

OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT TO CONGRESS

OCTOBER 1, 2012 – MARCH 31, 2013

DEDICATION

RESPONSE

OVERSIGHT



U.S. DEPARTMENT
OF HOUSING
AND URBAN
DEVELOPMENT



OUR MISSION

- The Office of Inspector General will**
- Conduct and supervise independent audits, fraud reviews, evaluations, and civil and criminal investigations relating to the programs and operations of the Department;
 - Promote economy, efficiency, and effectiveness in the administration of U.S. Department of Housing and Urban Development (HUD) programs and operations;
 - Prevent and detect fraud and abuse in such programs and operations;
 - Provide a means for keeping the HUD Secretary and Congress fully informed about current problems and deficiencies; and
 - Benchmark best practices and recommend corrective actions in HUD's programs and operations.



Inspector General Montoya, shown with Attorney General Eric Holder and HUD Secretary Shaun Donovan at a U.S. Department of Justice (DOJ) Press Conference, October 9, 2012

SOURCE: DOJ



OUR GOALS

1 **Effectiveness:** Help the Department address its “major challenges” by being a relevant and problem-solving advisor to HUD, stakeholders, and Congress. 2 **Timeliness:** Deliver relevant products that allow the Department to act on time-sensitive issues. 3 **Quality:** Provide services and products that can be relied upon to address vulnerabilities, provide opportunities for improvements, and recognize positive outcomes. 4 **Impact:** Deliver services and products that can be used by recipients to make informed decisions, take appropriate actions, and improve programs. 5 **Innovation:** Develop new and better ways of conducting business to enhance our organizational performance and to support a diverse and skilled workforce.

PROFILE OF PERFORMANCE

Audit profile of performance for the period October 1, 2012, to March 31, 2013

RESULTS	THIS REPORTING PERIOD
Recommendations that funds be put to better use	\$739,511,263
Recommended questioned costs	\$770,413,427
Collections from audits	\$1,021,082,054
Administrative sanctions	1
Subpoenas	111

Investigation profile of performance for the period October 1, 2012, to March 31, 2013

RESULTS	THIS REPORTING PERIOD
Recoveries and receivables	\$74,985,486
Arrests	196
Indictments and informations	225
Convictions, pleas, and pretrial diversions	270
Civil actions ¹	21
Total administrative sanctions	112
Suspensions	51
Debarments	50
Removal from program participation	11
Systemic implication reports	7
Personnel actions ²	16
Search warrants	33
Subpoenas	479

Hotline profile of performance for the period October 1, 2012, to March 31, 2013

RESULTS	THIS REPORTING PERIOD
Funds put to better use	\$1,667,699
Recoveries and receivables	\$173,405
Hotline complaints processed related to OIG mission	700

1 Civil actions no longer include contact letters.

2 Personnel actions include reprimands, suspensions, demotions, or termination of the employees of Federal, State, or local governments or of Federal contractors and grantees as the result of Office of Inspector General (OIG) activities.

DURING THIS REPORTING PERIOD,

WE HAD NEARLY **\$740 MILLION** IN FUNDS

PUT TO BETTER USE, QUESTIONED COSTS

OF **\$770 MILLION**, AND MORE THAN

\$1 BILLION IN COLLECTIONS RESULTING

FROM **49 AUDIT REPORTS** AND NEARLY

\$75 MILLION IN RECOVERIES DUE TO OUR

INVESTIGATIVE EFFORTS.

IT IS WITH A SENSE OF SINCERE **GRATITUDE AND COMMENDATION** TO OUR STAFF

that I present to you the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) Semiannual Report to Congress for the first half of fiscal year 2013. This report is the culmination of efforts by a dedicated group of auditors, investigators, attorneys, and various support staff. I am grateful to be surrounded by a remarkable and talented staff.



During this reporting period, we had nearly \$740 million in funds put to better use, questioned costs of \$770 million, and more than \$1 billion in collections resulting from 49 audit reports and nearly \$75 million in recoveries due to our investigative efforts. We also had 225 indictments

and informations, 270 convictions, and 196 arrests during this reporting period. This extraordinary work has contributed to better accountability of HUD programs and operations.

A few of our high-profile audits this period were targeted to high-risk areas with particular focus on HUD's Hurricane Disaster Recovery program for hurricanes that hit the Gulf Coast States from August 2005 through September 2008. Our summary report of our prior audits found that the States used disaster funding primarily to assist communities in repairing and rebuilding housing, compensating homeowners, repairing infrastructure damage, and providing economic development. The report provides many lessons learned, some of which HUD has already implemented. However, the States could improve on reporting their activities, as some of their activities had no or nominal progress reported because they did not generally report their progress until the projects were complete. In addition, while the States generally met the various statutory mandates, several States had not met two mandates.

Although the States had made progress, based on our prior audits and a review of the program's data, there have been some lessons to be learned regarding deadlines, program guidance, information system technology acquisitions, procurements, and homeowners' insurance.

If HUD makes needed changes, it should improve the effectiveness and efficiency of the Hurricane Disaster Recovery program.

In a related disaster recovery matter, our evaluation of the State of Louisiana's Road Home Elevation Incentive program questioned the disbursement of nearly \$700 million. More than 24,000 homeowners were given up to \$30,000 to elevate their homes, but the State was unable to document that the funds were used as required. We found instead that the funds were used for shelter, food, and other living expenses. We recommended that the State complete its documentation process and recover funds when work was not done.

A key area of investigative activity has been mortgage fraud. In one case, nine individuals at a large bank pled guilty to conspiracy to submit false statements in loan applications to the Federal Housing Administration (FHA). The case involved approximately 1,900 FHA loans with a potential loss to FHA of \$30 million. The defendants' sentences included Federal prison terms that ranged from 30 days to 10 years.

Since its creation in 1974, OIG has been a leader in the effort to fight waste, fraud, and abuse in nearly 300 HUD programs, along with its oversight of American Recovery and Reinvestment Act stimulus funding, disaster recovery, and the recent financial crisis. I would once again like to express my appreciation to Congress and the Department for their sustained commitment to addressing the top challenges facing HUD's programs. I also extend my sincere appreciation to the staff of OIG for its commitment to our mission and conducting its work in the most outstanding fashion.

A handwritten signature in black ink that reads "David A. Montoya". The signature is stylized and cursive.

David A. Montoya | Inspector General



TRENDING

SUPERSTORM SANDY

The destruction and aftermath of Superstorm Sandy will be a focus and challenge for the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG). Congress provided \$16 billion in supplemental appropriations through HUD's Community Development Block Grant (CDBG) Disaster Recovery program to help communities recover from the superstorm. To address the enormous task of enforcement and oversight, we have designated Regions 2 and 3 to perform the bulk of Sandy oversight. Our audit, investigative, and inspections staff will provide a continuing and comprehensive review of the expenditure of funds and administration.

Two key audits issued during this reporting period on the heels of Sandy were the review of the overall assessment of HUD's Disaster Recovery program in the Gulf Coast States and an Inspections and Evaluations Division follow-up report on the State of Louisiana's Road Home Elevation Incentive Program. These two reports

were significant in light of the \$16 billion in HUD disaster funding.

The disaster assessment report recommended improvements in administration, procurement, and contracting by the disaster grantees. In addition, the report recommended that grantees complete activities in a timely manner and that HUD closely monitor grantees to ensure that they meet statutory requirements. The Louisiana Road Home report, which concluded that the State did not have evidence that homeowners who received funds to elevate their homes completed the projects, determined that the cost to the government was \$698.5 million.

HUD OIG has been working jointly with HUD's disaster staff to ensure that the lessons learned from previous disasters will be considered in the approval of the grantees' work plans and HUD's disaster guidance. HUD disaster staff, prior disaster grantees, and OIG staff participated in a joint training session. The training focused on the changes in program requirements resulting from lessons learned during prior disasters.

CIVIL FRAUD

Civil fraud investigations continue to be an area of emphasis. In 2010, HUD OIG created a separate and distinct team of employees who focused solely on civil fraud. Recently, HUD OIG enhanced the group by dedicating investigative expertise and renaming it the Joint Civil Fraud Division. This new division is tasked with investigating fraud nationwide and pursuing civil actions and administrative sanctions against entities and individuals that commit fraud against HUD.

The Joint Civil Fraud Division pursues civil actions and administrative sanctions under a variety of statutes, including the False Claims Act; Program Fraud Civil Remedies Act; and Financial Institutions Reform, Recovery, and Enforcement Act. The division also pursues debarments, suspensions, and limited denials of participation. Besides the more traditional use of civil and administrative tools, the division is pursuing referrals to State boards of licensing agencies for entities and individuals that commit civil fraud to the detriment of HUD (for example,

independent public accountants, notaries, attorneys, etc.).

The division works closely with the U.S. Department of Justice, U.S. Attorney’s Offices, and HUD’s Office of General Counsel to investigate and convey civil cases. The partnerships forged between the division and prosecutors have yielded unprecedented outcomes. In the past year, joint efforts have resulted in nearly \$1.3 billion in settlements and court-ordered judgments. Mortgage-related fraud will continue to be an important area of investigation in the future, as the division is currently conducting a number of mortgage fraud-related cases. Additionally, the Joint Civil Fraud Division is expanding its focus to conduct more investigative work in HUD’s other main program areas of community planning and development, public housing, and multifamily housing with an emphasis on grant fraud.

JOINT INITIATIVES

As part of its strategic plan this year, OIG identified nine initiatives that are being worked jointly between our Offices of Audit and Investigation. These initiatives were selected as they are some of the most intractable problems that OIG repeatedly finds in its work. Therefore, the joint working groups are looking for root causes. This initiative is also focused on bringing together diverse skill sets from the Offices of Audit and Investigation, in hopes of developing new approaches to these longstanding issues. The initiatives are

- FHA appraisals and high-risk appraisers
- Strengthening HUD’s real estate-owned program
- Community planning and development program oversight and grantee performance
- Review of lender oversight
- Operation Home Rules – Englewood Joint Initiative
- City of Detroit MI’s Neighborhood Stabilization Program-funded demolition activities
- Community planning and development subrecipients and developers
- Multifamily housing program
- Preforeclosure sales

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ONE

SINGLE-FAMILY PROGRAMS

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.

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

KEY PROGRAM RESULTS	8 audits
QUESTIONED COSTS	\$3 million
FUNDS PUT TO BETTER USE	\$1.4 million

REVIEW OF HUD'S OVERSIGHT OF ITS HOME EQUITY CONVERSION MORTGAGE PROGRAM

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), audited HUD's oversight of its Home Equity Conversion Mortgage (HECM) Program, also known as a reverse mortgage, to determine whether HUD controls prevented borrowers from renting their properties to Section 8 Housing Choice Voucher program participants. This objective serves as a way to determine whether borrowers have falsely certified that the property associated with the HECM loan is their primary residence.

HUD policies did not always ensure that borrowers complied with Program residency requirements. Of 174 borrowers reviewed, 37 were not living in the property associated with the loan and were renting the property to Section 8 voucher participants contrary to residency requirements. As a result, 37 insured loans were ineligible and should be declared in default and due and payable to reduce the potential risk of loss of nearly \$525,000 to HUD's insurance fund.

