



**The U.S. Department of Housing and Urban  
Development**

**HOME Investment Partnerships Program**



Issue Date: February 12, 2013

Audit Report Number: 2013-BO-0001

TO: Mark Johnston  
Acting Assistant Secretary, Community Planning and Development, D

FROM: *Edgar Moore*  
Edgar Moore,  
Regional Inspector General for Audit, Boston Region, 1AGA

SUBJECT: HUD's Proposed HOME Regulations Generally Addressed Systemic Deficiencies, but Field Office Monitoring and Data Validation Need Improvement

Enclosed is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of HUD's HOME Investment Partnerships Program and systemic deficiencies identified within prior Office of Inspector General audit reports.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8L, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 212-264-4174.

cc: Yolanda Chavez, Deputy Assistant Secretary for Grant Programs, DG



February 12, 2013

## HUD's Proposed HOME Regulations Generally Addressed Systemic Deficiencies, but Field Office Monitoring and Data Validation Need Improvement

# Highlights

Audit Report Number 2013-BO-0001

### What We Audited and Why

We reviewed the U.S. Department of Housing and Urban Development's (HUD) Home Investment Partnerships Program (HOME) as part of an Office of Inspector General (OIG) plan to improve HUD's execution and accountability of fiscal responsibility. Our objective was to determine whether HUD's proposed regulation changes and controls would mitigate the systemic deficiencies identified in prior OIG audit reports.

### What We Recommend

We recommend that the Acting Assistant Secretary for Community Planning and Development (1) develop and implement procedures to oversee and assess the effectiveness of field offices' monitoring efforts, and (2) develop and implement a quality control system to validate the accuracy and reliability of HOME data in the Integrated Disbursement and Information System.

### What We Found

If properly implemented, HUD's proposed changes to HOME regulations and controls should mitigate the systemic deficiencies identified in prior HUD OIG audit reports with the exception of (1) the program office's oversight of grantee monitoring and (2) validating the reliability of HOME data.<sup>1</sup>

Office of Community Planning and Development (CPD) program officials' oversight of field office monitoring and grantee compliance required improvement because the quality management review process they relied on failed to identify systemic monitoring flaws and officials did not use onsite monitoring data to assess monitoring efforts. As a result, officials could not ensure that monitoring was complete and effective and may have missed opportunities to identify systemic issues requiring corrective action, such as seldom or never monitored and longstanding noncompliant grantees.

Although CPD officials had improved controls over HOME data in the Integrated Disbursement and Information System, they lacked a complete process for validating the data. They focused their efforts on training, moving the database to a Web-based system, and implementing system controls to improve grantee compliance and data reliability. However, the HOME data were not fully validated, and the reliability of the data as a whole was unknown. With hundreds of grantees and thousands of subgrantees, reliable data are critical in overseeing the program, identifying high-risk grantees to monitor, and responding to public and congressional requests regarding the program.

---

<sup>1</sup> See appendix C for our detailed conclusions.

# TABLE OF CONTENTS

---

Background and Objective	3
Results of Audit	
Finding 1: HUD Officials’ Oversight of Field Office Monitoring Efforts and Grantee Compliance Had Weaknesses	4
Finding 2: HUD Officials Had Improved Controls over HOME Data, but Data Reliability Was Insufficient	7
Scope and Methodology	10
Internal Controls	12
Follow-up on Prior Audits	14
Appendixes	
A. Details of Open Internal Audits and Recommendations	15
B. Auditee Comments and OIG’s Evaluation	19
C. Conclusions Regarding Systemic Deficiencies	27

## BACKGROUND AND OBJECTIVE

---

The HOME Investment Partnerships Program, established in 1992, provides between \$1 and \$2 billion in formula grants each year to States and local jurisdictions (grantees). Grantees use and distribute the funds to communities and nonprofit groups to build, buy, or rehabilitate affordable housing for rent, home ownership, or to provide direct rental assistance to low-income people.

HOME is a large program with approximately 642 grantees, thousands of subrecipients, and more than 15,000 open activities at any one time. The U.S. Department of Housing and Urban Development's (HUD) Assistant Secretary for Community Planning and Development (CPD) is responsible for the program, and the Office of Affordable Housing Programs directly administers and oversees the program.

Monitoring at the grantee level is achieved primarily through onsite performance and compliance reviews conducted by HUD's 42 local field offices. Due to the large number of participants and its inability to monitor all grantees onsite, HUD also relies on its automated Integrated Disbursement and Information System to electronically monitor grantees. Grantees, in turn, are responsible for monitoring their subgrantees.

HUD maintains two information systems to manage the program. The Integrated Disbursement and Information System (IDIS) reports program performance and is used for oversight and grantee compliance. This system was moved to a Web-based platform in 2009, enabling substantial improvements including new input controls, flags, and system reports to enhance reporting and compliance. The Grants Management Process (GMP) database is used to record monitoring efforts and results and to facilitate the selection of high-risk grantees for monitoring.

The HOME regulations were last substantively revised in September 1996, and the Office of Affordable Housing Programs is in the process of updating the regulations to address known issues.<sup>2</sup> We expect the revised regulations to be published after the issuance of this report.

The HOME program and HUD's oversight received considerable public scrutiny in Washington Post articles and congressional hearings. Congress expressed its concern when it reduced the 2012 HOME budget to \$1 billion and as a condition of funding, required that HUD report within 120 days on how CPD was improving its program's data quality, data management, and grantee oversight and accountability, including addressing problems identified in Office of Inspector General Reports since 2006 and ongoing audits.<sup>3</sup>

Due to our longstanding concerns and congressional requests, we performed this audit with the objective of determining whether HUD's proposed regulations and other controls, if properly implemented, would mitigate the systemic findings in prior Office of Inspector General (OIG) audit reports.

