

**Preliminary HUD-OIG Plan**  
**Oversight of Housing and Urban Development Economic Stimulus Funding**  
**Under the American Recovery and Reinvestment Act of 2009**

**Introduction**

The United States Department of Housing and Urban Development (HUD) has received \$13.61 billion in funding under the American Recovery and Reinvestment Act of 2009 (Recovery Act) in several housing program areas. Table 1 shows the HUD program areas receiving funding and the amounts awarded to each respectively.

**Table 1: HUD Programs receiving Recovery Act 2009 funding**

| Program                                      | Area                                       | Funding Amount           |
|--|--|--------------------------|
| Office of Public and Indian Housing          | Public Housing Capital Fund                | \$4,000,000,000          |
| Office of Public and Indian Housing          | Native American Housing Block Grant        | \$ 510,000,000           |
| Office of Community Planning and Development | Community Development Block Grant          | \$1,000,000,000          |
| Office of Community Planning and Development | Neighborhood Stabilization Program         | \$2,000,000,000          |
| Office of Community Planning and Development | Homelessness Prevention Fund               | \$1,500,000,000          |
| Office of Community Planning and Development | HOME Investment Partnerships (Tax Credits) | \$2,250,000,000          |
| Office of Multifamily Housing                | Assisted Housing Stability                 | \$2,000,000,000          |
| Office of Multifamily Housing                | Assisted Housing Energy Retrofit           | \$ 250,000,000           |
| Office of Healthy Homes and Lead Hazard      |  | \$ 100,000,000           |
|  |  | <b>\$ 13,610,000,000</b> |

The Recovery Act also provided \$15 million to the HUD Office of Inspector General (OIG). This funding will remain available until September 2013. The purpose of the funding is for “oversight and audit of programs, grants, and activities funded by this Act and administered by the Department of Housing and Urban Development.

Through our audit and investigative programs, we will constantly tailor and adjust our short and long term activities for timely and effective oversight of the Recovery Act monies expended by HUD programs. This plan is only preliminary and therefore, adjustments will be made as the HUD programs develop plans and distribute their Recovery Act monies. HUD-OIG will step up outreach and training efforts in fraud, waste and abuse to the Department and recipients of Recovery Act monies to maximize knowledge and visibility.

# AUDIT PLAN

The Office of Audit initiated a three-phased approach to conducting related audit work, The actions we have taken and plan to take will help position our Office to meet the increased workload under ARRA and protect the Federal investment over the long term.

The Office of Audit overall oversight objectives of HUD funding under the American Recovery and Reinvestment Act (ARRA) dated February 18, 2009 are to determine whether:

- Funds are awarded and distributed in a prompt, fair, and reasonable manner;
- The recipients and uses of all funds are transparent to the public, and the public benefit of these funds are reported clearly, accurately, and in a timely manner;
- Funds are used for authorized purposes and instances of fraud, waste, error, and abuse are mitigated;
- Projects funded under the Act avoid unnecessary delays and cost overruns; and
- Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

## Phase 1:

### 1. Agency-Wide Recovery Funding.

- a. As part of our on-going financial statement audit, we will review HUD's formula allocation dictated in the Act for Public Housing Capital Fund, Community Development Block Grants, Homeless Prevention Fund, Native American Housing Block Grants, and the HOME Investment Partnership Program.
- b. HUD has initiated a system to consolidate its Recovery Act reporting, the Recovery Act Management and Reporting System (RAMPS). We will review the systems management controls and effectiveness.

### 2. Public Housing Capital Fund.

- a. We will review the Department's Front End Risk Assessment for compliance with OMB ARRA risk assessment guidance.
- b. We will conduct several limited-scope reviews to look at grantees' administrative systems to determine whether the grantees are capable of effectively administering the large influx of ARRA funds. Based on prior audit work and other risk factors, we have tentatively selected ten housing authorities for review.

### 3. Public Housing Capital Fund (Competitive). We will review the Department's Front End Risk Assessment for compliance with OMB ARRA risk assessment guidance.