OIG recommended that HUD (1) direct the applicable lenders to verify and provide documentation of the borrowers' compliance with the Program residency requirement or for each noncompliant borrower, declare the loan due and payable and (2) implement control policies or procedures to at least annually match borrowers' information with Section 8 voucher participant data to prevent or mitigate instances of borrowers renting out their properties to Section 8 voucher participants. (Audit Report: **2013-PH-0002**)

REVIEW OF LOANS UNDERWRITTEN BY STANDARD PACIFIC MORTGAGE

HUD OIG conducted a limited review of FHA loans underwritten by Standard Pacific Mortgage, Inc., in **Irvine, CA**, to determine the extent to which Standard Pacific Mortgage failed to prevent the recording of prohibited restrictive covenants or potential liens in connection with FHA-insured loans closed between January 1, 2008, and December 31, 2011.

Standard Pacific Mortgage did not follow HUD requirements regarding free assumability and liens when it underwrote loans that had executed and recorded agreements between Standard Pacific Homes and the FHA borrower, containing prohibited restrictive covenants and liens in connection with FHA-insured properties. As a result, 90 FHA-insured loans were found with a corresponding prohibited restrictive covenant and lien recorded with the applicable county recording office; consequently, Standard Pacific Mortgage placed the FHA fund at unnecessary risk for potential losses.

OIG recommended that HUD determine legal sufficiency and if legally sufficient, pursue civil remedies, civil money penalties, or other administrative action against Standard Pacific Mortgage, its principals, or both for incorrectly certifying to the integrity of the data or that due diligence was exercised during the origination of FHA-insured mortgages. OIG also recommended that HUD require Standard Pacific Mortgage to (1) reimburse the FHA fund for more than \$1.5 million in actual losses resulting from the amount of claims and associated expenses paid on 15 loans that contained prohibited restrictive covenants and liens, (2) support the eligibility of nearly \$1.4 million in claims paid or execute an indemnification agreement requiring any unsupported amounts to be repaid for claims paid on 13 loans for which HUD has paid claims but not sold the properties, (3) analyze all FHA loans originated or underwritten beginning January 1, 2008, and nullify all active restrictive covenants or execute indemnification agreements that prohibit it from submitting claims on those loans, and (4) follow 24 CFR (Code of Federal Regulations) 203.32 and 203.41 by excluding restrictive language and prohibited liens for all new FHA-insured loan originations and ensure that policies and procedures reflect FHA requirements. The five active loans with prohibited restrictive covenants carry a potential loss of nearly \$545,000 that could be put to better use. (Audit Memorandum: **2013-LA-1801**). *In addition to the review cited above, HUD OIG is in the process of conducting reviews of restrictive covenants at three additional lenders.*

REVIEW OF REAL ESTATE-OWNED MANAGEMENT AND MARKETING III PROGRAM

HUD OIG audited Ofori & Associates, PC, in **Hartford, CT**, regarding its HUD real estate-owned (REO) Management and Marketing III program, to determine whether Ofori complied with case processing requirements and timeframes to obtain the highest net return for HUD's REO inventory and minimize holding time.

Ofori officials did not always comply with case processing requirements and timeframes for the disposition of REO properties assigned to them. Specifically, they did not always perform all case processing requirements or perform case processing requirements in a timely manner to minimize holding time and costs to HUD. They also did not adequately document information in case files and the P260 computer system. As a result, HUD did not have assurance that it always received the highest net return on its REO inventory and that holding time and costs were minimized.

OIG recommended that HUD (1) require Ofori officials to establish sufficient internal controls to ensure that contract and marketing plan requirements are performed adequately and in a timely manner and (2) provide guidance to Ofori officials regarding adequately documenting P260 and the property case files and ensure that Ofori develops adequate controls to ensure that all required documentation is included in the property case files and uploaded to P260. (Audit Report: **2013-BO-1001**)

INVESTIGATION

PROGRAM RESULTS	
ADMINISTRATIVE-CIVIL ACTIONS	61
CONVICTIONS-PLEAS-PRETRIAL DIVERSIONS	81
FINANCIAL RECOVERIES	\$39,445,414

NINE BANK OFFICIALS SENTENCED IN \$30 MILLION LOAN FRAUD

A former senior vice president and loan officer, a former senior vice president of residential lending, two former underwriters, a former loan officer, three former loan processors, and an administrative assistant at a large bank pled guilty to conspiracy to submit false statements in loan applications and submitting false statements in loan applications to FHA. The defendants were involved in originating and approving FHA-insured loans and conventional loans that contained fraudulent information. The defendants' sentences included prison terms that ranged from 30 days to 10 years in Federal Prison to 30 days in Federal prison. The case involved approximately 1,900 FHA loans with a potential loss to FHA of \$30 million. This case was worked jointly with the Federal Bureau of Investigation (FBI), Internal Revenue Service, and Postal Inspection Service. **(Tacoma, WA)**

SETTLEMENT AGENT SUSPENDED BY HUD FOR ROLE IN MORTGAGE FRAUD SCHEME

A former settlement agent and owner of a title company was suspended from participation in procurement and nonprocurement transactions as a participant or principal with HUD and throughout the Executive Branch of the Federal Government. The defendant pled guilty to money laundering and illegally distributing loan funds as an escrow agent. Additionally, the defendant was sentenced in October 2012 to 3 years Federal probation and ordered to pay \$42,404 in restitution and a \$20,000 fine. This case was worked jointly with the New Jersey Attorney General's Office, New Jersey Division of Criminal Justice, and Federal Housing Finance Agency OIG. **(Morris County, NJ)**

REAL ESTATE PARALEGAL DEBARRED BY HUD FOR ROLE IN MORTGAGE FRAUD

A former real estate paralegal who owned and operated a company to assist with real estate closings was debarred from procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government for an indefinite period. The defendant had previously pled guilty to and was sentenced for conspiracy to commit mail and wire fraud stemming from her participation in a mortgage fraud scheme in which materially false closing documents were used for obtaining both conventional and FHA-insured mortgages. The defendant was sentenced to 33 months in Federal prison, followed by 18 months supervised released, and held jointly responsible with coconspirators for restitution of \$6.3 million. This case was worked jointly with the FBI. **(New London, CT)**

ELDERLY TARGET OF HOME EQUITY CONVERSION MORTGAGE FRAUD

A South Carolina woman pled guilty to exploitation of a vulnerable adult and was sentenced to 60 months supervised release and ordered to pay restitution to the elderly victim. The defendant befriended the victim and used this relationship to aid the vulnerable adult in obtaining a HECM loan. The defendant later used the loan proceeds for her own personal gain without the homeowner's knowledge. This case was worked jointly with the South Carolina Law Enforcement Center. (**Columbia, SC**)

REAL ESTATE DEVELOPER SENTENCED IN SCHEME TARGETING UNSUSPECTING BUYERS

A real estate developer was sentenced to 36 months in Federal prison, followed by 5 years supervised release, and ordered to pay more than \$1.9 million in restitution to HUD. The defendant owned and operated multiple companies, which purchased, renovated, and sold residential real estate properties to unsophisticated and unqualified borrowers. In furtherance of this scheme, the defendant and others assisted unqualified borrowers by submitting false loan applications with inflated assets and income, false HUD-1 settlement statements, inflated appraisals by unlicensed appraisers, false leases, and fraudulent verification of employment and verification of residence forms for at least 26 HUD-insured mortgages. (**Newark, NJ**)

APPRAISER ACCEPTS RESPONSIBILITY FOR CRIMES

A former licensed real estate appraiser pled guilty to false statements to a federally insured credit union for overvaluing properties. The defendant knowingly misrepresented residential appraisal values to FHA to generate refinances. These appraisals were used to lure homeowners to refinance against a home value that did not exist. Several of these properties were later foreclosed upon, causing a loss to FHA. This case was worked jointly with the FBI. (**Davenport, IA**)

FRAUDSTERS SENTENCED IN SWINDLE OF DISTRESSED HOMEOWNERS

An unlicensed loan officer and a former loan modification broker were collectively sentenced to 37 months incarceration, followed by 8 years supervised probation, and ordered to pay more than \$1 million in restitution. The defendants' sentences were a result of guilty pleas from criminal charges involving wire fraud, mail fraud, and theft of government property. These defendants met with more than 100 homeowners and indicated that for an upfront fee, they could reduce the principal balance of their mortgage loans through two Federal programs: HUD's HOPE for Homeowners (H4H) program and the U.S. Department of the Treasury's Troubled Asset Relief Program. From May 2008 to January 2010, the defendants operated a foreclosure rescue scheme targeting distressed homeowners who were seeking H4H loans. However, these upfront fees were not used for their intended purpose, and as a result, many of these homeowners lost their properties to foreclosure. These cases were worked jointly with the Social Security Administration OIG, Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), and the United States Postal Inspection Service. (**Las Vegas, NV**)

INDUSTRY PROFESSIONAL SENTENCED IN MORTGAGE RELIEF SCAM

A loan modification broker was sentenced to 5 years Federal probation and ordered to pay restitution to more than 200 distressed homeowners as a result of an earlier guilty plea to mail fraud. The defendant operated a foreclosure rescue scheme targeting distressed homeowners, including FHA borrowers, who were seeking principal reduction assistance. As part of the scheme, upfront fees totaling \$762,143 were collected but not used to assist homeowners in obtaining assistance. This investigation was worked jointly with SIGTARP and the United States Postal Inspection Service. **(Las Vegas, NV)**

FORMER LOAN OFFICER PLEADS GUILTY IN MORTGAGE FRAUD

A former loan officer pled guilty to one count of conspiracy to commit wire fraud for his role in a mortgage fraud scheme. As a loan officer, he conspired with other loan officers, loan processors, and underwriters to submit fraudulent employment information on at least 44 unqualified borrowers to make them appear qualified for FHA-insured mortgages. Many of those mortgages went into default after the borrowers failed to pay the mortgages, resulting in a loss of more than \$5.7 million to HUD. **(Miami, FL)**

MORTGAGE FRAUD FUGITIVE BROUGHT TO JUSTICE

A former real estate professional, who had become a fugitive after fleeing the country for 9 years pursuant to a 2003 indictment for Federal violations pertaining to conspiracy and filing false statements with HUD, was sentenced to 6 months incarceration, followed by 1 year supervised probation, and ordered to pay \$408,156 in restitution to HUD. In 2003, the defendant conspired to recruit “straw buyers” and nonqualifying buyers and purchase fraudulent documents for the purpose of obtaining FHA-insured loans. The fraudulent actions caused the funding of at least \$829,824 in FHA-insured mortgages and resulted in the foreclosure of five FHA-insured properties. After his indictment, the subject fled and did not appear for his preliminary hearing. The subject was arrested on December 13, 2012, at the Immigration and Customs Office in Riverside, CA, after applying for a travel visa. **(Los Angeles, CA)**

TWO

PUBLIC AND INDIAN HOUSING PROGRAMS

The U.S. Department of Housing and Urban Development (HUD) provides grants and subsidies to 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.

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

KEY PROGRAM RESULTS	7 audits ³
QUESTIONED COSTS	\$147,000
FUNDS PUT TO BETTER USE	\$152,000

SECTION 8 HOUSING CHOICE VOUCHER PROGRAM

HUD's Office of Inspector General (OIG) completed a corrective action verification of a recommendation made to HUD pertaining to OIG's review of the City of **Hawthorne, CA's** Section 8 program, Audit Report 2011-LA-1008, issued March 28, 2011. The purpose of the corrective action verification was to determine whether HUD officials appropriately closed audit recommendation 1A.