---

<sup>2</sup> 24 CFR (Code of Federal Regulations) Part 92, The HOME Investment Partnerships Program Final Rule

<sup>3</sup> Section 232 of the Consolidated and Further Continuing Appropriations Act, 2012 (P.L. 112-55)

## RESULTS OF AUDIT

---

### Finding 1: HUD Officials' Oversight of Field Office Monitoring Efforts and Grantee Compliance Had Weaknesses

CPD program officials' oversight of field office monitoring of grantee compliance was not sufficient to ensure that monitoring was effective and complete. HUD headquarters officials did not determine whether field office monitoring efforts were effective, identify systemic deficiencies, or oversee the monitoring of non-high-risk grantees.<sup>4</sup> This condition occurred because the quality management review process they relied on failed to identify systemic monitoring flaws and program officials did not use the information derived during onsite performance reviews to assess monitoring efforts. As a result, program officials could not ensure that monitoring was complete and effective and may have missed opportunities to identify systemic issues requiring corrective action, such as seldom- or never-monitored grantees and longstanding noncompliant grantees. In addition, program officials did not assess the monitoring of grantees that field offices determined were not high risk to ensure the soundness of risk assessments and obtain early warnings of potential deficiencies.

---

#### **Program Officials, Did Not Determine Whether Monitoring Was Effective and Complete**

HUD's policy is for program officials to continually assess the effectiveness of grantee monitoring.<sup>5</sup> Therefore, officials maintain several systems and processes to facilitate the policy, including (1) quality management reviews that evaluate field office monitoring efforts and (2) field office onsite monitoring results that provide grantee performance and compliance data in the GMP database. However, the quality management reviews were not adequate to ensure that monitoring was effective, and officials did not evaluate field offices' monitoring results to determine whether monitoring was effective and complete.<sup>6</sup>

When Congress asked for program details, HUD queried the GMP database and reported that 238 HOME reviews were completed during 2009 and 2010 and identified 591 compliance and performance findings. However, program officials did not routinely use the database to determine whether monitoring was effective or complete. Rather they relied on field offices to oversee monitoring and the resolution of findings. As a result, officials did not know and could not readily

---

<sup>4</sup> HUD Monitoring Desk Guide and CPD Notice 12-02

<sup>5</sup> HUD Monitoring Desk Guide

<sup>6</sup> According to the U.S Government Accountability Office, monitoring is complete only when deficiencies are corrected, the corrective action produces improvements, and it is decided that further management action is not needed.

show whether the field offices' monitoring efforts were effective and how many of the 591 findings and any later findings had been resolved.

### **Quality Management Reviews Did Not Identify Deficiencies**

The program office relied on its quality management review process to assess monitoring efforts. The most recent review reported that field offices followed the monitoring handbook and effectively carried out monitoring.<sup>7</sup> However, an audit completed 3 months later revealed that the monitoring handbook was not always followed and findings were not followed up on in a timely manner.<sup>8</sup> For example, OIG reported that field offices failed to use required monitoring handbook exhibits and document follow-up with grantees that failed to meet target dates. Thus, the reviews were not an effective tool for identifying monitoring deficiencies and should not be relied on as a sole source for assessing and overseeing monitoring.

### **The Program Office Did Not Oversee Monitoring of Non- High-Risk Grantees**

HUD's policy is that field offices should monitor a limited number of grantees that they determine to be non-high risk to validate the soundness of the risk assessment rating criteria and obtain early warnings of potentially serious problems.<sup>9</sup> Program officials said that some reviews were conducted; however, the number completed and results were unknown. Therefore, without overseeing, documenting, and evaluating non-high-risk grantee monitoring results, field offices may not have tested a sufficient number of non-high-risk grantees, their risk assessments may not have been sound, and the highest risk grantees may not have been selected for monitoring. In addition, the program office may have lost opportunities to obtain early warnings of potentially serious problems.

### **Data Were Available To Assess Monitoring**

During our review, we determined that HUD program officials can assess the effectiveness of field monitoring by using data in the GMP database. The database can identify metrics such as

- Grantees monitored and not monitored,

---

<sup>7</sup> HUD's Fiscal Year 2011 Quality Management Review Report

<sup>8</sup> OIG Audit Report 2012 FO 0003, Additional Details To Supplement Our Report on HUD's Fiscal Years 2011 and 2010 Financial Statements

<sup>9</sup> If travel resources permit, according to CPD Notice 12-02

- Areas tested and not tested,
- Types of findings and concerns,
- Continually noncompliant grantees, and
- The resolution of findings and concerns.

Thus, the program office could and should use the data to assess monitoring efforts using the above metrics. The procedures should ensure that (1) seldom- or never-monitored grantees are identified and minimized to reduce the fraud risk, (2) monitoring provides adequate program coverage of known systemic deficiencies,<sup>10</sup> (3) findings and results are analyzed to identify systemic deficiencies requiring additional management emphasis, (4) continually noncompliant grantees are identified and appropriate corrective action is taken, and (5) monitoring is complete or appropriate action is taken for grantees that have not resolved a noncompliance in a timely manner.<sup>11</sup>

## Conclusion

Program officials could not show that monitoring efforts were effective and complete. As a result, the fraud risk for grantees seldom or never monitored was not known and may not have been mitigated; systemic deficiencies may not have been tested, identified, and mitigated; findings may not have been resolved in a timely manner; and continually noncompliant grantees may not have been identified and appropriate corrective action not taken to preserve the integrity of the program and conserve HUD resources. Consequently, program officials' oversight of field office monitoring efforts was insufficient. We attributed this condition to reliance on ineffective quality management reviews<sup>12</sup> and the lack of procedures to evaluate monitoring results in the GMP database.

## Recommendations

We recommend that the Acting Assistant Secretary for Community Planning and Development

- 1A. Develop and implement comprehensive procedures to assess the effectiveness and completeness of monitoring efforts using metric or query data in the GMP database as detailed in this finding.
- 1B. Develop and implement procedures to evaluate the field office testing of non-high-risk grantees to ensure the soundness of risk assessments and obtain early warning of potential deficiencies as provided for in HUD CPD Notice 12-02.

<sup>10</sup> To include testing systemic issues such as program income (see related finding 2)

<sup>11</sup> As provided for in 24 CFR 92.551

<sup>12</sup> We expect this to be corrected in part during the resolution of OIG Audit Report 2012-FO-0003. See Follow-up on Prior Audits section in appendix A in this report.

## Finding 2: HUD Officials Had Improved Controls Over HOME Data, but Data Reliability Was Insufficient

Although HUD officials had implemented controls to improve the reliability of HOME data in the Integrated Disbursement and Information System, they lacked a complete process for validating the data. This occurred because officials were concerned with implementing data input controls and had not yet established data validation controls. As a result, they could not show that the new controls were effective and HOME program data as a whole were complete, accurate, and supported by appropriate documentation.