### 4. Community Development Block Grant.

- a. We will review the Department's Front End Risk Assessment for compliance with OMB ARRA risk assessment guidance.
- b. We will conduct several limited-scope reviews to look at grantees' administrative systems to determine whether the grantees are capable of effectively administering the large influx of ARRA funds. Based on prior audit work and other risk factors, we have tentatively selected eight communities for review.

**5. Neighborhood Stabilization Program.**

- a. We will review the Department's Front End Risk Assessment for compliance with OMB ARRA risk assessment guidance.
- b. We have started a review to determine the effectiveness of the Department's Disaster Recovery Grant System. The Department uses the system to monitor neighborhood stabilization program funds, grantee activities and assets, program income, and program outcomes.
- c. We have also started a review of the Disaster Recovery Grant System's control effectiveness as it relates to stabilization funds.
- d. We have selected two states to review for appropriate state distribution of neighborhood stabilization funds.
- e. We have started three limited-scope reviews to look at grantees' administrative systems to determine whether the grantees are capable of effectively administering the large influx of ARRA funds.

**6. Multifamily Assisted Housing Stability.** This program is unlike other ARRA programs in that it is not an increase in program activity, but rather a change in the manner in which multifamily project owners are funded for their project-based housing assistance contracts. ARRA provided additional funding to fund these contracts for an entire year. We will cover the use of this funding and the resulting obligated balances as part of the fiscal year 2009 financial statement audit.

**7. Multifamily Green Retrofit.** We will review the Department's Front End Risk Assessment for compliance with OMB ARRA risk assessment guidance.

**8. Native American Housing Block Grants (Formula & Competitive).**

- a. We will review the Department's Front End Risk Assessments for compliance with OMB ARRA risk assessment guidance.
- b. We will conduct one limited-scope review to look at a grantee's administrative systems to determine whether the grantee is capable of effectively administering the large influx of ARRA funds.

**9. Office of Healthy Homes/Lead Hazard Control.** We will review the Department's Front End Risk Assessment for compliance with OMB ARRA risk assessment guidance.

**10. HOME Investment Partnership Program (Tax Credits).** We will review the Department's Front End Risk Assessment for compliance with OMB ARRA risk assessment guidance.

## Phase 2:

1. **Competitive Funding.** We will conduct one or more reviews of the competitive funding portions of the Public Housing Capital Fund, Neighborhood Stabilization Program, Native American Housing Block Grants, and Office of Healthy Homes/Lead Hazard Control to determine that HUD carries out the grant competitions called for in the Act in accordance with applicable requirements and in a fair and equitable manner.
2. **Capacity Audits.** Following the formula allocations and completion of the competitive award process, the Regional Inspectors General Office of Audit will use risk assessments of the public housing authorities receiving formula and competitive funding for public housing capital funds in their regions and select appropriate authorities for audit.
3. **Grantee Audits.** Upon announcement of the CDBG formula allocations and completion of the Neighborhood Stabilization Program funding competition, the regional offices will use risks assessments to identify appropriate grantees in their regions to audit. As the program matures, the regions will shift emphasis toward auditing the competitively awarded Neighborhood Stabilization Program grantees funded by the Recovery Act. Also upon announcement of the formula allocations and completion of the competitive award process for the Native American Block Grants programs, the Regional Inspectors General will use risk assessments of the awardees in their regions and select grantees for audit.
4. **Assisted Housing Stability and Green Retrofit.** Given the language in the statute, the Office of Audit is unsure how HUD will award the \$250 million stability and green retrofit grants. Our regional audit goals will include audits of these programs, but at this time, we can only say they will be included in our plan.
5. **Tax Credit Assistance Program.** Per the Act, the HOME funds will be awarded to state housing finance agencies to be used with low income housing tax credit funding. The states will administer the grants in conjunction with their low income housing tax credit program, which is an IRS responsibility. However, HUD will monitor since it is a grant program. We will select recipients for audit following HUD's announcement of awards and review HUD's monitoring process once it is in place.
6. **Office of Healthy Homes.** Given the relatively small funding level for the Office of Healthy Homes and Lead Hazard Control awards, our audits at the grantee level are likely to be limited. However, once HUD announces the awardees, the Office of Audit will perform a risk assessment and determine which, if any, grantees are to be audited.
7. **Single Audit Act.** We will continue our outreach through State Certified Public Accountant Societies and the American Institute of Certified Public Accountants to offer auditors both technical advice and training. We will also use risk assessments to select some single audit reports and auditors for quality control reviews.