HUD officials inappropriately closed the recommendation by using nearly \$769,000⁴ in Federal funds as an offset against questioned Section 8 costs. OIG recommended that HUD reopen the recommendation in its Audit Resolution and Corrective Action Tracking System. (Audit Memorandum: **2013-LA-0802**)

³ The total public and Indian housing audits, questioned costs, and funds put to better use amounts include American Recovery and Reinvestment Act of 2009 (four audits) type audits conducted in the public and Indian housing area. The writeups for these audits may be found in chapter 5 of this semiannual report.

⁴ This amount is not included in total questioned costs above because it was included in Semiannual Report to Congress 65, which contained the original audit (2011-LA-1008).

INVESTIGATION

PROGRAM RESULTS	
ADMINISTRATIVE-CIVIL ACTIONS	46
CONVICTIONS-PLEAS-PRETRIAL DIVERSIONS	157
FINANCIAL RECOVERIES	\$8,783,507

FORMER TENANT POSING AS A LANDLORD SENTENCED IN SEVERAL SCHEMES

A former Cuyahoga Metropolitan Housing Authority tenant and landlord was sentenced to 48 months in Federal prison, followed by 5 years Federal probation, and ordered to pay \$54,416 in restitution to the Authority. In addition, \$2.03 million in restitution was ordered to be paid to various banks. The defendant previously pled guilty to theft of government funds and bank fraud. The defendant failed to disclose ownership interest in the unit she was residing in as a HUD Section 8 tenant and received \$54,416 in rental subsidies she was not entitled to receive. Further, the defendant recruited “straw buyers” and ensured that they qualified for mortgage financing by providing false information on their loan applications for conventional mortgages, which were eventually foreclosed upon, causing a \$2.06 million loss to several financial institutions. This investigation was worked jointly with the Internal Revenue Service, Criminal Investigation Division. **(Cleveland, OH)**

FORMER HOUSING AUTHORITY EMPLOYEE SENTENCED FOR EMBEZZLEMENT

A former Bessemer Housing Authority employee was sentenced to 30 months in Federal prison, followed by 36 months Federal probation, and ordered to pay the Authority and other entities defrauded in the scheme \$198,700 in restitution. The defendant previously pled guilty to embezzlement and identity theft. The defendant embezzled money and committed identity theft by illegally writing 28 checks from the Authority's operating account to herself or others without their knowledge. HUD OIG conducted this investigation. **(Birmingham, AL)**

FORMER HOUSING AUTHORITY FINANCE DIRECTOR CAUGHT IN SCAM

The former finance director of the Coeur d' Alene Tribal Housing Authority was sentenced to 5 years Federal probation and ordered to pay \$28,275 in restitution. The defendant issued unauthorized paychecks and payroll advances and authorized bank transfers from the Authority's account to herself for unapproved personal expenses. This investigation was worked jointly with the Federal Bureau of Investigation. **(Coeur d' Alene, ID)**

THREE

MULTIFAMILY HOUSING PROGRAMS

In addition to multifamily housing developments with U.S. Department of Housing and Urban Development (HUD)-insured or HUD-held mortgages, the Department owns multifamily projects acquired through foreclosure, subsidizes rents for low-income households, finances and insures 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	4 audits
QUESTIONED COSTS	\$7.2 million
FUNDS PUT TO BETTER USE	-0-

REVIEW OF HUD'S OVERSIGHT OF THE ASSISTED LIVING CONVERSION PROGRAM

HUD's Office of Inspector General (OIG) audited HUD's oversight of the Assisted Living Conversion Program to determine whether HUD had adequate oversight of the program and found that HUD did not always ensure that grant applications contained eligible work items or construction activities. Specifically, 9 of the 19 grant applications reviewed contained items or construction activities that were not directly related to the conversion of units and common space for assisted living. Further, HUD did not ensure that the performance period for six grants did not exceed 18 months.

HUD also did not always ensure that grantees submitted required biannual progress reports before it released payments and ensure that it conducted bimonthly onsite inspections of the construction activities as required.

As a result, HUD lacked assurance that (1) grant funds were used solely for eligible activities as prescribed by the program requirements and guidance, (2) projects would be completed in a timely manner and without unnecessary waste to meet the special needs of the elderly and disabled persons, and (3) funds were properly used to meet the program objectives. Further, HUD did not effectively protect its interest.

OIG recommended that HUD (1) identify the ineligible items and seek reimbursement from grantees from non-Federal funds for completed projects or adjust grant amounts accordingly for active projects; (2) determine the eligibility of items or activities; and (3) implement adequate policies, procedures, and controls to address the deficiencies cited. (Audit Report: **2013-CH-0001**)

REVIEW OF MULTIFAMILY MANAGEMENT AGENTS

HUD OIG audited Bay Vista Methodist Heights, **San Diego, CA**, to determine the full extent of the misuse of HUD's trust funds.

Bay Vista violated its trust fund agreement with HUD. Specifically, it used trust funds without HUD's approval for ineligible operating expenses. In addition, Bay Vista could not support expenditures on draw requests that were approved by HUD.

OIG recommended that HUD require Bay Vista to (1) repay more than \$5 million to the trust fund from non-Federal funds; (2) support an additional \$1 million or repay the trust; (3) replace the management agent with a non-identity-of-interest agent; and (4) implement policies, procedures, and controls to restrict the use of trust funds to only allowable expenses and ensure that the trust funds are not commingled with other funds. (Audit Report: **2013-LA-1003**)

HUD OIG audited McClain Barr and Associates (management agent) in **Summerfield, NC**, to determine whether HUD's concerns regarding the management of HUD-assisted properties had merit and whether the frontline costs that the management agent charged its HUD properties complied with its regulatory and management agreements or other HUD requirements.

The management agent did not follow HUD's requirements for charging its properties frontline expenses. It failed to maintain documentation supporting the eligibility of its charges, made charges based on budgeted amounts, charged management agent staff costs to properties, and charged some ineligible items. As a result, the agent may have deprived the properties of more than \$872,000, which could have been used for project operations, improvements, or other allowable expenditures.

OIG recommended that HUD require the management agent to support that it properly charged its HUD properties nearly \$804,000 for frontline costs and repay more than \$68,000 in ineligible frontline charges. OIG also recommended that HUD review the eligibility of the remaining 2012 frontline costs that occurred after the audit period and require the management agent to begin charging its HUD properties only actual eligible frontline expenses as outlined in the requirements. (Audit Report: **2013-AT-1002**)

INVESTIGATION

PROGRAM RESULTS	
ADMINISTRATIVE-CIVIL ACTIONS	23
CONVICTIONS-PLEAS-PRETRIAL DIVERSIONS	18
FINANCIAL RECOVERIES	\$25,321,171

OWNER OF FHA-INSURED NURSING HOME SUSPENDED

The owner of an Federal Housing Administration (FHA)-insured nursing home was suspended from participation in procurement and nonprocurement transactions as a participant or principal with HUD and throughout the Executive Branch of the Federal government. The suspension was based on a Federal conviction of one count of bankruptcy fraud. The defendant embezzled more than \$800,000 from the nursing home, which was in bankruptcy proceedings. The defendant was previously sentenced to 18 months Federal incarceration, followed by 2 years supervised release, and ordered to pay \$495,212 in restitution. **(Hartford, CT)**

FORMER SECTION 8 TENANT SENTENCED FOR IDENTITY THEFT AND CONSPIRACY

A former tenant of a HUD-insured and subsidized multifamily project was sentenced to 1 month and 1 day Federal incarceration, followed by 3 years supervised release, and ordered to pay \$92,979 in restitution to HUD. This sentence was a result of an earlier guilty plea to conspiracy and aggravated identity theft. The defendant used the identity of her sister to obtain and maintain subsidized housing and received Section 8 rent and utility payments to which she was not entitled. This investigation was worked jointly with the United States Secret Service. **(Akron, OH)**

MULTIFAMILY PROPERTY MANAGER SENTENCED FOR EQUITY SKIMMING

The chief operating officer of a residential property management company that managed nine multifamily residential properties was sentenced to 6 months home confinement, followed by 3 years probation, and ordered to pay \$25,000 in restitution to Orchard Court Housing Authority and a \$200 special assessment. The sentence resulted from an earlier Federal conviction on two counts of equity skimming. This case was worked jointly with the U.S. Department of Agriculture OIG and the Federal Bureau of Investigation. **(Portland, ME)**

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	16 audits ⁵
QUESTIONED COSTS	\$757.7 million
FUNDS PUT TO BETTER USE	\$4 million

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), audited the Community Development Block Grant (CDBG) program, the HOME Investment Partnerships Program (HOME), and Housing Opportunities for Persons with AIDS (HOPWA). 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 that the auditee met program objectives.

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAMS

HUD OIG audited **Luzerne County, PA's** \$6 million loan of CDBG funds to CityVest, which was expected to be used to revitalize the historic Hotel Sterling and surrounding properties, to determine whether the County properly evaluated and underwrote its loan to CityVest and the project met its designated national objective.

The County did not properly evaluate, underwrite, and monitor its loan to CityVest. After nearly 10 years

⁵ The total CPD audits, questioned costs, and funds put to better use amounts include American Recovery and Reinvestment Act of 2009 (three audits) and disaster recovery (three audits) type audits conducted in the CPD area. The writeups for these audits may be found in chapters 5 and 6 of this semiannual report.

and \$6 million expended, the project did not meet its designated national objective of job creation. The County and the City of Wilkes-Barre, PA, planned to demolish the hotel and clear the site, and no permanent jobs were created. Therefore, the \$6 million in CDBG funds expended for this project was an ineligible expenditure. CityVest also used HUD funds inappropriately to make an unreasonable and unnecessary expenditure of \$303,000 to satisfy two municipal liens against a property that it had purchased when it was the responsibility of the former property owner to satisfy the liens.

OIG recommended that HUD require the County to (1) reimburse its business development loan program \$6 million from non-Federal funds for the ineligible expenditures related to the Hotel Sterling project and (2) develop and implement comprehensive procedures for evaluating, underwriting, and monitoring proposed projects. (Audit Report: **2013-PH-1001**)

HUD OIG audited the Municipality of **Arecibo, PR**'s CDBG program to determine whether the Municipality complied with HUD regulations, procedures, and instructions related to the administration of its program.

The Municipality's financial management system did not properly identify the source and application of more than \$1.8 million in CDBG funds and did not support the eligibility of more than \$400,000. Further, the Municipality charged the CDBG program more than \$1.6 million as activity costs associated with wages without supporting the basis and reasonableness of funds charged and did not support more than \$1.2 million spent in its housing rehabilitation and road reconstruction activities or demonstrate compliance with the CDBG national objective. In addition, although the Municipality generally complied with requirements for planning, soliciting, and awarding contracts and purchase orders, it failed to perform a required cost analysis in one contract and did not always maintain adequate documentation of its procurement history; therefore, the Municipality did not support the reasonableness of more than \$124,000 disbursed in an awarded construction contract.

OIG recommended that HUD determine the eligibility of more than \$4.6 million disbursed for unsupported CDBG program costs and require the Municipality to (1) repay more than \$500,000 in ineligible expenditures, (2) develop a financial management system in accordance with HUD requirements and provide related training to its staff, (3) charge only eligible program delivery costs to the CDBG program, and (4) improve its housing rehabilitation program to ensure that CDBG funds are used in accordance with HUD regulations. (Audit Report: **2013-AT-1003**)

HOME INVESTMENT PARTNERSHIPS PROGRAM

HUD OIG audited the HOME program of the Idaho Housing and Finance Association in **Boise, ID**, to determine whether Idaho Housing complied with HOME match fund and compliance monitoring requirements.