---

### Data Were Not Always Reliable

Despite regulations requiring grantees to properly report HOME information, OIG audits have shown that grantees often inaccurately reported HOME data in the Integrated Disbursement and Information System; such as, program income, commitments, and activity status including not closing activities in a timely manner. This condition was primarily due to grantee errors and omissions and known system weaknesses such as the system's method of accounting for program income.

### HUD Officials Had Improved Controls Over Data Reliability and Compliance

HUD's policy is to validate data for accuracy, completeness, and consistency to the extent possible.<sup>13</sup> The program office and its field offices use several processes to promote data integrity and validity. The program office implements system controls to ensure that some data are complete and within parameters. It also generates system reports and posts them on its Web site. The rationale is that if a report showed poor performance or noncompliance due to inaccurate or incomplete data, the field office, local official, and grantee could detect and correct the data.

HUD officials were aware of data and compliance issues and focused considerable efforts on training, moving the system from an enterprise-based to a Web-based system, and designing and implementing system controls to improve data reliability and program compliance to address such issues as the following:

- Program income issues – Officials modified the system to remove limitations that discouraged and prevented grantees from complying with requirements.

---

<sup>13</sup> HUD Monitoring Desk Guide

- Commitment issues – Officials added an electronic certification to confirm that they complied with requirements and were supported by required documentation.
- Activity status and expenditure issues – Officials implemented a process to automatically cancel activities that showed that no funds were spent within their first year.

System flags were also added to alert grantees when they were in danger of not meeting regulatory requirements such as the 5-year statutory expenditure limit. Therefore, if properly implemented, these additional controls should improve data reliability and grantee compliance.

### **HUD's Validation Process Was Not Complete**

HUD's field offices also test and validate data during individual onsite grantee performance reviews. However, HUD's validation efforts were not complete in that the program office did not assess the extent of field offices' data testing, the results, and whether data errors and findings had been corrected. For example, program officials did not verify whether field offices tested and verified that grantees properly reported program income, commitments, and expenditures in the HOME database and whether any deficiencies found were resolved. Thus, the program office did not know and could not readily show whether HOME data as a whole were accurate, complete, and consistent. Further, program officials may have missed opportunities for identifying additional systemic data issues.

### **Monitoring Data Can Be Used To Validate Data and Identify Reliability and Compliance Issues**

We found that field offices' onsite monitoring results in the GMP database could and should be used to validate data. Field offices monitor the reliability of data in the Integrated Disbursement and Information System during onsite grantee performance reviews and enter their results into the GMP database. The GMP database can be queried to show what data tests were completed; their results, findings, and concerns; and whether data findings and concerns have been resolved.

Thus, monitoring data in the GMP database can and should be used to assess the overall reliability of HOME data in the Integrated Disbursement and Information System and improve management of the HOME program. For example, if GMP queries show that grantees are properly recording program income, the results can be used as a basis to validate the reliability of program income data. If queries show that program income was not tested frequently, the program office could

issue a directive to increase testing. Also, if queries indicate systemic data deficiencies or longstanding unresolved findings, the program office could investigate, determine the cause, and take action to mitigate them.

## Conclusion

Although HUD officials had improved controls over HOME data in the Integrated Disbursement and Information System, they did not validate the data to better ensure that controls are effective and the data are reliable. This occurred because officials were concerned with implementing data input controls and had not yet established data validation controls. Reliable data are critical to HUD's oversight because HUD lacks the resources to visit all 642 participating jurisdiction grantees and observe the 15,000 to 20,000 HOME activities. HUD officials rely on the grantee-provided data to (1) report performance, (2) identify and correct noncompliance, (3) determine which grantees to monitor onsite, and (4) successfully implement the eCon<sup>14</sup> system. Thus reliable data are critical for overseeing program compliance, are a primary source for selecting grantees that will and will not be monitored, and is needed to respond to public and congressional inquiries regarding the program.

## Recommendations

We recommend that the Acting Assistant Secretary for Community Planning and Development

- 2A. Develop and implement a quality control system to validate HOME program data recorded in the Integrated Disbursement and Information System by using field office monitoring data in the GMP database or some other auditable method, such as statistical sampling and testing of key program data.
- 2B. Develop and implement formal procedures to continually assess the effectiveness and completeness of field office data monitoring efforts using GMP monitoring data to include (1) verifying that HOME data are tested, (2) analyzing results to determine whether program data as a whole are reliable and to identify systemic data issues or issues that should be addressed, and (3) verifying that findings are corrected in a timely manner and monitoring is complete.

---

<sup>14</sup> The "eCon Planning Suite" is an online tool designed to help grantees with their needs analysis and strategic decision making.

## SCOPE AND METHODOLOGY

---

We conducted the audit from our Hartford, CT, field office and at HUD's Office of Affordable Housing Programs in Washington, DC, between February and October 2012. The audit scope generally covered the period between January 2006 and January 2012.

To accomplish our objectives, we

- Reviewed the existing and proposed HOME regulations, the Departmental Management Control Program Handbook, the HUD Monitoring Desk Guide, and relevant handbooks and notices.
- Interviewed HUD officials to identify and obtain an understanding of controls over the HOME program and status of the proposed regulations.
- Reviewed the 77 HUD OIG audit reports issued during the period to identify systemic deficiencies and traced questioned costs to the Audit Resolution and Corrective Action Tracking System to identify any problems with recovering funds not spent in accordance with program requirements.
- Determined, if properly implemented, whether HUD's proposed regulation changes, combined with existing and proposed controls, provided reasonable assurance that systemic deficiencies identified in our reports will be prevented, detected, and corrected.

This audit was limited to a review of policies and procedures and, thus, we did not test the implementation of the controls. Therefore, our results may be relied upon only if HUD properly implements its proposed regulations and existing and planned controls, such as updating the monitoring handbook if and when the proposed regulation is final and taking appropriate corrective and remedial actions for noncompliant grantees.

