sales That Did Not Meet Minimum Net Sales Proceeds Requirements	09/05/2013	03/31/2014	Note 2
2013-DP-0006	Weaknesses Identified in HUD's Fiscal Year 2012 Security Program	09/12/2013	01/13/2014	12/31/2014
2013-LA-1009	The City of Hawthorne Inappropriately Used Nearly $1.6 Million in HOME Funds for Section 8 Tenants, Hawthorne, CA	09/13/2013	01/06/2014	12/23/2014
2013-CH-1006	The State of Michigan Lacked Adequate Controls Over Its NSP Under the American Recovery and Reinvestment Act of 2009, Lansing, MI	09/15/2013	01/13/2014	01/06/2015
2013-CH-1008	Community Advocates Did Not Properly Administer Its Program and Recovery Act Grant Funds, Milwaukee, WI	09/17/2013	01/15/2014	03/31/2015
2013-KC-0004	HUD Paid Claims That Lacked Contact or Collection Activities With Coborrowers	09/18/2013	01/07/2014	12/17/2014
2013-LA-1010	The City of Hawthorne Did Not Administer Its CDBG Program Cost Allocations in Accordance With HUD Rules and Requirements, Hawthorne, CA	09/20/2013	01/06/2014	12/23/2014
2013-KC-0005	HUD Had Made Progress in Reducing Oversubsidization in the Housing Choice Voucher Program, but the Problem Continued To Exist	09/23/2013	12/12/2013	10/30/2014

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2013-LA-0803	Reviews of Six FHA Lenders Demonstrated That HUD Needs To Strengthen Its Oversight of Prohibited Restrictive Covenants	09/23/2013	03/27/2014	01/14/2015
2013-FW-1008	The City of New Orleans Did Not Have Adequate Financial and Programmatic Controls To Ensure That It Expended and Reported Funds in Accordance With Program Requirements, New Orleans, LA	09/24/2013	01/06/2014	10/08/2014
2013-FW-1805	The Malakoff Housing Authority Did Not Have Sufficient Controls Over Its Public Housing Programs, Including Its Recovery Act Funds, Malakoff, TX	09/26/2013	12/19/2013	11/11/2014
2013-NY-1010	The City of Auburn Did Not Always Administer Its CDBG Program in Accordance With HUD Requirements, Auburn, NY	09/26/2013	01/24/2014	06/30/2015
2013-CH-1009	The Flint Housing Commission Did Not Always Administer Its Grant in Accordance With Recovery Act, HUD's, and Its Own Requirements, Flint, MI	09/27/2013	01/14/2014	01/23/2015
2013-IE-0804	Evaluation of HUD's Property Inventory System	09/27/2013	03/26/2014	09/30/2015
2013-PH-0004	HUD's Oversight of Its Moving to Work Demonstration Program Needs Improvement	09/27/2013	01/24/2014	01/31/2015
2013-AT-1008	The City of West Palm Beach Did Not Always Properly Administer Its HOME Program, West Palm Beach, FL	09/30/2013	01/17/2014	Note 3
2013-CH-1010	The City of Toledo Did Not Always Administer Its CDBG-R Program in Accordance With HUD's and Its Own Requirements, Toledo, OH	09/30/2013	01/15/2014	01/15/2015
2013-CH-1011	The Michigan State Housing Development Authority Did Not Follow HUD's Requirements Regarding the Administration of Its Program, Lansing, MI	09/30/2013	01/15/2014	07/31/2029

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2013-CH-1012	The Hamtramck Housing Commission Did Not Administer Its Grant in Accordance With Recovery Act, HUD's, and Its Own Requirements, Hamtramck, MI	09/30/2013	01/21/2014	01/23/2015
2013-DE-1005	The Jefferson County Housing Authority Did Not Properly Use Its Disposition Sales Proceeds, Wheat Ridge, CO	09/30/2013	01/24/2014	02/28/2020

Significant audit reports issued within the past 12 months that were described in previous semiannual reports for which final action had not been completed as of 09/30/2014