Idaho Housing did not always comply with HOME match and compliance monitoring requirements. Specifically, it did not (1) always comply with requirements for providing match funds for its HOME projects and (2) adequately monitor the compliance of its HOME projects.

OIG recommended that HUD require Idaho Housing to provide eligible matching contributions, support, or both for more than \$4.6 million in ineligible and unsupported matching contributions or repay HOME grant funds received of up to \$18.5 million for any matching contributions it cannot support and separately track its affordable housing bond matching contributions carried forward. OIG recommended that Idaho

Housing bring its properties up to HUD standards or reimburse its HOME trust fund from non-Federal funds up to \$2.2 million for any properties that remain substandard. (Audit Report: **2013-SE-1001**)

HUD OIG audited the Municipality of **Ponce, PR**'s HOME program to determine whether the Municipality maintained its financial management system in compliance with HUD requirements and met HOME program objectives.

The Municipality's financial management system (1) did not properly identify the source and application of more than \$3.5 million in HOME funds, (2) did not support the eligibility of more than \$454,000 in program charges, and (3) failed to disburse HOME funds within HUD-established timeframes. As a result, HUD lacked assurance that funds were adequately accounted for, safeguarded, and used for requested and eligible purposes and in accordance with HOME requirements.

The Municipality disbursed more than \$327,000 for an activity that showed signs of slow progress without assurance that the activity would generate the intended benefits. As a result, HUD had no assurance that funds were used solely for eligible purposes and that HOME-funded activities met program objectives and fully provided the intended benefits.

The Municipality reported to HUD more than \$2.5 million in HOME commitments without executing a written agreement or identifying the property in accordance with HUD requirements. Further, it failed to report more than \$11,000 in program income and recaptured funds. As a result, HUD had no assurance that the Municipality met HOME program objectives, commitments, and disbursement requirements.

OIG recommended that HUD (1) determine the eligibility of more than \$3.8 million disbursed for unsupported HOME program costs and an activity that showed signs of slow progress and (2) deobligate and put to better use more than \$286,000 in overstated obligations. (Audit Report: **2013-AT-1001**)

HUD OIG reviewed the City of **Inglewood, CA**'s HOME program to determine whether the City complied with HOME rules and requirements for obligations, commitments, expenditures, program income, monitoring, and reporting.

The City did not commit or disburse its HOME funds in accordance with HUD rules and requirements, which resulted in its incurring more than \$2.6 million in unused HOME funds that should have been used to further affordable housing activities.

OIG recommended that HUD recapture the uncommitted and unexpended HOME funds and require the City to (1) develop better planning processes to commit and expend program income and funds and (2) establish and implement sufficient internal control policies and procedures to ensure compliance with program rules and requirements or consider revoking the City's status as a participating jurisdiction for HOME funds. (Audit Report: **2013-LA-1001**)

HUD OIG reviewed HUD's HOME program to determine whether HUD's proposed regulation changes and controls would mitigate the systemic deficiencies identified in 77 prior OIG audit reports issued between January 2006 and 2011.

If properly implemented, HUD's proposed changes to HOME regulations and controls should mitigate the systemic deficiencies identified in prior OIG audits with the exception of (1) the program office's oversight of grantee monitoring and (2) validating the reliability of HOME data. HUD's oversight of grantee monitoring failed to identify systemic monitoring flaws, and HUD did not use onsite monitoring data to assess monitoring efforts. As a result, HUD could not ensure that monitoring was complete and effective and may have missed opportunities to identify systemic issues requiring corrective action. Further, although HUD had improved controls over HOME data in the Integrated Disbursement and Information System (IDIS), it lacked a complete process for validating the data. Reliable data are critical in overseeing the program, identifying high-risk grantees to monitor, and responding to public and congressional requests regarding the program.

OIG recommended that HUD (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 IDIS. (Audit Report: **2013-BO-0001**)

HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS

HUD OIG audited the City of **Paterson, NJ**'s HOPWA program to determine whether City officials had implemented adequate controls to ensure that HOPWA funds were obligated and expended in accordance with HUD regulations for eligible activities.

City officials did not always administer the City's HOPWA program in accordance with Federal regulations and program requirements. Specifically, HOPWA funds were expended for ineligible and unsupported costs, subgrantee monitoring was inadequate, and waiting list maintenance had weaknesses. Consequently, HOPWA funds (1) were not disbursed in a timely manner; (2) were expended on ineligible costs; (3) were expended on unsupported costs; and (4) would be put to better use if adequate financial and management controls were implemented over tenant recertification, unit inspections, classification and recording of costs, and subgrantee administration and monitoring.

OIG recommended that HUD instruct City officials to (1) expend or deobligate nearly \$484,000 to make funds available for other eligible HOPWA activities; (2) reimburse nearly \$16,000 disbursed for ineligible expenses; (3) provide documentation to adequately support expenditures of nearly \$358,000; and (4) strengthen controls over subgrantee monitoring, tenant certification, and compliance with HUD's housing quality standards to put more than \$480,000 in HOPWA funds to better use. (Audit Report: **2013-NY-1004**)

INVESTIGATION

PROGRAM RESULTS	
ADMINISTRATIVE-CIVIL ACTIONS	23
CONVICTIONS-PLEAS-PRETRIAL DIVERSIONS	13
FINANCIAL RECOVERIES	\$1,435,394

FORMER CDBG SUBRECIPIENT EMPLOYEE SENTENCED IN "KICKBACK" SCHEME

A former employee of a CDBG subrecipient who performed lead abatement work was sentenced to 27 months in Federal prison, followed by 24 months Federal probation, and fined \$3,000. The sentence was from an earlier guilty plea to bribery and tampering with a witness. The defendant solicited "kickbacks" for a bid-rigging scheme in which he ensured that contractors would receive CDBG lead removal contracts in exchange for cash. This case was worked jointly with the Federal Bureau of Investigation (FBI). (**Worcester, MA**)

FORMER HOPWA CASE WORKER SENTENCED IN FRAUDULENT LANDLORD SCAM

A former caseworker for an entity that received HOPWA funds was sentenced to 5 years Federal probation and ordered to pay \$27,772 in restitution. The defendant created a scheme in which money was embezzled from the HOPWA organization by creating phony tenants in which she was the landlord receiving payment. Another scheme required the HOPWA clients to pay a "kickback" for any benefits they received. This investigation was worked jointly with the FBI. (**Albuquerque, NM**)

CDBG CONTRACTOR SENTENCED IN "DOUBLE BILLING" SCHEME

A contractor who was hired by a nonprofit organization receiving CDBG funds to remediate homes damaged in Hurricane Katrina was sentenced to 24 months in Federal prison, ordered to pay \$116,810 in restitution, and fined \$30,000. The defendant previously pled guilty to theft of government funds. The defendant double billed for work already performed and for work not performed on hurricane-damaged properties owned by the elderly and low- to moderate-income homeowners. This case was worked jointly with the FBI. (**New Orleans, LA**)

FIVE

AMERICAN RECOVERY AND
REINVESTMENT ACT OF 2009

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

AUDIT**TABLE 1: HUD PROGRAMS RECEIVING ARRA FUNDING**

HUD PROGRAM OFFICE	PROGRAM AREA	FUNDING AMOUNT
Office of Public and Indian Housing	Public Housing Capital Fund	\$4,000,000,000
	Native American Housing Block Grant	\$510,000,000
Office of Community Planning and Development	Community Development Block Grant	\$1,000,000,000
	Neighborhood Stabilization Program	\$2,000,000,000
	HOME Investment Partnerships Program-Tax Credit Assistance Program	\$2,250,000,000
	Homelessness Prevention Fund	\$1,500,000,000
Office of Multifamily Housing	Assisted Housing Stability Grant	\$2,000,000,000
	Green Retrofit Grant	\$250,000,000
Office of Healthy Homes and Lead Hazard Control	Lead Hazard Reduction Demonstration Program	\$100,000,000
		\$13,610,000,000

OFFICE OF AUDIT ACTIVITIES

The Office of Audit's overall oversight objectives for HUD funding under ARRA 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 benefits 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 ARRA avoid unnecessary delays and cost overruns; and
- Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

In the prior semiannual reporting periods, HUD's Office of Inspector General (OIG) reviewed HUD's front-end risk assessments, audited HUD's formula allocation dictated in ARRA programs, assessed the administrative capacity of selected grantees to effectively administer ARRA funds, and assessed grantee expenditures and HUD's oversight activities. During this semiannual reporting period, our audits continue to focus on grantee expenditures and HUD's oversight activities.

STRATEGIC INITIATIVE 3: CONTRIBUTE TO THE STRENGTHENING OF COMMUNITIES

KEY PROGRAM RESULTS	8 audits ⁶
QUESTIONED COSTS	\$10.3 million
FUNDS PUT TO BETTER USE	\$152,000

LESSONS LEARNED FROM THE IMPLEMENTATION OF THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

In response to a request from the Recovery Accountability and Transparency Board, HUD OIG gathered and documented information from HUD regarding its lessons learned from the implementation of ARRA. This initiative was led by the U.S. Department of Interior OIG. The objective of the initiative was to identify which actions, processes, and mechanisms have been beneficial or posed challenges to agencies and their respective OIGs in meeting the requirements of ARRA.

OIG identified new monitoring tools and initiatives that HUD developed to monitor ARRA-funded programs as well as obstacles and challenges that HUD encountered. The initiative was informational in nature and contained no recommendations. (Audit Memorandum: **2013-IE-0801**)

⁶ The total ARRA-related audits consist of community planning and development, public and Indian housing, and "other" audits. The questioned costs and funds put to better use amounts relate only to ARRA-related costs.

OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT AUDITS AND REVIEWS

HOMELESSNESS PREVENTION AND RAPID RE-HOUSING PROGRAM

HUD OIG audited the City of **Baltimore, MD**'s Homelessness Prevention and Rapid Re-Housing Program grant to determine whether the City properly obligated and expended grant funds and monitored activities for compliance with requirements of ARRA.

The City did not properly obligate and expend grant funds and generally did not monitor activities for compliance with ARRA requirements. Specifically, the City authorized reimbursements for program expenses based on prorated amounts rather than actual expenses, could not support all expenditures, used grant funds for potentially ineligible activities, and generally did not monitor the activity of its fiduciary agent and subgrantees. In addition, HUD's monitoring review disclosed many problems with the City's administration of the grant.