Regarding our reliance on automated data,

- (1) We relied on HUD's automated Audit Resolution and Corrective Action Tracking System to identify the status of audit findings and the recovery of questioned costs. The risk of inaccurate data was low due to system controls and separation of duties between the audit and HUD officials responsible for maintaining the system. Thus, we performed minimal exception testing by following up with audit officials and grantees to verify the accuracy of data indicating problems with resolving findings or recovering questioned costs. Our limited testing indicated no material data errors. Thus, we believe the data were reliable for our audit objectives.
- (2) We considered data in HUD's GMP system. We used these data obtained by HUD to show the number of grantees tested and findings and concerns. These data did not materially affect our results; thus, we considered the data adequate for our purposes.

(3) We considered data in HUD's Integrated Disbursement and Information System. Our audit reports showed that the data reliability for this system was a systemic deficiency. Thus, we did not test the data during this audit and recommended that HUD validate the data (see finding 2).

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

# INTERNAL CONTROLS

---

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

---

## Relevant Internal Controls

We determined that internal controls over the following systemic deficiencies were relevant to our audit objective:

- Income eligibility
- Commitments and expenditures
- Property standards
- Stalled activities
- Terminated projects
- Reporting on the Integrated Disbursement and Information System
- Program income
- Unsupported and ineligible costs, including missing documents and improper procurement procedures
- Ownership and lease issues
- Monitoring grantees

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

## Significant Deficiencies

Based on our review, we believe that the following items are significant deficiencies:

- The Office of Affordable Housing Programs lacked procedures for and did not assess the effectiveness of its field offices' grantee monitoring efforts (see finding 1).
- The Office of Affordable Housing Programs did not have adequate controls to assess and ensure the reliability of HOME data in the Integrated Disbursement and Information System (see finding 2).

## FOLLOW-UP ON PRIOR AUDITS

---

During the audit, we reviewed 77 HUD OIG external and internal audit reports issued between January 2006 and 2012 to identify systemic deficiencies.

We limited our follow-up for external audits to findings with questioned costs to determine whether there were any systemic problems with recovering and realizing the questioned costs. We determined that there were no material issues with recovering questioned costs.

We limited our follow-up for internal audits to findings and recommendations related to the systemic HOME findings in the six internal reports issued during our audit period. Overall, the open recommendations were not in dispute, HUD had submitted its proposed corrective action plan to HUD OIG, and OIG agreed with proposed corrective actions. Therefore, we expected that the open recommendations would be resolved through the normal audit resolution process.<sup>15</sup>

We noted that one issue was affecting the closure of several HOME and other program findings. At issue was the method HUD used to account for grant funds and thereby account for compliance with statutory spending requirements. OIG's position was that the accounting method HUD used did not comply with Federal financial management system requirements. HUD did not agree, and OIG was waiting for a formal opinion from the U.S. Government Accountability Office. However, this issue did not impact our results or conclusions for this audit.

---

<sup>15</sup> See appendix A for a complete listing of the reports and open recommendations.

## APPENDIXES

---

### Appendix A

#### DETAILS OF OPEN INTERNAL AUDITS AND RECOMMENDATIONS

---

1. OIG Audit Report 2009-AT-0001, “HUD Lacked Adequate Controls to Ensure the Timely Commitment and Expenditure of HOME funds.” We recommended that HUD’s General Deputy Assistant Secretary for Community Planning and Development
  - 1a - Ensure that field offices require grantees to close out in a timely manner \$62,201,487 in activities reflected in its open activities report that are more than five years old and cancel the fund balances.
  - 1b - Require grantees to reimburse HUD from nonfederal sources any portion of the \$11,634,558 for activities listed in appendix C that HUD determines had been terminated, voluntarily or involuntarily. When making this determination, HUD should consider the grantees’ lack of timely physical completion and/or production of affordable housing occupied by HOME income-eligible individuals.
  - 1c - Recapture any shortfalls generated by the closure and deobligation of fund balances associated with the open activities.
  - 1d - Establish and implement controls to ensure that field offices require grantees 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.
  - 2a - Establish and implement procedures to monitor the accuracy of commitments that grantees enter into the information system. These procedures should include expanding HUD’s risk rating system to include risk factors for this review area and development of an appropriate monitoring checklist to ensure consistency and thoroughness of coverage among field offices.
  - 3a - Obtain a formal legal opinion from the Office of General Counsel on whether HUD’s cumulative technique for assessing compliance with commitment deadlines is consistent with and is an allowable alternative to the 24-month commitment requirement stipulated at Title II of the Cranston-Gonzalez National Affordable Housing Act.
  - 3b - Obtain a formal legal opinion from the Office of General Counsel on whether HUD’s first-in first-out method for assessing compliance with HOME expenditure requirements is consistent with and is an allowable alternative to the eight-year

recapture deadline pursuant to Public Law 101-510.

- 3c - Revise the regulations to ensure the procedures for assessing compliance with commitment and expenditure requirements are consistent with statutory requirements and discontinue use of the cumulative technique for assessing deadline compliance and the first-in first-out method to account for the commitment and expenditure of HOME funds.
2. OIG Audit Report Number 2009-CH-0002, “The Office of Affordable Housing Programs’ Oversight of HOME Investment Partnerships Program Income Was Inadequate.” We recommended that HUD’s General Deputy Assistant Secretary for Community Planning and Development require the Office to
- 1a - Require the 26 participating jurisdictions to disburse the \$39,611,376 in available Program income as of December 31, 2008, for eligible housing activities and/or administrative costs before drawing down Program funds from their treasury accounts as appropriate.
  - 1b - Implement adequate procedures and controls to ensure grantees disburse available Program income for eligible housing activities and/or administration costs before drawing down Program funds from their treasury accounts as appropriate. The procedures and controls should include but not be limited to updating HUD’s System to prevent participating jurisdictions from drawing down Program funds from their treasury accounts when they have available Program income and requiring participating jurisdictions to certify that they do not have available Program income when they draw down Program funds. In addition, the Office may need to implement interim procedures and controls until HUD’s System can be updated.
  - 2a - Implement adequate procedures and controls to ensure that grantees report Program income in HUD’s System accurately and in a timely manner. The procedures and controls should include but not be limited to creating a report from HUD’s System to identify grantees that may not be reporting all Program income in HUD’s System.
3. OIG Audit Report Number 2010-CH-0002, “The Office of Affordable Housing Programs’ Oversight of Resale and Recapture Provisions for HOME Investment Partnerships Program Assisted Homeownership Project Was Inadequate.” We recommended that HUD’s General Deputy Assistant Secretary for Community Planning and Development require the Office to
- 1a - Implement adequate procedures and controls to ensure that participating jurisdictions (1) include appropriate resale and/or recapture provisions in their consolidated and/or action plans and (2) implement appropriate resale or recapture provisions for their projects.