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2014-DP-0001	Information System Control Weaknesses Identified in the Line of Credit Control System	11/07/2013	01/30/2014	10/10/2014
2014-FW-1801	The Colfax Housing Authority Did Not Properly Administer Its Programs, Including Its 2009 American Recovery and Reinvestment Act Grant, Colfax, LA	11/08/2013	02/05/2014	12/31/2014
2014-CH-1001	The City of Flint Lacked Adequate Controls Over Its HOME Investment Partnerships Program, Flint, MI	11/15/2013	03/13/2014	03/13/2015
2014-AT-1001	The Municipality of Arecibo Did Not Properly Administer Its HOME Program, Arecibo, PR	12/03/2013	01/24/2014	12/31/2014
2014-FO-0001	Government National Mortgage Association Fiscal Years 2013 and 2012 Financial Statements Audit	12/06/2013	05/02/2014	03/31/2015
2014-FO-0002	Federal Housing Administration Fiscal Years 2013 and 2012 Financial Statements Audit	12/13/2013	04/14/2014	Note 2
2014-FO-0003	Additional Details To Supplement Our Report On HUD's Fiscal Years 2013 and 2012 (Restated) Financial Statements	12/16/2013	07/09/2014	Note 3
2014-PH-1001	The City of Norfolk Generally Failed To Justify Its CDBG Activities, Norfolk, VA	12/17/2013	04/16/2014	04/15/2015

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2014-AT-1004	The State of Mississippi Did Not Ensure That Its Subrecipient and Appraisers Complied With Requirements, and It Did Not Fully Implement Adequate Procedures for Its Disaster Infrastructure Program, Jackson, MS	12/30/2013	04/15/2014	11/21/2014
2014-CH-1002	The City of Detroit Lacked Adequate Controls Over Its Neighborhood Stabilization Program-Funded Demolition Activities Under the Housing and Economic Recovery Act of 2008, Detroit, MI	01/06/2014	05/05/2014	05/01/2015
2014-DP-0002	Application Control Weaknesses Identified in the Asset Disposition and Management System	01/14/2014	05/13/2014	06/30/2015
2014-NY-1001	The Paterson Housing Authority Had Weaknesses in Administration of its Housing Choice Voucher Program, Paterson, NJ	01/15/2014	06/12/2014	01/15/2015
2014-BO-1001	The Housing Authority of the City of Bridgeport Did Not Always Ensure That Expenses Charged to Its Federal Programs Were Eligible, Reasonable, and Supported, Bridgeport, CT	01/23/2014	05/19/2014	04/30/2015
2014-NY-0001	HUD Did Not Provide Effective Oversight of Section 202 Multifamily Project Refinances	02/19/2014	06/10/2014	03/31/2015
2014-LA-0001	CPD Did Not Monitor Grantees' CPD-Funded Assets Transferred by Former Redevelopment Agencies To Minimize HUD's Risk	02/28/2014	06/19/2014	10/31/2014
2014-PH-1003	The Housing Authority of the County of Lackawanna Needs To Improve Its Controls Over Its Operations To Comply With HUD Requirements, Dunmore, PA	02/28/2014	06/16/2014	12/31/2014
2014-DP-0004	Information System Control Weaknesses Identified in the Financial Data Mart	03/13/2014	04/03/2014	03/15/2015
2014-AT-0001	Violations Increased the Cost of Housing's Administration of Its Bond Refund Program	03/14/2014	07/11/2014	06/30/2015

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2014-AT-1801	Vieques Sports City Complex, Office of the Commissioner for Municipal Affairs, Section 108 Loan Guarantee Program, San Juan, PR	03/20/2014	07/11/2014	06/18/2015
2014-BO-0001	HUD's Procedures Do Not Always Ensure the Proper Use and Timely Reimbursement of Public Housing Agency Interfund Transaction Balances	03/21/2014	07/02/2014	04/15/2015

AUDITS EXCLUDED:

84 audits under repayment plans

28 audits under debt claims collection processing, formal judicial review, investigation, or legislative solution

NOTES:

1 Management did not meet the target date. Target date is over 1 year old.

2 Management did not meet the target date. Target date is under 1 year old.

3 No management decision

TABLE C

Inspector General-issued reports with questioned and unsupported costs at 09/30/2014 *(thousands)*

AUDIT REPORTS		NUMBER OF AUDIT REPORTS	QUESTIONED COSTS	UNSUPPORTED COSTS
A1	For which no management decision had been made by the commencement of the reporting period	21	833,879	384,775
A2	For which litigation, legislation, or investigation was pending at the commencement of the reporting period	5	8,960	5,299
A3	For which additional costs were added to reports in beginning inventory	-	312	0
A4	For which costs were added to noncost reports	0	0	0
B1	Which were issued during the reporting period	69	1,156,810	144,583
B2	Which were reopened during the reporting period	0	0	0
SUBTOTALS (A + B)		**95**	**1,999,961**	**534,657**
C	For which a management decision was made during the reporting period	40[8]	1,243,911	308,261
	1) Dollar value of disallowed costs: Due HUD Due program participants	18[9] 26	486,532 757,379	2,699 305,562
	(2) Dollar value of costs not disallowed	0	0	0
D	For which a management decision had been made not to determine costs until completion of litigation, legislation, or investigation	4	7,176	5,170
E	For which no management decision had made by the end of the reporting period	51 < 193 >[10]	748,874 < 735,745 >[10]	221,226 < 208,345 >[10]

[8] Eleven audit reports also contain recommendations with funds to be put to better use.