OIG recommended that HUD (1) require the City to provide all of the documentation it collected supporting its actions to satisfy the key corrective measures prescribed in HUD's March 16, 2012, monitoring letter, (2) review the documentation provided by the City to demonstrate that it used \$9.5 million in grant funds only for eligible services for eligible participants, and (3) require the City to reimburse HUD from non-Federal funds for any amount that it cannot support. (Audit Report: **2013-PH-1002**)

INVESTIGATION

THREE SUSPENDED FOR FRAUD INVOLVING FHA- AND ARRA-FUNDED PROGRAMS

Three individuals were suspended from participation in procurement and nonprocurement transactions with HUD and throughout the Executive Branch of the Federal Government. HUD has proposed the debarment of the three individuals for a period of 3 years. The defendants used "straw buyers" to fraudulently flip properties. From 2007 through 2009, these individuals provided false information on loan applications to obtain 11 mortgages, to include Federal Housing Administration (FHA)-insured mortgages, totaling more than \$2.2 million. In addition, they falsely claimed the ARRA-funded First Time Homebuyer Credit. This investigation was worked with the Internal Revenue Service, Criminal Investigation Division, and the Federal Bureau of Investigation. (**Boston, MA**)

SIX

DISASTER RELIEF 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. Over the past several years, disaster funding for the U.S. Department of Housing and Urban Development (HUD) has exceeded \$46 billion, from which HUD provides flexible grants to help cities, counties, and States recover from presidentially declared disasters. These active disaster grants nationwide have approximately \$28.3 billion in obligations and \$23.1 billion in disbursements. Of the total \$46 billion in current HUD disaster funds, \$5.4 billion has been allocated for the Superstorm Sandy recovery area; however, as of March 31, 2013, zero dollars have been obligated or expended. Of the \$19.6 billion that was provided for Hurricanes Katrina, Rita, and Wilma, \$17.5 billion, or 89 percent of the funds, has been disbursed for the period ending March 31, 2013. For the \$6.1 billion that was provided for Hurricanes Ike, Gustav, and Dolly, \$2.4 billion, or 39 percent of the funds, has been disbursed for the period ending March 31, 2013. Of the \$3.4 billion provided for the “9-11” disaster in New York, \$2.9 billion, or 83.7 percent, has been disbursed for the period ending March 31, 2013. For the \$795 million remaining for the other active disasters, \$222.8 million, or 28 percent of the funds, has been disbursed for the period ending March 31, 2013.

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. In addition, OIG continues its efforts to ferret out waste, fraud, and mismanagement of vital funds.

AUDIT**STRATEGIC INITIATIVE 3: CONTRIBUTE TO THE STRENGTHENING OF COMMUNITIES**

KEY PROGRAM RESULTS	3 audits ⁷
QUESTIONED COSTS	\$710.6 million
FUNDS PUT TO BETTER USE	-0-

⁷ The disaster grant program reviews are community planning and development audits. The questioned costs relate to only disaster-related costs.

HUD OIG audited HUD's State CDBG Hurricane Disaster Recovery program for hurricanes that hit the Gulf Coast States from August 2005 through September 2008 to assess the program overall. Specifically, OIG wanted to (1) determine what had been accomplished using the funding and the funds remaining to be spent; (2) compare actual versus projected performance; and (3) identify best practices, issues, and lessons to be learned.

The Gulf Coast States had made progress in recovering from the presidentially declared disasters as a result of several hurricanes. As of August 2012, the States had spent more than 87.5 percent of the available Katrina, Rita, and Wilma funds and 27.2 percent of the available Gustav, Ike, and Dolly funds. Thus, States had received almost \$24 billion and disbursed almost \$18.4 billion, resulting in about \$5.6 billion remaining to be spent. However, the States had budgeted only \$22.6 billion of the \$24 billion in Disaster Recovery funds. The States used the funding primarily to assist communities in repairing and rebuilding housing, compensating homeowners, repairing infrastructure damage, and providing economic development. However, some of their activities had no or nominal progress reported because they did not generally report their progress until the projects were complete. In addition, while the States generally met the various statutory mandates, Texas and Louisiana had not met two mandates. Although the States had made progress, there were lessons to be learned regarding deadlines, program guidance, information system technology acquisitions, procurements, and homeowners' insurance.

OIG recommended that HUD (1) require the States to report their actual achievements; (2) work with the States to ensure that they promptly budget all remaining funds in a timely manner; (3) continue to monitor the States of Louisiana and Texas to ensure that they meet statutory requirements; and (4) work with its stakeholders to make improvements for current and future grantees in areas such as deadlines, program guidance, information system technology acquisitions, procurement, and homeowners' insurance. (Audit Report: **2013-FW-0001**)

HUD OIG conducted a follow-up review regarding its recommendations made to HUD pertaining to OIG's inspection of the **State of Louisiana's** Road Home Elevation Incentive program, IED-09-002, issued in March 2010. The objective of the review was to determine whether the State had implemented the four recommendations in the March 2010 report.

OIG agreed to close three of the recommendations. For the remaining recommendation regarding the recovery of \$3.8 million awarded to 158 noncompliant homeowners, documentation showed that the State had recovered nearly \$201,000 of the awarded funds. As of August 31, 2012, the State's documentation showed that a total of 24,042 homeowners either were noncompliant, including those who had not elevated their homes; were nonresponsive; or did not provide sufficient supporting documentation. Therefore, the State did not have conclusive evidence that the \$698.5 million in CDBG Hurricane Disaster Recovery program funds had been used to elevate homes. As a result, this recommendation remains open and has been revised based on OIG's follow-up review due to the increased noncompliance among homeowners who received elevation grants.

OIG recommended that HUD require the State to (1) enforce program remedies for noncompliance as stated in grant agreements, starting with the recovery of \$437.3 million in elevation grant funds from the 15,027 homeowners who did not elevate their homes within 3 years of the grant agreement date and the State had not collected any of the funds; (2) determine whether the 8,462 homeowners who did not respond to its

monitoring survey used the \$245 million in elevation grant funds to elevate their homes or recover these funds from the noncompliant homeowners; (3) obtain documentation to validate whether the 553 homeowners who received \$16 million in grant funds elevated their homes or recover these funds from the noncompliant homeowners; (3) enforce its grant review and recovery procedures to ensure that homeowners comply with the terms of their elevation grant agreements; and (4) reimburse the uncollectible elevation grant funds from non-Federal funds. (Audit Memorandum: **2013-IE-0803**)

HUD OIG audited the City of **Cedar Rapids, IA's** Property Acquisition Program to determine whether the City (1) expended its Community Development Block Grant (CDBG) Disaster Recovery grant funds for property acquisitions in accordance with Federal regulations and (2) complied with all contract procurement regulations.

The City generally expended its CDBG Disaster Recovery grant funds for property acquisitions in accordance with applicable Federal regulations. However, it did not ensure a competitive procurement process and did not properly execute its CDBG Disaster Recovery-funded contracts. It did not (1) adequately advertise requests for proposals for its two professional services contracts, (2) establish the cost reasonableness of two contracts totaling more than \$12.2 million, (3) obtain city council authorization before executing one contract, and (4) include all required provisions in the contracts. The City lacked detailed operational procedures, including checklists, to ensure that it followed applicable procurement regulations.

OIG recommended that HUD work with the State of Iowa to ensure that the City (1) develops and implements detailed operational procedures that fully implement its procurement policy and complies with its ordinances, (2) justifies more than \$9.3 million in spent funds or reimburses the unsupported amount to the program, (3) justifies more than \$2.8 million in unspent funds or cancels the use of unsupported funds, and (4) modifies the contracts to include all required contract provisions. (Audit Report: **2013-KC-1001**)

INVESTIGATION

The Office of Investigation (OI) investigates allegations of fraud involving HUD disaster program funds and conducts oversight throughout the funding process to deter fraud.

FRAUD AWARENESS AND PREVENTION

OI coordinates training for local, State, and Federal oversight entities to include law enforcement, prosecutors, State licensing entities, insurance companies, and other oversight organizations.

- Fraud awareness and prevention training is provided to grant administrators, grantees, and subgrantees.
- OI works with partners to provide public education for disaster victims.
- OI, in conjunction with the U.S. Department of Justice (DOJ), uses the National Center for Disaster Fraud (NCDF) to prepare fraud awareness campaigns to educate the public about potential suspicious activity and to monitor reports to the NCDF hotline. This activity includes the use of posters, flyers, mailings, and television and bill board advertisements.
- OI provides guidance to the Department and grantees on legal warnings to be incorporated into grant documents to deter potential fraudsters.

INVESTIGATING ALLEGATIONS OF FRAUD

Investigating allegations of fraud starts immediately after funding has been obligated and will continue for years after the final disbursement of disaster funding. OI works with its law enforcement partners to ensure vigorous oversight of the funds and pursue criminal or civil prosecutions when merited. These funds will be used by individual grant recipients as well as many public officials, subgrantees, and contractors. Experience has shown that there are vulnerabilities in all areas of disaster grant funding that may be subject to fraud. These investigations can be fairly straightforward or extremely complex. Successful fraud prevention starts through coordination with OI's partners. OI has worked extensively with others in the OIG community to ensure deconfliction and cooperation in all of its endeavors. A majority of fraud allegations come through the OIG fraud hotline and DOJ NCDF. OI provides onsite resources to NCDF to coordinate any HUD-related information that comes through its hotline. Specifically, OI has a special agent and a forensic auditor in Baton Rouge, LA, assigned to NCDF to evaluate incoming fraud leads. OI also works with private monitors and oversight entities that grantees hire to ensure that they are looking at the areas that OI has identified as being most vulnerable and reporting any fraud concerns that they detect. OI dedicates significant resources to the investigation of these allegations. The appropriate investigative technique is determined by the nature of the allegation. If warranted, OI's investigative work is referred to Federal, State, or local prosecutors for consideration of criminal or civil action.

SEVEN

OTHER SIGNIFICANT AUDITS AND INVESTIGATIONS AND THE OIG HOTLINE

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	14 audits ⁸
QUESTIONED COSTS	\$1.8 million
FUNDS PUT TO BETTER USE	\$733.6 million

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

AUDIT OF HUD'S FY 2012 AND 2011 FINANCIAL STATEMENTS

HUD OIG provided additional details to supplement its report on HUD's fiscal years (FY) 2012 and 2011 financial statements, which is included in HUD's Fiscal Year 2012 Agency Financial Report.

The financial statements were presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

The audit disclosed one material weakness, seven significant weaknesses, and three instances of noncompliance with applicable laws and regulations.

MATERIAL WEAKNESSES

- Achieving substantial compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA) continued to challenge HUD.

⁸ The total "other" audits, questioned costs, and funds put to better use amounts include American Recovery and Reinvestment Act of 2009 (one audit) type audits conducted in the "other" area. The writeups for these audits may be found in chapter 5 of this semiannual report.

SIGNIFICANT WEAKNESSES

- There were weaknesses in the monitoring of the Office of Public and Indian Housing's (PIH) program funds.
- HUD's internal control over financial reporting had serious weaknesses.
- The Office of Community Planning and Development's information and communication systems had weaknesses.
- HUD's oversight of the administrative control of funds process had weaknesses.
- Deficiencies existed in the monitoring of HUD's unliquidated obligations.
- Controls over HUD's computing environment had weaknesses.
- Portfolio management of Federal Housing Administration (FHA) systems needed improvement.

NONCOMPLIANCE

- HUD did not substantially comply with FFMIA.
- HUD did not substantially comply with the Antideficiency Act.
- FHA did not comply with the Cranston-Gonzalez National Affordable Housing Act of 1990.

We identified \$107.7 million in excess obligations and recommended that HUD seek legislative authority to implement \$628 million in offsets against public housing agencies' excess Section 8 funding. We also identified several matters that are not material to the financial statements, which were reported separately to HUD management. (Audit Report: **2013-FO-0003**)

REVIEW OF HUD'S FY 2012 COMPLIANCE WITH THE IMPROPER PAYMENTS INFORMATION ACT OF 2002

HUD OIG audited HUD's FY 2012 compliance with the Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA), to (1) determine whether HUD complied with IPERA in accordance with the guidance prescribed by the Office and Management and Budget (OMB) and (2) assess the accuracy, completeness of reporting, and performance of HUD in reducing and recapturing improper payments.

While HUD generally complied with IPERA, it did not meet all of the law's objectives. The Office of Chief Financial Officer's and FHA's risk assessment processes had weaknesses that limited their ability to identify programs' and activities' susceptibility to improper payments. Additionally, the Office of Multifamily Housing Programs did not meet two supplemental measure target goals. Further, a lack of reliable data in the Enterprise Income Verification system hindered management's ability to accurately measure and reduce improper payments.