- 1b - Require the State of New York and Cobb County, GA, Consortium to reimburse their Programs \$30,000 and \$9,947, respectively, from non-Federal funds for the two projects that they did not ensure met HUD's affordability requirements.
  - 1c - Require the State of Montana to place a deed restriction, land covenant, affidavit, and/or lien on the property to ensure that it would recoup all or a portion of the \$3,139 in Program funds used for project number 3515 if the housing does not continue to be the principal residence of the household for the duration of the affordability period. If the State cannot place a deed restriction, land covenant, affidavit, and/or lien on the property, it should reimburse its Program \$3,139 from non-Federal funds.
4. OIG Audit Report 2010-FO-0003, "Additional Details To Supplement Our Report on HUD's Fiscal Years 2009 and 2010 Financial Statements." We recommended that CPD
- 1e - Determine whether the \$24.7 million in unexpended funds for the HOME program from fiscal years 2001 and earlier that are not spent in a timely manner should be recaptured and reallocated in next year's formula allocation.
  - 1f - Develop a policy for the HOME program that would track expenditure deadlines for funds reserved and committed to community housing development organizations and subgrantees separately.
  - 4a - Ensure that its programs are accounting for and reporting their financial and performance information in accordance with Federal financial management system requirements.
5. OIG Audit Report 2011-FO-0003, "Additional Details To Supplement Our Report on HUD's Fiscal Years 2010 and 2009 Financial Statements." We recommended that CPD
- 1a - Cease the changes being made to IDIS [HUD's Integrated Disbursement and Information System] for the HOME program related to the FIFO [first-in first-out] rules until the cumulative effect of using FIFO can be quantified on the financial statements.
  - 1b - Change IDIS so that the budget fiscal year source is identified and attached to each activity from the point of obligation to disbursement.
  - 1c - Cease the use of FIFO to allocate funds (fund activities) within IDIS and disburse grant payments. Match outlays for activity disbursements to the obligation and budget fiscal source year in which the obligation was incurred and match the allocation of funds (activity funding) to the budget fiscal year source of the obligation.
  - 1d - Include as part of the annual CAPER [consolidated annual performance evaluation report] a reconciliation of HUD's grant management system, IDIS, to

grantee financial accounting records on an individual annual grant basis, not cumulatively, for each annual grant awarded to the grantee.

- 2c - Review the 510 obligations which were not distributed to the program offices during the open obligations review and deobligate amounts tied to closed or inactive projects, including the \$27.5 million we identified during our review as expired or inactive.
  - 2g - In coordination with the CFO [Chief Financial Officer], develop and publish written guidance and policies to establish a benchmark for field directors to use to determine the validity of the open obligation. The guidance should include specific procedures for open obligation amounts, wherein the obligation was made prior to a specified amount of time, as well as disbursement inactivity beyond a specified amount of time.
  - 2h - In coordination with the CFO, develop procedures to periodically evaluate HUD's program financial activities and operations to ensure that current accounting policies are sufficient and appropriate and to ensure that they are implemented and operating by program and accounting staff as intended.
6. OIG Audit Report 2012-FO-0003, "Additional Details To Supplement Our Report on HUD's Fiscal Years 2011 and 2010 Financial Statements." We recommended that CPD
- 3d - Ensure that field offices have developed and implemented control activities, which are documented and can be periodically tested and monitored by the Office of Field Management, to ensure that the field offices have a system to ensure compliance with the requirements within the biennial risk analysis process Notices for Implementing Risk Analyses (CPD Notice 09-04) for Monitoring Community Planning and Development Grant Programs and the CPD Monitoring Handbook.
  - 3e - Review information within the GMP system for consistency and completeness and follow up with field offices when information is incomplete or inconsistent among the risk analysis, work plans, and completed monitoring efforts.
  - 3f - Ensure that all required information has been updated and entered into the GMP after the due dates for submissions have passed and follow up with field offices that have not entered their information.
  - 3g - Follow up on information in GMP to ensure that findings which had questioned costs have been repaid and noncompliance and internal control deficiencies have been addressed.
  - 3h - Develop, document, and implement internal control procedures for OAHP's [Office of Affordable Housing Preservation] review to ensure that grantees comply with the terms of the grant agreement, which require the grantees to perform monitoring procedures.

## Appendix B

# AUDITEE COMMENTS AND OIG'S EVALUATION

### Ref to OIG Evaluation

### Auditee Comments



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-7000

OFFICE OF THE ASSISTANT SECRETARY FOR  
COMMUNITY PLANNING AND DEVELOPMENT

JAN 21 2013

MEMORANDUM FOR: Edgar Moore, Regional Inspector General for Audit  
Boston Region, IAGA

FROM: Mark Johnston, Deputy Assistant Secretary for Special Needs, DN

SUBJECT: CPD Response to Draft Audit, *HUD's Proposed HOME Regulations Generally Addressed Systemic Deficiencies, but Field Office Monitoring and Data Validation Need Improvement*

In response to your memorandum of December 17, 2012, this serves as the Office of Community Planning and Development's (CPD) written comments regarding the above-referenced draft audit. We appreciate the opportunity to provide a written response in advance of issuance of a final audit.

The purpose of this audit was to determine whether the proposed rule issued for the HOME Program in December, 2011, and the HOME Integrated Disbursement and Information System (IDIS) "flags" implemented in May, 2012, would mitigate systemic deficiencies identified in previous HOME audits. The Office of Inspector General (OIG) conducted a roll-up of 77 prior HOME audits it had conducted of the HOME Program over a 6-year period to identify "systemic deficiencies." It also used information from the Audit Resolution and Corrective Action Tracking System (ARCATS) to identify the status of audit findings and recovery of questioned costs, as well as data it considered in the GMP Monitoring Module and the IDIS system.