[9] Four audit reports also contain recommendations with funds due program participants.

[10] The figures in brackets represent data at the recommendation level as compared to the report level. See Explanations of Tables C and D.

TABLE D

Inspector General-issued reports with recommendations that funds be put to better use at 09/30/2014 *(thousands)*

AUDIT REPORTS		NUMBER OF AUDIT REPORTS	DOLLAR VALUE
A1	For which no management decision had been made by the commencement of the reporting period	13	$1,194,861
A2	For which litigation, legislation, or investigation was pending at the commencement of the reporting period	3	$4,811
A3	For which additional costs were added to reports in beginning inventory	-	$181,169
A4	For which costs were added to noncost reports	0	$0
B1	Which were issued during the reporting period	38	$658,065
B2	Which were reopened during the reporting period	0	$0
SUBTOTALS (A + B)		**54**	**$2,038,906**
C	For which a management decision was made during the reporting period	19[11]	$557,224
	(1) Dollar value of recommendations that were agreed to by management: Due HUD Due program participants	10 9	$104,642 $452,568
	(2) Dollar value of recommendations that were not agreed to by management	1[12]	$14
D	For which a management decision had been made not to determine costs until completion of litigation, legislation, or investigation	2	$1,854
E	For which no management decision had made by the end of the reporting period	33 < 53 >[13]	$1,479,828 < $508,036 >[13]

[11] Eleven audit reports also contain recommendations with questioned costs.

[12] One audit report also contains recommendations with funds agreed to by management.

[13] The figures in brackets represent data at the recommendation level as compared to the report level. See Explanations of Tables C and D.

EXPLANATIONS OF TABLES C AND D

The Inspector General Act Amendments of 1988 require inspectors general and agency heads to report cost data on management decisions and final actions on audit reports. The current method of reporting at the "report" level rather than at the individual audit "recommendation" level results in misleading reporting of cost data. Under the Act, an audit "report" does not have a management decision or final action until all questioned cost items or other recommendations have a management decision or final action. Under these circumstances, the use of the "report" based rather than the "recommendation" based method of reporting distorts the actual agency efforts to resolve and complete action on audit recommendations. For example, certain cost items or recommendations could have a management decision and repayment (final action) in a short period of time. Other cost items or nonmonetary recommendation issues in the same audit report may be more complex, requiring a longer period of time for management's decision or final action. Although management may have taken timely action on all but one of many recommendations in an audit report, the current "all or nothing" reporting format does not recognize their efforts.

The closing inventory for items with no management decision in tables C and D (line E) reflects figures at the report level as well as the recommendation level.

HUD OIG TELEPHONE DIRECTORY

Office of Audit

HEADQUARTERS OFFICE OF AUDIT	Washington, DC	202-708-0364
REGION 1-2	New York, NY	212-264-4174
	Boston, MA	617-994-8380
	Buffalo, NY	716-551-5755
	Hartford, CT	860-240-4837
	Newark, NJ	973-776-7339
REGION 3	Philadelphia, PA	215-656-0500
	Baltimore, MD	410-962-2520
	Pittsburgh, PA	412-644-6372
	Richmond, VA	804-771-2100
REGION 4	Atlanta, GA	404-331-3369
	Greensboro, NC	336-547-4001
	Miami, FL	305-536-5387
	San Juan, PR	787-766-5540
REGION 5	Chicago, IL	312-353-7832
	Columbus, OH	614-469-5745
	Detroit, MI	313-226-6280
REGION 6	Fort Worth, TX	817-978-9309
	Baton Rouge, LA	225-448-3976
	Houston, TX	713-718-3199
	New Orleans, LA	504-671-3715
	Albuquerque, NM	505-346-7270
	Oklahoma City, OK	405-609-8606
	San Antonio, TX	210-475-6800
REGION 7-8-10	Kansas City, KS	913-551-5870
	St. Louis, MO	314-539-6339
	Denver, CO	303-672-5452
	Seattle, WA	206-220-5360
REGION 9	Los Angeles, CA	213-894-8016
	Las Vegas, NV	702-366-2100
	Phoenix, AZ	602-379-7250
	San Francisco, CA	415-489-6400