OIG recommended that HUD program officials address the deficiencies in the program risk assessment design methodology and strengthen their controls and monitoring efforts to reduce improper payments in rental housing assistance programs. (Audit Report: **2013-FO-0005**)

REVIEW OF HUD'S TRANSITION TO INTERNET PROTOCOL VERSION 6

HUD OIG audited HUD's transition to Internet Protocol Version 6 (IPv6) as required by OMB. The review was to determine whether HUD would be able to complete the transition to IPv6 on its public-facing servers and services and on its internal applications by OMB's target completion dates. Specifically, OIG wanted

to (1) determine whether HUD had completed the key activities for the IPv6 transition to meet the OMB Memorandum M-05-22 requirements to demonstrate IPv6 capability on Federal Government network backbones by June 2008 and (2) evaluate HUD's ability to adopt IPv6 on its public-facing servers and services by the end of fiscal year 2012 and its internal applications by the end of fiscal year 2014.

OIG has determined that the contents of this audit report would not be appropriate for public disclosure and has, therefore, limited its distribution to selected officials. (Audit Report: **2013-DP-0001**)

REVIEW OF HUD'S IMPLEMENTATION OF THE INTEGRATED CORE FINANCIAL SYSTEM

HUD OIG audited HUD's plans and procedures for data conversion and system interfaces for the implementation of the HUD Integrated Core Financial System (ICFS) as a component of the testing of general and technical controls for information systems in connection with the annual audit of HUD's consolidated financial statements.

HUD did not properly plan and manage the implementation of ICFS. Since 2003, HUD has spent more than \$35 million on the Integrated Financial Management Improvement Project and does not have an operational new core financial system. The initial vision document was initiated in 2003 and issued in 2004. The contract was awarded in September 2010. Before executing the contract, HUD did not update Project information, follow up with system owners to ensure that required actions were completed, plan for the conversion of public and Indian housing data within the HUD Central Accounting and Program System, set up a Project performance measurement baseline for each data conversion cycle, and ensure that the scope of the conversion in the conversion plan would meet HUD's needs and comply with the contract. Also, HUD did not ensure that key staff and program office stakeholders were involved in pertinent decisions, establish an effective deliverable approval process, ensure that converted data were verified by an independent verification and validation contractor, and verify that the contractor complied with the scope of the conversion. Base period performance goals and objectives were not met, and additional time and funding will be needed to complete the Project.

OIG recommended that HUD reevaluate the interface approach documents and the data conversion plan to ensure that tasks for each section have been adequately completed by HUD's Project contractor and verified by HUD. Specifically, HUD should complete end-to-end testing of the interface processes, secure an independent verification and validation contractor for data conversion validation, coordinate with program offices to ensure that interface systems are compatible, and ensure that the current financial applications are available until a compatible application is complete. (Audit Report: **2013-DP-0003**)

REVIEW OF HUD'S OVERSIGHT OF PRIVATE ENFORCEMENT INITIATIVE GRANTS

HUD OIG audited HUD's oversight of Private Enforcement Initiative grants awarded under its Fair Housing Initiatives program to determine whether HUD performed monitoring to ensure that enforcement grant funds were spent in compliance with grant terms and program requirements.

HUD monitoring generally covered procedures required to ensure that grantees complied with grant terms and program requirements. However, HUD did not perform onsite monitoring as required for nearly \$10.2 million of nearly \$40.9 million in enforcement grants awarded during the audit period and did not

always report monitoring results in a timely manner. As a result, there was no assurance that program requirements were fully met for grants that were not properly monitored.

OIG recommended that HUD (1) issue a directive to applicable staff, emphasizing the importance of onsite monitoring, and (2) develop and implement a tracking process to ensure that grantee monitoring and related reporting are completed in accordance with HUD policies. (Audit Report: **2013-PH-0003**)

CIVIL ACTION

HEARTLAND HEALTH CARE CENTER SETTLED ALLEGED VIOLATIONS OF EQUITY SKIMMING

The civil division of the Western District of Oklahoma U.S. Attorney's Office settled alleged violations of equity skimming against the owners of Heartland Health Care Center of Bethany, **Bethany, OK**. The equity skimming allegations stemmed from HUD OIG's December 2004 audit report outlining the misuse of funds. As a result of the combined efforts of the U.S. Attorney's Office, the HUD OIG Offices of Audit and Investigation, and HUD's Office of General Counsel, the owners paid \$1.75 million to settle the allegations. OIG's objective was to assist the U.S. Attorney's Office in pursuing the owners and managers for their alleged violations of HUD requirements.

OIG recommended that HUD allow HUD OIG to post the \$1.75 million settlement to HUD's Audit Resolution and Corrective Actions Tracking System. (Audit Memorandum: **2013-FW-1801**)

INVESTIGATION

In addition to investigating fraud and thefts against the major HUD programs, the HUD OIG Office of Investigation pursues investigations of other crimes against HUD programs, including the theft of funds from the Government National Mortgage Association. HUD OIG is taking a proactive role to combat consumer fraud, including mortgage loan origination and foreclosure rescue scams. Many of these investigations are conducted jointly with the Federal Bureau of Investigation and other Federal, State, and local law enforcement partners.

PROGRAM RESULTS	
ADMINISTRATIVE-CIVIL ACTIONS	1
CONVICTIONS-PLEAS-PRETRIAL DIVERSIONS	1

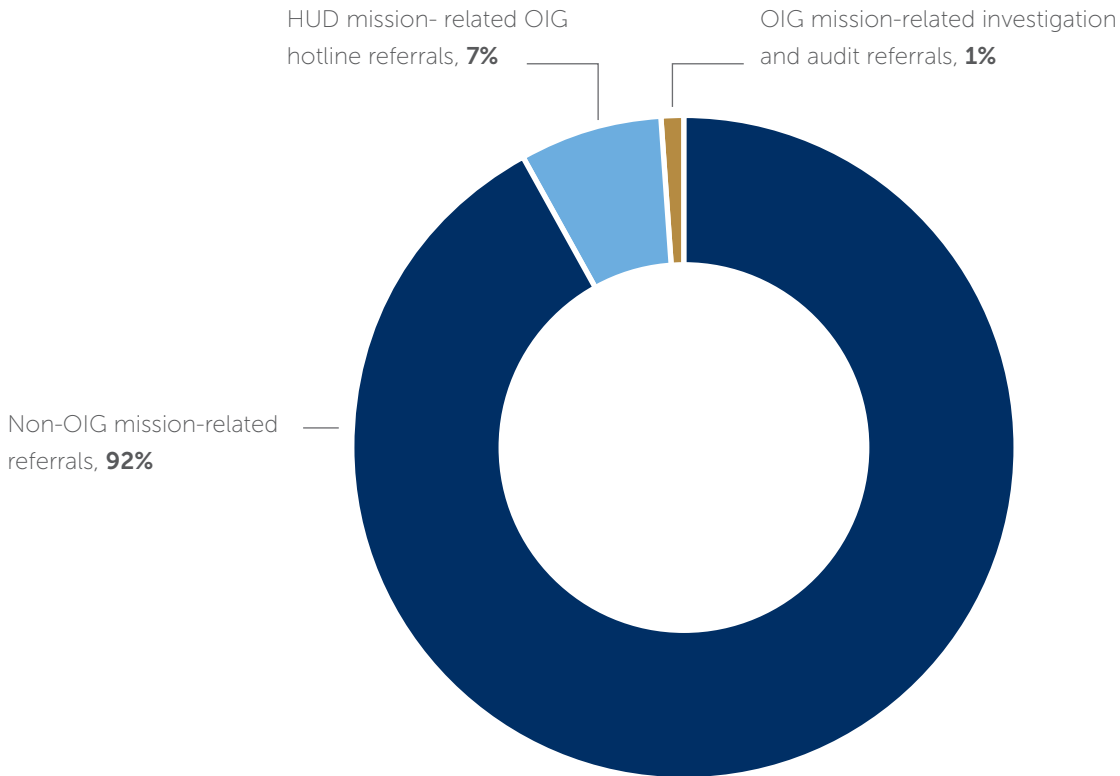
HOTLINE

The HUD OIG hotline is operational 5 days a week, Monday through Friday, from 10:00 a.m. to 6:00 p.m. Eastern Time. The hotline is staffed by 10 full-time OIG employees, who take allegations of waste, fraud, abuse, or serious mismanagement in HUD or HUD-funded programs from HUD employees, contractors, and the general public. The hotline also coordinates reviews of allegations with internal audit and investigative units or with HUD program offices.

During this reporting period, the hotline received and processed 9,102 contacts -- 87 percent received by telephone, 8 percent by email, and 5 percent by mail and fax. Every allegation determined to be related to the OIG mission is logged into the hotline database and tracked.

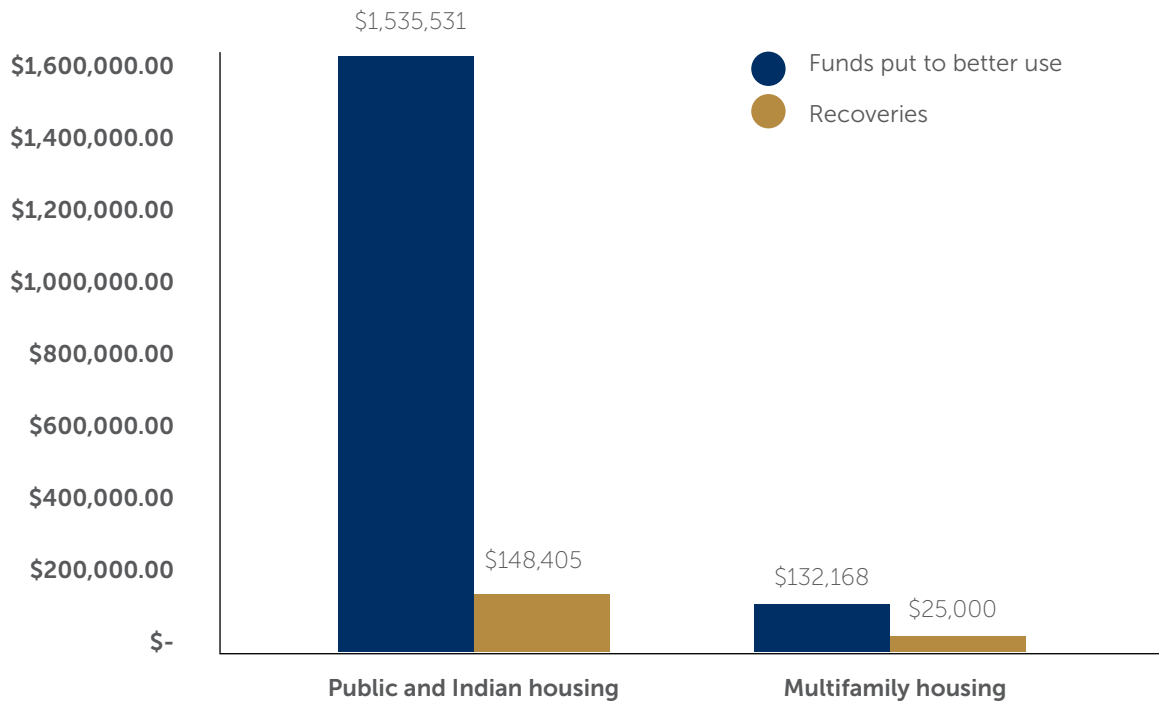
Of the contacts received, 700 (8 percent) were related to the mission of OIG and were addressed as hotline case referrals. Hotline cases are referred to the OIG Offices of Audit and Investigation or to a responsible HUD program office for action and response. The following illustration shows the distribution of hotline cases and noncase referrals by percentage.