The draft audit concludes that the HOME proposed rule, if properly implemented, should mitigate systemic deficiencies identified in previous OIG internal and external audits involving the HOME program. The draft audit similarly concludes that the HOME data input controls implemented in IDIS to improve data reliability should mitigate systemic deficiencies identified in prior OIG audits. The draft audit states that the OIG determined that HUD's proposed regulatory changes combined with existing and proposed controls, provided "reasonable assurance that systemic deficiencies identified in our reports will be prevented, detected and corrected." Despite this positive finding, the draft audit makes two findings directly related to CPD's oversight of program monitoring and lack of validation of HOME program data in IDIS.

CPD respectfully disagrees with the OIG's findings, which appear to be based upon: 1) an incomplete understanding of CPD's existing procedures related to monitoring and data assurance; and 2) imposition of standards that are neither clear nor defined, and which appear to exceed the applicable standards of assurance established by the U.S. Government Accountability Office (GAO) for Federal agencies in the administration of grant programs.

### Comment 1

# AUDITEE COMMENTS AND OIG'S EVALUATION

## Ref to OIG Evaluation

## Auditee Comments

### Comment 1

2

**Finding 1: HUD Officials' Oversight of Field Office Monitoring Efforts and Grantee Compliance Had Weaknesses**

The basis upon which the OIG made this finding is unclear. Specifically, the draft audit concludes that CPD did not determine whether monitoring was "complete and effective." However, the OIG does not define what constitutes "complete" or "effective" monitoring. Nor does OIG cite a specific Departmental or government-wide standard which it believes CPD is violating.

CPD's procedures comply with the GAO's *Standards for Internal Control in the Federal Government* (GAO/AIMD-00-21.3.1). These standards require Federal agencies to design and implement internal controls that provide a *reasonable* assurance of compliance. It appears that the standard being used in this draft audit is an *absolute* level of assurance of compliance.

CPD is guided by and is in full compliance with the Department's protocols for risk analysis (as implemented through CPD Notice 12-02), grantee monitoring (as outlined in the *HUD Monitoring Desk Guide* and implemented through *CPD Monitoring Handbook 6509.2*), and oversight of field office risk analysis and monitoring (as conducted through the Departmental Quality Management Review (QMR) process).<sup>1</sup>

The QMR is the Departmental protocol for overseeing field office monitoring and CPD fully complies with this protocol. However, the draft audit concludes that the QMR is not an effective tool for identifying deficiencies and should not be relied on as a sole source for assessing and overseeing monitoring. CPD's QMR standards contain questions that specifically address review of Field Office grants management efforts. Where QMR deficiencies are noted, they are brought to the attention of the CPD Field Office Directors. The OIG's basis for requiring CPD to exceed the Departmental standards for field office oversight that are applicable to all HUD program offices is unclear.

### Comment 2

In fact, CPD does not rely solely on the QMR to assess and oversee monitoring. Since 2007, CPD has supplemented the QMR process by conducting Compliance Monitoring Training for individual field offices. The training, which covers CPD's monitoring policies and processes, is customized for each field office based upon review and analysis of a sample of monitoring results for each CPD program from the GMP Monitoring Modules for that office. A total of 34 CPD Field Offices have received this training. CPD plans to continue to offer the training, as staff and travel resources permit.

### Comment 3

Further, CPD program offices and the CPD Office of Field Management regularly engage in discussions with CPD field offices regarding the identification and resolution of findings. As a result of these discussions, periodic review of monitoring letters, and review of OIG external audits, CPD adjusts risk assessment factors or their assigned scores, or revises CPD program monitoring exhibits used by CPD field staff to monitor. For example, in recent years the HOME Program

<sup>1</sup> *HUD Monitoring Desk Guide* (Section 2) states program offices "continually assess the effectiveness of monitoring practices, policies and procedures." The assessment is then used to issue specific monitoring goals and priorities, which is done via CPD's risk analysis notices. The *Desk Guide* makes clear that HUD's Management Plan is the primary mechanism for developing and implementing goals, objectives, and work plans.

# AUDITEE COMMENTS AND OIG'S EVALUATION

## Ref to OIG Evaluation

## Auditee Comments

### Comment 4

3

exhibits have been revised to include additional questions related to reporting of program income, resale and recapture requirements, and the accuracy of project commitment and completion dates in IDIS. CPD has also revised the instructions for HOME monitoring to make evaluation of each project's written agreement and comparison of the execution date of the written agreement and the project's IDIS funding date mandatory in all HOME program monitorings.

The draft audit also states that CPD is not in compliance with its policy that "field offices should monitor a limited number of grantees that they determine to be non-high risk to validate the soundness of the risk assessment criteria and obtain early warnings of potentially serious problems." (CPD 12-02, p. 7) CPD believes that the OIG has misinterpreted this provision. While the CPD notice, which is consistent with Section 7-6.B of the *Departmental Management Control Program Handbook* 1840.1, suggests that monitoring of non-high risk grantees can validate existing program risk criteria in individual cases, it does not commit CPD to systematically evaluating the results of non-high risk monitoring to determine the appropriateness of established risk factors. This is not the intent of the CPD Notice and CPD is not aware of any Departmental requirement to evaluate the appropriateness of risk criteria through monitoring of non-high-risk grantees.

Notwithstanding the absence of any requirement to undertake such evaluation, the draft audit concludes that the lack of such procedures may have resulted in fraud risk for grantees seldom or never monitored not being known or mitigated, systemic deficiencies not being tested, identified or mitigated, findings not resolved timely, continually noncompliance grantees not being identified and appropriate corrective actions not being taken to preserve the integrity of the program. It is important to note that the OIG has not substantiated that the lack of the recommended testing procedures has resulted or may result in the risks enumerated.

Each year, CPD Field Offices monitor a number of low- and moderate-risk grantees. (Since FY 2011, Field Offices have been permitted to devote up to 30% of their monitoring activities to non-high-risk grantees). Because CPD's policy, as stated in CPD 12-02 is to validate individual risk analysis results rather than systematically evaluate the appropriateness of risk analysis factors through non-high-risk grantee monitoring, it believes that its current policies and procedures are adequate.

Finally, it appears that the OIG is not aware that that CPD recently contracted for an independent assessment of its risk analysis and monitoring procedures. Representatives from CPD Field Offices and Headquarters' offices are currently participating in a working group that is assessing recommendations made by that independent contractor and identifying ways to improve and streamline CPD's existing risk analysis and monitoring processes. The work of this group is ongoing.