Office of Investigation

HEADQUARTERS OFFICE OF INVESTIGATION	Washington, DC	202-708-0390
REGION 1-2	New York, NY	212-264-8062
	Boston, MA	617-994-8450
	Hartford, CT	860-240-4800
	Manchester, NH	603-666-7988
	Newark, NJ	973-776-7355
REGION 3	Philadelphia, PA	215-430-6758
	Baltimore, MD	410-209-6533
	Pittsburgh, PA	412-644-6598
	Richmond, VA	804-822-4890
	Washington, DC	202-287-4100
REGION 4	Atlanta, GA	404-331-5001
	Birmingham, AL	205-745-4314
	Columbia, SC	803-451-4318
	Greensboro, NC	336-547-4000
	Memphis, TN	901-554-3148
	Miami, FL	305-536-3087
	San Juan, PR	787-766-5868
	Tampa, FL	813-228-2026
REGION 5	Chicago, IL	312-353-4196
	Cleveland, OH	216-357-7800
	Columbus, OH	614-469-6677
	Detroit, MI	313-226-6280
	Grand Rapids, MI	313-226-6280
	Indianapolis, IN	317-226-5427

	Minneapolis-St. Paul, MN	612-370-3130
REGION 6	Fort Worth, TX	817-978-5440
	Baton Rouge, LA	225-448-3941
	Houston, TX	713-718-3221
	Little Rock, AR	501-324-5931
	New Orleans, LA	504-671-3700
	Oklahoma City, LA	405-609-8601
	San Antonio, TX	210-475-6822
REGION 7-8-10	Denver, CO	303-672-5350
	Billings, MT	406-247-4080
	Kansas City, KS	913-551-5866
	Salt Lake City, UT	801-524-6090
	St. Louis, MO	314-539-6559
	Seattle, WA	206-220-5380
REGION 9	Los Angeles, CA	213-894-0219
	Las Vegas, NV	702-366-2144
	Phoenix, AZ	602-379-7252
	Sacramento, CA	916-930-5691
	San Francisco, CA	415-489-6683

Joint Civil Fraud Division

AUDIT-INVESTIGATION	Kansas City, KS	913-551-5566

ACRONYMS LIST

ADA .... Antideficiency Act

ARC .... Administrative Resource Center

ARF .... asset repositioning fees

ARRA .... American Recovery and Reinvestment Act of 2009

CAIVRS .... Credit Alert Verification Reporting System

CDBG .... Community Development Block Grant

CDBG-DR .... Community Development Block Grant-Disaster Recovery

CFO .... Chief Financial Officer

CFR .... Code of Federal Regulations

CHDO .... community housing development organization

CPD .... Office of Community Planning and Development

DEC .... Departmental Enforcement Center

DOJ .... U.S. Department of Justice

FBI .... Federal Bureau of Investigation

FFMIA .... Federal Financial Management Improvement Act of 1996

FHA .... Federal Housing Administration

FIFO .... first-in, first-out

FIRMS .... Facilities Integrated Resources Management System

GAO .... U.S. Government Accountability Office

GCMB .... Great Country Mortgage Bankers

GCRE .... Great Country Real Estate

GCTS .... Great Country Title Services

HECM .... home equity conversion mortgage

HIAMS .... HUD Integrated Acquisition Management System

HIFMIP .... HUD Integrated Financial Management Improvement Project

HOME .... HOME Investment Partnerships Program

HPS .... HUD Procurement System

HUD .... U.S. Department of Housing and Urban Development

ICDBG .... Indian Community Development Block Grant

ACRONYMS LIST (CONTINUED)

IDIS........Integrated Disbursement and Information System

IHBG........Indian Housing Block Grant

IPA........Intergovernmental Personnel Act

IPERA........Improper Payments Elimination and Recovery Act

IRS........Internal Revenue Service

IT........information technology

NCMEC........National Center for Missing and Exploited Children

NEPA........National Environment Policy Act of 1969

NSP........Neighborhood Stabilization Program

OCPO........Office of the Chief Procurement Officer

OE........Office of Evaluations

OEE........Office of Environment and Energy

OIG........Office of Inspector General

OMB........Office of Management and Budget

ONAP........Office of Native American Programs

PHA........public housing agency

PIH........Office of Public and Indian Housing

PTD........Performance Tracking Database

REAC........(HUD) Real Estate Assessment Center

SPS........Small Purchase System

U.S.C.........United States Code

USPIS........U.S. Postal Inspection Service

REPORTING REQUIREMENTS

The specific reporting requirements as prescribed by the Inspector General Act of 1978, as amended by the Inspector General Act of 1988, are listed below:

SOURCE-REQUIREMENT	PAGES
Section 4(a)(2)-review of existing and proposed legislation and regulations	48
Section 5(a)(1)-description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of the Department.	12 - 47
Section 5(a)(2)-description of recommendations for corrective action with respect to significant problems, abuses, and deficiencies.	51
Section 5(a)(3)-identification of each significant recommendation described in previous Semiannual Report on which corrective action has not been completed.	Appendix 3, Table B, 71
Section 5(a)(4)-summary of matters referred to prosecutive authorities and the prosecutions and convictions that have resulted.	12 - 47
Section 5(a)(5)-summary of reports made on instances where information or assistance was unreasonably refused or not provided, as required by Section 6(b)(2) of the Act.	No instances
Section 5(a)(6)-listing of each audit report completed during the reporting period, and for each report, where applicable, the total dollar value of questioned and unsupported costs and the dollar value of recommendations that funds be put to better use.	Appendix 2, 62
Section 5(a)(7)-summary of each particularly significant report.	12 - 47
Section 5(a)(8)-statistical tables showing the total number of audit reports and the total dollar value of questioned and unsupported costs.	Appendix 3, Table C, 85
Section 5(a)(9)-statistical tables showing the total number of audit reports and the dollar value of recommendations that funds be put to better use by management.	Appendix 3, Table D, 86
Section 5(a)(10)-summary of each audit report issued before the commencement of the reporting period for which no management decision had been made by the end of the period.	Appendix 3, Table A, 70
Section 5(a)(11)-a description and explanation of the reasons for any significant revised management decisions made during the reporting period.	56
Section 5(a)(12)-information concerning any significant management decision with which the Inspector General is in disagreement.	59
Section 5(a)(13)-the information described under section 05(b) of the Federal Financial Management Improvement Act of 1996.	59

FRAUD ALERT

Every day, loan modification and foreclosure rescue scams rob vulnerable homeowners of their money and their homes. The U.S. Department of Housing and Urban Development (HUD), Office of Inspector General, is the Department's law enforcement arm and is responsible for investigating complaints and allegations of mortgage fraud. Following are some of the more common scams:

COMMON LOAN MODIFICATION SCAMS

Phony counseling scams: The scam artist says that he or she can negotiate a deal with the lender to modify the mortgage — for an upfront fee.

Phony foreclosure rescue scams: Some scammers advise homeowners to make their mortgage payments directly to the scammer while he or she negotiates with the lender. Once the homeowner has made a few mortgage payments, the scammer disappears with the homeowner's money.

Fake "government" modification programs: Some scammers claim to be affiliated with or approved by the government. The scammer's company name and Web site may appear to be a real government agency, but the Web site address will end with .com or .net instead of .gov.

Forensic loan audit: Because advance fees for loan counseling services are prohibited, scammers may sell their services as "forensic mortgage audits." The scammer will say that the audit report can be used to avoid foreclosure, force a mortgage modification, or even cancel a loan. The fraudster typically will request an upfront fee for this service.

Mass joinder lawsuit: The scam artist, usually a lawyer, law firm, or marketing partner, will promise that he or she can force lenders to modify loans. The scammers will try to "sell" participation in a lawsuit against the mortgage lender, claiming that the homeowner cannot participate in the lawsuit until he or she pays some type of upfront fee.

Rent-to-own or leaseback scheme: The homeowner surrenders the title or deed as part of a deal that will let the homeowner stay in the home as a renter and then buy it back in a few years. However, the scammer has no intention of selling the home back to the homeowner and, instead, takes the monthly "rent" payments and allows the home to go into foreclosure.

Remember, only work with a HUD-approved housing counselor to understand your options for assistance. HUD-approved housing counseling agencies are available to provide information and assistance. Call 888-995-HOPE to speak with an expert about your situation. HUD-approved counseling is free of charge.

IF YOU SUSPECT FRAUD, CALL THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, OFFICE OF INSPECTOR GENERAL.

Report fraud, waste, and mismanagement in HUD programs and operations by

Faxing the OIG hotline: 202-708-4829
Emailing the OIG hotline: hotline@hudoig.gov

Sending written information to
Department of Housing and Urban Development
Inspector General Hotline (GFI)
451 7th Street, SW
Room 8254
Washington, DC 20410

Internet
http://www.hudoig.gov/hotline/index.php

ALL INFORMATION IS CONFIDENTIAL, AND YOU MAY REMAIN ANONYMOUS.

U.S. DEPARTMENT
OF HOUSING
AND URBAN
DEVELOPMENT

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www.hudoig.gov
HUD OIG Hotline: 1-800-347-3735