Hotline cases and noncase referrals



The hotline closed 387 cases this reporting period. The closed hotline cases included 79 substantiated allegations. The Department took corrective actions that resulted in \$173,405 in recoveries of losses and more than \$1.6 million in HUD funding that could be put to better use. The recoveries included repayments of overpaid rental subsidies. Some of the funds that could be put to better use were the result of cases in which tenants were terminated from public housing or multifamily housing programs for improperly reporting their incomes or family composition to qualify for rental assistance.

Funds put to better use-recoveries



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 committed approximately 355 hours to reviewing 111 issuances. The draft directives consisted of 16 notices of funding availability, 63 mortgagee letters and notices, and 32 other directives. OIG provided comments on 32 percent (35 of the 111 reviewed) of these draft directives.

NOTICES AND POLICY ISSUANCES

SINGLE-FAMILY HOUSING

During this 6-month period, OIG reviewed and commented on various departmental clearance items affecting the Federal Housing Administration's (FHA) single-family programs. A summary of selected reviews is below.

Housing counseling - The Dodd Frank Wall Street Reform and Consumer Protection Act mandated the establishment of an Office of Housing Counseling within the U.S. Department of Housing and Urban Development (HUD) under Subtitle D, known as the Expand and Preserve Home Ownership Through Counseling Act, and amended the housing counseling statute to improve the effectiveness of the program by, among other things, requiring that the entities and individuals be certified by HUD as competent to provide such services and prohibiting distribution of grant funds to agencies found in violation of Federal election laws or which have employees found in violation of Federal election laws and requiring the reimbursement of grant funds for misuse of funds. OIG reviewed a notice describing the specific organizational steps that HUD has taken to establish an Office of Housing Counseling and redelegate authority to the Deputy Assistant Secretary for Housing Counseling. The Deputy Assistant Secretary of Housing Counseling is a new position established to have primary responsibility within HUD for all activities and matters relating to home ownership and rental housing counseling consistent with Section 1442 of the Dodd-Frank Act. Three offices report to the Office of Housing Counseling. These offices include (1) the Office of Policy and Grant Administration, (2) the Office of Outreach and Capacity Building, and (3) the Office of Oversight and Accountability. This notice was published January 3, 2013.

Risk management - As part of HUD's efforts to strengthen the risk management practices of FHA, HUD published a final rule in 2010, revising its regulations pertaining to FHA approval of mortgage lenders. That final rule increased the net worth requirement for FHA-approved lenders and mortgagees, eliminated HUD's approval of loan correspondents, and amended the general standards for lenders and mortgagees. OIG

reviewed a proposed notice changing the loan-to-value (LTV) financing available to qualified borrowers of FHA-insured loans. This notice proposes to set a 95 percent maximum LTV for FHA-insured loans over \$625,000, with certain exemptions. FHA's annual fiscal year (FY) 2012 report to Congress on the financial status of the FHA Mutual Mortgage Insurance Fund (MMIF or Fund) reported a decline from FY 2011 in the Fund's statutorily mandated capital reserve ratio and cited FHA's decision to continue taking steps to improve the MMIF's short- and long-term outlook. This notice was published on February 6, 2013.

Underwriting - OIG also reviewed a mortgagee letter establishing a requirement for manual underwriting of loans when the borrower has a decision credit score below 620 and the total fixed payments-to-effective income (debt-to-income) ratio exceeds 43 percent. This mortgagee letter (2013-ML-05) was published on January 31, 2013.

Foreclosure moratorium - OIG reviewed a proposed mortgagee letter extending the moratorium an additional 90 days on the initiation of and already-in-progress foreclosures for counties affected by Hurricane Sandy that the U.S. Department of Homeland Security's Federal Emergency Management Agency has declared eligible for individual assistance. This mortgagee letter (2013-ML-06) was published January 31, 2013.

COMMUNITY PLANNING AND DEVELOPMENT

On March 5, 2013, HUD published a notice advising the public of the initial allocation of \$5.4 billion in Community Development Block Grant Disaster Recovery (CDBG-DR) funds appropriated by the Disaster Relief Appropriations Act of 2013 for the purpose of assisting recovery in the most impacted and distressed area declared a major disaster due to Hurricane Sandy. The notice described the applicable waivers and alternative requirements, relevant statutory provisions for grants provided under the notice, the grant award process, criteria for plan approval, and eligible disaster recovery activities.

In addition to the funds allocated in the notice and in accordance with the Appropriations Act, \$10 million will be transferred to the Department's Office of Community Planning and Development, "Program Office Salaries and Expenses," for necessary costs, including information technology costs, of administering and overseeing CDBG-DR funds made available under the Appropriations Act; \$10 million will also be transferred to OIG for necessary costs of overseeing and auditing CDBG-DR funds made available under the Appropriations Act.

Congress mandated changes to the HOME Investment Partnerships Program in the Consolidated and Further Continuing Appropriations Act of 2012. The Act requires participating jurisdictions to (1) repay HOME funds invested in projects that are not completed within 4 years of the commitment date unless a waiver is given by HUD, (2) commit FY 2012 HOME funds only when a project has been properly underwritten and market conditions examined to ensure that there is adequate need for the HOME project, (3) convert any FY 2012 home ownership units to HOME-assisted rental units if they are not sold within 6 months, and (4) provide fiscal year 2012 HOME funds only to community housing development organizations that have demonstrated that they have staff with demonstrated development experience. On May 8, 2012, HUD issued Notice CPD 12-007 to implement changes required by the Act.

HUD OIG generally agreed with the proposed changes but included additional changes, which HUD OIG believes will strengthen the program. These proposed changes had not become final as of March 31, 2013. Although there are similarities between the law mandated by Congress and the proposed regulatory changes proposed by HUD, the Act required HUD to immediately implement the congressional requirements on all FY 2012 HOME-funded activities.

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 hopes 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 THE PERIOD WITH NO MANAGEMENT DECISION AS OF MARCH 31, 2013

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.

OIG rejected two management decisions proposed by CPD to address the recommendation because they did not provide for the establishment and implementation of all of the controls that are needed to address the recommendation. CPD has not responded to OIG's follow-up about the need for a management decision for this recommendation.

OIG also recommended that CPD obtain a formal legal opinion from HUD's Office of General Counsel regarding whether

- HUD's cumulative technique for assessing compliance with commitment deadlines is consistent with and an allowable alternative to the 24-month commitment required by 42 U.S.C. (United States Code) 12748 and
- HUD's first-in, first-out (FIFO) method for assessing compliance with HOME expenditure requirements is consistent with and an allowable alternative to the 8-year recapture deadline pursuant to Public Law 101-510, codified at 31 U.S.C. 1552.

CPD obtained a legal opinion from the Assistant General Counsel for Community Development on March 5, 2010. The legal opinion supports the Department's use of the cumulative approach and FIFO accounting method. Based on this legal opinion, CPD does not plan to implement OIG's recommendation to discontinue use of the FIFO method to account for the commitment and expenditure of HOME funds or the cumulative technique for assessing deadline compliance.

OIG requested reconsideration of the opinion. On June 10, 2010, HUD's General Counsel and Chief Financial Officer provided additional information regarding HUD's recapture requirements of the HOME program statute and CPD's use of cumulative accounting and the FIFO method for financial management.

HUD explained that CPD's use of cumulative accounting in its financial management represents a reasonable interpretation of the statutory duties imposed on the HUD Secretary and addresses the complex administrative challenges inherent in managing the HOME Investment Trust. HUD also explained that obligations and expenditures under the HOME program are accounted for on a FIFO basis by fund type instead of by fiscal year and that CPD, in enforcing the obligation and expenditure requirements, looks to total cumulative obligations and expenditures instead of accounting for them by fiscal year. Based on the Chief Financial Officer's financial analysis, given the origin of these requirements and the fundamental nature of this block grant program, HUD believed that the FIFO accounting method for obligations and expenditures by fund type was consistent with Federal accounting requirements and had no objection to the total cumulative obligations and expenditures methods used for assessing compliance with the 24-month commitment and 5-year expenditure requirements.

OIG continues to disagree with CPD's use of the FIFO method for recognizing commitments and expenditures that participating jurisdictions make against their HOME appropriations and maintains that CPD's cumulative method for determining recapture amounts is not consistent with the requirement cited at 42 U.S.C. 12748 for recapturing funds not committed by statutory deadline dates. The FIFO accounting method understates amounts due to be recaptured by Treasury when appropriation accounts are canceled pursuant to 31 U.S.C. 1552. The cumulative method potentially understates recaptures that HUD makes pursuant to 42 U.S.C. 12748. OIG submitted a request to the Government Accountability Office (GAO) for an appropriation law opinion on HUD's use of the cumulative method. GAO's opinion is expected this fiscal year.

Another issue is whether HUD's accounting for formula grants (for example, the FIFO accounting method) complies with Federal accounting requirements for maintaining the U.S. Standard General Ledger and general appropriations law. The accounting issues require review for compliance with Federal accounting standards and financial system requirements. Since OIG's last semiannual report date, in conjunction with its annual audit of HUD's financial statements, OIG has briefed HUD's management officials but has not come to an agreement. OIG has asked for a meeting with Office of Management and Budget (OMB) staff to present the accounting issue. (Audit Report: **2009-AT-0001**)

SHEA MORTGAGE, INC., ALLOWED THE RECORDING OF PROHIBITED RESTRICTIVE COVENANTS, ISSUE DATE: SEPTEMBER 26, 2012

HUD OIG audited Shea Mortgage's Federal Housing Administration (FHA) Single Family Housing program to determine the extent to which Shea Mortgage failed to prevent the recording of prohibited restrictive covenants or potential liens in connection with FHA-insured loans. Shea Mortgage did not follow HUD requirements at 24 CFR (Code of Federal Regulations) 203.41(a)(3)(iv) and 203.41(b) when it underwrote loans that had executed and recorded agreements between Shea Homes and the FHA borrower, containing prohibited restrictive covenants in connection with FHA-insured properties. As a result, 600 uninsurable loans obtained FHA mortgage insurance (29 claim loans and 571 active loans), placing the FHA insurance fund at unnecessary risk for potential losses.

The OIG report included recommendations that the HUD Office of Single Family Housing (Housing) require Shea Mortgage to (1) reimburse the FHA insurance fund for nearly \$1.5 million in actual losses resulting from the amount of claims and associated expenses paid on 11 loans that contained prohibited restrictive covenants; (2) support the eligibility of nearly \$2.6 million in claims paid or execute an indemnification agreement requiring any unsupported amounts to be repaid for claims paid on 19 loans, for which HUD has paid claims but has not sold the properties; and (3) remove prohibited restrictive language or execute an indemnification agreement that prohibits it from submitting claims on 27 active loans with prohibited restrictive covenants for more than \$7.7 million, thereby putting nearly \$5.1 million to better use.

OIG rejected three management decisions proposed by Housing because they were not consistent with HUD regulations and prior HUD reviews and determinations. OIG has had discussions with Housing regarding the recommendations in question but has not reached an agreeable management decision.