### Comment 5

**Finding 2: HUD Officials Had Improved Controls Over HOME Data, but Data Reliability Was Insufficient.**

### Comment 6

The draft report states that "if properly implemented, HUD's proposed changes to HOME regulations and controls should mitigate the systemic deficiencies identified in prior HUD OIG audit reports with the exception of (1) the program office's oversight of grantee monitoring and (2) validating the reliability of HOME data." However, CPD believes that this conclusion that data

# AUDITEE COMMENTS AND OIG'S EVALUATION

---

## Ref to OIG Evaluation

## Auditee Comments

### Comment 6

4

reliability is insufficient is speculative in nature, because the OIG has not tested or evaluated any HOME Program data entered in IDIS since the implementation of HOME system enhancements in May, 2012.

### Comment 7

In the draft audit, the OIG specifically identifies three common deficiencies in HOME data: 1) program income reporting; 2) commitments of HOME funds; and 3) untimely entry of project completion information. The IDIS enhancements implemented in the past year effectively address each of these deficiencies. Specifically, CPD has 1) implemented new functionality for program income that permits grantees, for the first time, to accurately report the receipt and expenditure of HOME program income; 2) implemented a new input control that requires grantees to specifically certify that they have executed a written agreement for HOME funds before entering a project commitment in IDIS; and 3) implemented a system of "flags" that specifically identify projects that may be stalled or may be complete without the required completion data being entered, and suspends the grantee's ability to set up new projects until certain actions are taken. Consequently, CPD has already adequately addressed the data issues that previous OIG audits have identified.

### Comment 8

The OIG appears to base this finding on its belief that CPD must validate all HOME program data in IDIS. The draft audit states that "monitoring data in the GMP database can and should be used to assess the overall reliability of HOME data in IDIS..." It appears that the OIG overestimated the possibility of using GMP information to validate HOME IDIS data. HOME IDIS data consist of specific project-related data such as: activity name, activity address, number of units, amount of HOME assistance committed and disbursed, leveraged funds, and beneficiary characteristics, among other data items. The information (as opposed to data) contained in GMP is the results of CPD monitoring reviews – usually in the form of monitoring exhibits scanned into the system as PDF files.

### Comment 9

It is not practicable to use information in the GMP system to validate specific data in IDIS. It is not possible, as the draft audit suggests, for the GMP database to be queried to show what data tests were completed. GMP aggregates information regarding areas monitored, findings, or concerns into categories. It is not possible to query GMP to obtain specific information regarding the frequency with which IDIS data are tested or the number of findings or concerns specifically related to accuracy of IDIS data. There is no systematic way to compare information contained in GMP with data contained in IDIS. The OIG appears to recognize this in recommendation 2A, by suggesting that statistical sampling or some other auditable method be used as an alternative to GMP data.

### Comment 10

CPD's process for validating IDIS data consists of: 1) CPD monitoring, which compares project data to IDIS data; and 2) the periodic review of HOME IDIS reports by HUD staff both at Headquarters and in the field. Monitoring by CPD Field Office staff is the chief method of IDIS data validation. During CPD monitoring visits, Field Office staff complete mandatory exhibits which require a review of IDIS data and documentation contained in a participating jurisdiction's project files. In addition, CPD staff at both the Headquarters and Field Office level review each participating jurisdiction's IDIS data on the various monthly and quarterly HOME reports as well as the pre-programmed IDIS reports. Quarterly review of IDIS and other program reports for each HOME grantee is included in the performance standards for CPD field office staff.

# AUDITEE COMMENTS AND OIG'S EVALUATION

---

## Ref to OIG Evaluation

## Auditee Comments

### Comment 10

5

The OIG's recommendations related to this finding are intended to ensure that the effectiveness and completeness of field office data monitoring efforts are continually assessed. The OIG has not defined either "effectiveness" or "completeness" or identified an applicable Departmental or government-wide standard as the basis of its recommendations.

CPD believes that the recently implemented input controls greatly limit the risk of HOME grantees entering invalid data into the system. In addition, the required certifications in IDIS further discourage participating jurisdictions from entering invalid data or making false claims to HUD. Further, the OIG recommendations could not be implemented without additional system and staffing resources. CPD believes that, absent substantial new evidence of a systemic problem with data accuracy, the current practice of data validation through monitoring and report review and the new IDIS input controls provide the reasonable level of assurance of data quality that GAO standards require.

#### Conclusion

CPD continually strives to manage its programs as effectively and efficiently as possible and to make business process improvements that are sound in nature and supports HUD's goals and mission. In this pursuit, CPD values OIG's input on its internal processes and relies on OIG's assistance in identifying individual and systemic program issues through its external audits. However, in this case, CPD believes that the OIG has not substantiated its findings with additional audit work or based them upon identifiable standards or requirements applicable to the Department or its programs. CPD is in full compliance with GAO standards and applicable Departmental standards and protocols. The OIG's recommendations go beyond what is required to attain a reasonable level of assurance of compliance or accuracy and, specifically in the case of recommendations 2A and 2B, are based upon a misunderstanding of what is feasible based upon the capability of CPD's existing systems.

### Comment 11

It is CPD's hope that, in response to these significant comments and concerns, OIG will consider making substantial changes to this draft audit.

If you have any questions regarding this response, please contact me or Yolanda Chávez, Deputy Assistant Secretary for Grant Programs at 202-708-2111.