## Phase 3:

- We will monitor the planned outcomes of the stimulus funding in each of HUD's funded areas and look to HUD's compliance with the Act to avoid unnecessary delays and cost overruns. We will also review to determine whether HUD Program goals are achieved.

# INVESTIGATIONS PLAN

The Office of Investigation is strategically well-positioned to meet the challenges presented by this Act, since OI has already launched investigative initiatives that cover programs affected by the Act.

Upon passage of ARRA, OI formed a Special Agent in Charge Working Group to analyze and assess the provisions of ARRA in relation to OI investigative actions. Members of the working group will brief OI staff on issues that could affect investigations and develop specific strategies for investigating ARRA violations.

1. **Public Housing Capital Fund** : The Act provides \$4 billion for the Public Housing Capital Fund. OI's FY09 performance plan already calls for proactive initiatives in the investigation of public corruption and maladministration in public housing authorities.

The Act also provides \$2.25 billion to owners of properties receiving project-based assistance pursuant to Section 202 or Section 8. OI has specifically targeted Section 202 fraud and other public housing fraud in its FY09 initiatives, requiring Regions to initiate investigations in these program areas. OI will continue its rental assistance fraud initiatives for the immediate future with the expectation that these efforts will be redeployed to major public housing investigations as ARRA public housing funds are generated.

The Act provides \$1 billion for CDBG funds, including a second round of Neighborhood Stabilization Program (NSP) funds. OI has specifically targeted NSP and CDBG fraud in its FY09 initiatives. OIG has sent Fraud Notices to NSP grantees, and OI-CID has formed a working relationship with FBI Public Corruption Division, to target NSP fraud. An additional \$255 million was authorized for Native American Housing Bloc Grants, which we believe can be addressed under OI's current CDBG fraud initiatives.

The Act provides \$1.5 billion for homeless prevention and rapid re-housing. Again, OI's FY09 performance plan requires Regions to proactively target fraud in homeless programs, including emergency shelter grants.

The Act provides \$100 million for lead hazard control. This typically involves administrative actions by EPA or HUD; however, on a case by case basis we have provided criminal investigative assistance to HHLHC in more egregious cases.

The Act also standardizes increased loan limits for FHA. OI has already conducted extensive training and strategic development targeting FHA fraud, which takes into account increased FHA loan limits. OI has already initiated task forces in each Region to address FHA mortgage fraud. OI has formed a substantial and extensive working relationship with FBI and other law enforcement partners to target mortgage fraud, including full-time participation on the FBI's National Mortgage Fraud Team, one of only a few agencies invited to participate as a full partner, and membership in mortgage fraud working groups around the country.

## **Qualifications Survey of Procurement and Grant Officials**

OI-CID has conducted extensive interaction with HUD OCPO, including training of OCPO staff, enhanced reporting arrangements, and the establishment of an online FAR reporting system for contractors. OI plans to conduct fraud training with HUD contractors, and conduct additional outreach with ARRA grantees.

Additionally, OIG will conduct the Recovery and Accountability (RAT) Transparency Board survey of procurement and grant officials training and qualifications by September 2009.

## **Investigation Operations**

- Be a force multiplier by including other Offices of Inspectors General in the investigation, or include the staff from other state and/or local law enforcement agencies.
- Work with the FBI's Public Corruption squad to identify targets and mismanagement of the Recovery Act funding.
- Make a coordinated effort to address fraud and mismanagement with the Office of Audit. Work with Audit and review their front end risk assessment for possible
- Work with the Federal Bureau of Investigation, and review Suspicious Activity Reports to develop informants with the intention of conducting under-cover investigations when appropriate.
- Conduct outreaches with the Department of Labor and HUD's Office of Labor Relations to proactively identify Davis-Bacon violations.

## **Outreaches**

- The Office of Investigations will conduct outreaches to discuss with grantees their responsibilities and reporting requirements.
- The outreaches will be targeted by program area, and potentially risk status.