## OIG Evaluation of Auditee Comments

- Comment 1**   OIG does not have an incomplete understanding of CPD’s existing monitoring procedures. We used HUD's and GAO's standard for determining whether monitoring was complete and effective. Specifically, HUD's Monitoring Desk guide Chapter 7 and the GAO consider monitoring complete and effective when deficiencies are corrected, the corrective action produces improvements, and it is decided that further management action is not needed. However, we believe that HUD officials lacked auditable and reliable procedures to verify that grantee deficiencies and findings observed during field office monitoring visits were adequately resolved. Our finding never mentions that absolute compliance is an expectation; thus, we recommend that CPD officials implement procedures to provide reasonable assurances to verify the extent to which its monitoring is effective and complete.
- Comment 2**   As stated in the report, QMR reviews were not an effective tool for identifying monitoring deficiencies and should not be relied on as a sole source for assessing and overseeing monitoring. Although CPD officials’s actions to implement training should improve monitoring; training in itself does not ensure that field offices will properly conduct monitoring, or that deficiencies will be identified and corrected. Thus, we made no recommendations regarding training in this report, and suggest that other methods to complement how CPD officials assess their monitoring efforts be developed.
- Comment 3**   We agree headquarters should communicate with the field offices. However, officials provided no evidence that these discussions resulted in an overall assessment of whether field offices properly conducted monitoring, identified deficiencies, and ensured that grantee deficiencies were adequately resolved.
- Comment 4**   HUD's policy is that when travel resources are available field offices should monitor a limited number of non-high risk grantees to validate the soundness of the risk assessment rating criteria and obtain early warnings of potentially serious problems. Thus, officials are correct in that the policy does not explicitly require CPD officials to evaluate the results of non-high risk monitoring to determine the appropriateness of risk assessment factors; however, CPD officials are responsible for establishing the risk assessment factors and procedures. Therefore, we maintain our recommendation that officials should analyze the results of this monitoring to determine if low risk grantees are being monitored, the results thereof, and whether any changes to the risk assessment procedures are warranted.
- Comment 5**   OIG encourages HUD officials in their efforts to improve monitoring; and acknowledge that the actions taken as a result of their contracting for an independent assessment of their risk analysis and monitoring procedures may be used to satisfy our recommendations if the actions ensure that CPD officials document and ensure that deficiencies are identified and corrected, and monitoring is completed per GAO standards.

- Comment 6** We disagree that the finding is speculative in nature, as prior OIG reports clearly showed that IDIS data was not always reliable. We asked CPD officials to show us what controls they implemented to increase data reliability and how they validated the data. Officials showed us the controls they implemented to increase data reliability, however, they lacked procedures to document how they validated the data.
- Comment 7** We agree HUD's new controls should increase data reliability however; during the audit and in their comments CPD officials provided no procedures or evidence to show the controls were effective and data was now reliable. Therefore, we maintain that they should develop specific procedures and controls to document how they validate the data. This process should be ongoing to ensure that IDIS data used to monitor program performance and compliance are valid and reliable.
- Comment 8** Our recommendation does not require HUD to validate all data nor do we imply that all data should be subjected to extensive validation procedures. HUD already performs some data validation during field office on-site reviews. Although each grantee is not tested the results of this sample could be used to draw conclusions regarding the integrity of HOME data as a whole. The level of validation and amount thereof is thus left to HUD's discretion.
- Comment 9** Field Office monitoring of grantees and the GMP data base are maintained at considerable expense to the taxpayers; and thus, we believe they should be used to their maximum extent. During the audit officials told us that they believed that the GMP could be queried at the question level with assistance from the contractor. However, some field offices were consolidating their monitoring results in pdf form rather than entering their results into the discrete GMP fields. Officials said this may have occurred because some staff is still not comfortable with computers and or perhaps as a time saving method. Nonetheless, by consolidating results in pdf form we agree the data is less usable. Thus, we suggest that CPD officials should consult with their contractor to determine if discrete GMP data fields can be developed and require field offices to enter monitoring results in the appropriate discrete GMP data fields, so that the data can be analyzed. If CPD officials do not use the GMP these changes may not be necessary.
- Comment 10** Regarding CPD's process for validating HOME IDIS data, CPD officials commented that; 1) CPD compares project data to IDIS data; and 2) headquarters and field offices periodically review HOME IDIS reports. However, during the audit in its comments CPD officials provided no records, reports, data or other auditable evidence to show that the new IDIS controls were effective and that IDIS data is now reliable. Thus, we maintain our recommendation that CPD should develop formal written procedures and obtain auditable and verifiable information to validate data. This can be achieved using GMP monitoring data, statistical sampling, or some other method that shows IDIS data is reliable.

As for the basis for our decision, OIG auditors used HUD's Monitoring Desk guide Chapter 7 and the GAO standards that consider monitoring complete and effective when deficiencies are corrected, the corrective action produces improvements, and it is decided that further management action is not needed.

Note, we did not define the degree to which CPD officials should ensure field offices are testing grantees for HOME IDIS data. We are leaving that to CPD officials to define and determine what is practicable.

**Comment 11** Congress has tasked OIG and HUD to increase controls over the HOME program. At a minimum, CPD officials' oversight should provide reasonable assurance that known instances of noncompliance are addressed and corrected. Therefore, we strongly disagree that our findings are not substantiated. Finding one is being reported in part because CPD officials did not know and did not show that the 591 HOME compliance and performance findings reported to Congress were resolved. We reported finding two because HUD uses IDIS to monitor compliance and prior OIG audit reports showed that IDIS data was not reliable and during our review CPD officials did not have auditable and verifiable procedures to show that HOME IDIS data were verified and reliable.

## Appendix C

### CONCLUSIONS REGARDING SYSTEMIC DEFICIENCIES

---

During our review we rolled up the results of 77 OIG issued audit reports on HUD's HOME program. Specifically, we identified and classified ten systemic HOME deficiency areas and ranked them below in order of occurrence.

	<u>Common Areas</u>	Deficiencies reported in	
		<u>6 Internal audit reports</u>	<u>71 External audit reports</u>
1	Unsupported and Ineligible Costs	0	139
2	Reporting on IDIS	4	55
3	Commitments and Expenditures	3	50
4	Property Standards	0	46
5	Inadequate Monitoring Procedures	3	32
6	Program Income	1	27
7	Income Eligibility	0	25
8	Terminated Projects	1	22
9	Ownership/ lease issues	1	15
10	Stalled Activities	<u>1</u>	<u>12</u>
	<b>Totals:</b>	<b>14</b>	<b>423</b>

We reviewed HUD's proposed regulations and preventive, detective, and corrective controls pertaining to common deficiency areas and concluded that if properly implemented, HUD's proposed changes to the HOME regulations and controls should mitigate the systemic deficiencies identified in prior HUD OIG audit reports<sup>16</sup>.

---

<sup>16</sup> With the exception of (1) the program office's oversight of grantee monitoring (See Finding 1), and (2) validating the reliability of HOME data (See Finding 2).