Housing explained that, while it agrees that Shea Mortgage permitted antispeculative agreements in the form of restrictive covenants in violation of 24 CFR 203.41(b), it considers the violations technical, not rising to the level of materiality warranting indemnification. In previous reviews, Housing determined that the presence of prohibited restrictive covenants is a material statute violation, stating that such properties are “not eligible for FHA mortgage insurance.” However, Housing does not intend to hold Shea Mortgage accountable for losses stemming from FHA loans that, by definition, are uninsurable under FHA regulations. Housing believes that indemnification should be used only for underwriting deficiencies that negatively impact the loan.

OIG continues to disagree with Housing’s determination that prohibited restrictive covenants do not warrant indemnification. The use of prohibited restrictive covenants is a systemic, widespread issue that requires more specific attention. The recommendations in question were based on HUD’s own precedent and determinations that prohibited restrictive covenants are a serious, material deficiency. The FHA loans identified in the audit memorandum were determined to be ineligible for FHA insurance; therefore, any loss or claim tied to the loans identified represents an unnecessary loss to HUD’s FHA insurance fund.

Another issue is the determination of funds to be put to better use with regard to active loans that were originated with prohibited restrictive covenants. Housing agreed during initial discussions; however, the management decision maintained that the amount of funds to be put to better use should be \$0. OIG continues to disagree, explaining if the lender agrees and provides documentation that all unallowable restrictions have been removed and ensures compliance, the amount of funds to be put to better use of nearly \$5.1 million applies, as the corrective action ensures that the loans in question are eligible for FHA insurance and follow HUD rules and regulations. However, if the lender refuses or fails to adequately remove all unallowable restrictions, indemnification would be the appropriate remedy, and the potential loss of nearly \$5.1 million would be put to better use as the loans in question would not be supported by FHA mortgage insurance. Both issues have been referred to the Deputy Secretary, and his decision was still pending as of March 31, 2013. (Audit Report: **2012-LA-1801**)

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 significant revised management decisions made during the reporting period. During the current reporting period, there were significant revised management decisions on five audits.

THE COLUMBUS HOUSING AUTHORITY OF COLUMBUS, NEBRASKA,
IMPROPERLY EXPENDED AND ENCUMBERED ITS PUBLIC HOUSING FUNDS,
ISSUE DATE: AUGUST 30, 2006

HUD OIG audited the development activities of the Columbus Housing Authority to determine whether the Authority expended or encumbered HUD assets for development activities without HUD approval.

The Authority inappropriately spent more than \$204,000 in public housing funds to develop Crown Villa, a non-HUD multifamily housing development. It also improperly encumbered its public housing assets when it signed Crown Villa loan documents containing setoff provisions that allowed the bank to take Authority bank account funds in the event of default on the loans. The Authority defaulted on the loans, and the bank seized more than \$88,000 in public housing funds.

Among other things, OIG recommended that HUD require the Authority to repay its public housing program more than \$204,000 from non-Federal sources, including nearly \$151,000 in startup costs and more than \$53,000 in salaries.

In its original management decision, HUD agreed to work with the Authority to establish a funding source and timetable to repay its public housing program more than \$204,000. However, HUD recently submitted a revised management decision proposing termination of the amount due because the Authority's avenues for non-Federal funds are no longer available with the implementation of asset management. The Authority does not have a history of receiving non-Federal funds and is not expected to receive non-Federal funds in the future. Accordingly, HUD revised its management decision to pursue the debt forgiveness process for the more than \$204,000, in coordination with action on audit 2006-KC-1014, which compromises and writes off nearly \$40,000. On March 14, 2013, OIG agreed with the revised management decision. (Audit Report: **2006-KC-1013**)

THE COLUMBUS HOUSING AUTHORITY OF COLUMBUS, NEBRASKA, IMPROPERLY
SPENT AND ENCUMBERED PUBLIC HOUSING FUNDS FOR ITS NON-HUD
DEVELOPMENT ACTIVITIES, ISSUE DATE: SEPTEMBER 27, 2006

HUD OIG audited the development activities of the Columbus Housing Authority to determine whether the Authority complied with HUD rules and regulations when operating and managing Crown Villa, a non-HUD multifamily development.

The Authority inappropriately spent more than \$62,000 in public housing funds to operate its non-HUD development, Crown Villa. It also inappropriately signed Crown Villa loan documents that contained setoff provisions allowing the bank to take Authority deposits in the event of default. The Authority defaulted, and the bank seized more than \$88,000 in public housing funds to satisfy the defaulted loans.

Among other things, OIG recommended that HUD require the Authority to repay its public housing program more than \$62,000 from non-Federal sources, including more than \$12,000 in operating expenses and nearly \$50,000 in salaries and unemployment expenses.

In its original management decision, HUD agreed to work with the Authority to establish a funding source to repay its public housing program more than \$62,000. On February 23, 2011, the Authority repaid its public housing program more than \$22,000 from pre-2004 Housing Choice Voucher program administrative reserves, leaving a remaining amount owed of nearly \$40,000. However, HUD recently submitted a revised management decision proposing a compromise regarding the amount due because the Authority's avenues for non-Federal funds are no longer available with the implementation of asset management. The Authority

does not have a history of receiving non-Federal funds and is not expected to receive non-Federal funds in the future. Accordingly, HUD revised its management decision to pursue the debt forgiveness process for the remaining nearly \$40,000, in coordination with action on audit 2006-KC-1013, which terminates and writes off more than \$204,000. On March 14, 2013, OIG agreed with the revised management decision. (Audit Report: **2006-KC-1014**)

ALBUQUERQUE HOUSING SERVICES, ALBUQUERQUE, NM, MISMANAGED ITS RECOVERY ACT FUNDING, ISSUE DATE: APRIL 7, 2011

OIG issued an audit entitled “Albuquerque Housing Services, Albuquerque, NM, Mismanaged Its Recovery Act Funding.” Among the issues reported was that Albuquerque Housing Services did not follow the Recovery and Reinvestment Act requirement that new appliances be Energy Star or Federal Energy Management Program (FEMP) compliant unless the purchase of an energy-efficient appliance was not cost effective to the agency. Albuquerque Housing Services stated both verbally and on its Web site that its purchases complied with the requirements.

At the time of the original management decision, HUD concurred that Albuquerque Housing Services paid more than \$773,000 for products that were not Energy Star or FEMP compliant. Further, HUD said that Albuquerque Housing Services did not document before making the purchases that it was not cost effective to purchase energy-efficient appliances. However, HUD also said it was working with Albuquerque Housing Services and may accept the additional documentation that Albuquerque Housing Services has provided indicating that use of Energy Star appliances may not have been cost effective.

On March 25, 2013, HUD notified OIG that it had determined that more than \$773,000 paid for products that were not Energy Star or FEMP compliant were in the best interest of the taxpayer and the Department. HUD stressed that Energy Star appliances would not have been cost effective or provided any reasonable savings over the life of the appliance. OIG concurred with the revised management decision on March 29, 2013, and recorded a reversal of ineligible costs of more than \$773,000. (Audit Report: **2011-FW-1007**)

AMERICAHOMEKEY, INC., DALLAS, TX, DID NOT FOLLOW HUD-FHA LOAN REQUIREMENTS IN UNDERWRITING 13 OF 20 MANUFACTURED HOME LOANS, ISSUE DATE: SEPTEMBER 30, 2011

OIG issued an audit entitled “AmericaHomeKey, Inc., Dallas, TX, Did Not Follow HUD-FHA Loan Requirements in Underwriting 13 of 20 Manufactured Home Loans.” The mortgage company underwrote 13 loans that were ineligible for FHA insurance. When the report was issued, four of the ineligible loans with unpaid principal balances of nearly \$583,000 had not been conveyed, and HUD had not paid any claims. The report estimated that if the ineligible loans were conveyed and resold, HUD would incur losses of nearly \$344,000 on the conveyance and resale of the four properties. An indemnification agreement would make the mortgage company responsible for any losses incurred on the loans. Therefore, OIG recommended (recommendation 1A) and HUD agreed to request that AmericaHomeKey indemnify it for the four loans. Four additional ineligible loans with unpaid principal balances of more than \$576,000 had not been conveyed, but HUD had paid some claims. The report estimated that if the ineligible loans were

conveyed and resold, HUD would incur losses of nearly \$340,000 on the conveyance and resale of the four properties. An indemnification agreement would make the mortgage company responsible for any losses incurred on the loans. Therefore, OIG recommended (recommendation 1B) and HUD agreed to request that AmericaHomeKey indemnify it for the four loans. OIG concurred with the management decisions for both recommendations on February 14, 2012.

On March 22, 2012, the Mortgage Review Board withdrew FHA approval for AmericaHomeKey to originate FHA loans, and AmericaHomeKey went out of business. Therefore, there would be no indemnification agreement and no cost savings or cost avoidance. HUD submitted revised management decisions on October 10, 2012, to close the recommendations, and OIG concurred with the revised management decisions on January 2, 2013. (Audit Report: **2011-FW-1016**)

THE SANFORD HOUSING AUTHORITY LACKED ADEQUATE MANAGEMENT OF AND CONTROLS OVER ITS PUBLIC HOUSING AND SECTION 8 PROGRAMS, ISSUE DATE: OCTOBER 28, 2011

HUD OIG audited the Sanford Housing Authority to assess issues raised in a congressional referral concerning alleged improper use or mismanagement of the Authority's public housing, American Recovery and Reinvestment Act, and Section 8 Housing Choice Voucher program funds. OIG questioned the use of more than \$1.2 million, which the prior executive director and board spent or allowed to be spent for costs that were abusive or ineligible, not reasonable, or not properly supported. The audit also identified inadequate controls over reimbursements due from other housing agencies for the Housing Choice Voucher program. Some of the questioned expenditures represented abuses in violation of Federal, HUD, and Authority requirements or policies. Other portions of the expenditures diverted funds that could have been used to address some of the projects' repair needs. The audit detected some of the same types of significant findings or concerns mentioned in past reviews of the Authority's operations conducted by HUD and the Authority's independent auditors. These conditions occurred because the prior executive director and board failed to properly manage the Authority's operational and financial affairs. As a result, HUD is now obligated to spend more than \$9 million to relocate tenants and demolish public housing units that might have been preserved through proper management of project operations.

OIG initially recommended and the Director of HUD's Jacksonville Office of Public Housing agreed to assess the \$1.2 million (recommendations 1C, 1E, 1F, 1G, and 1H) questioned by the audit and to (1) seek recovery from the appropriate individuals for Authority funds that were used for personal or nonofficial and abusive purposes, (2) reimburse ineligible costs and the unnecessary redevelopment plan costs that were not budgeted, (3) determine the reasonableness of costs that were not properly procured and reimburse amounts determined to have been excessive, and (4) reimburse costs that were not properly supported if it cannot establish that the costs were for reasonable and necessary project expenditures. These recommendations were in addition to other recommendations for administrative sanctions, which are still being considered for action by the Departmental Enforcement Center.

After reaching management decisions in which HUD agreed to require repayment of the \$1.2 million, HUD determined that the authority has no non-Federal funds to repay the questioned cost. As a result, HUD revised its management decisions, proposing to seek approval from the Deputy Secretary to pursue the debt forgiveness process for all portions of the \$1.2 million that prove to be uncollectable following reasonable collection efforts. On March 29, 2013, OIG agreed with the revised management decisions. (Audit Report: **2012-AT-1002**)

SIGNIFICANT MANAGEMENT DECISION WITH WHICH OIG DISAGREES

During the reporting period, there was one report in which the OIG disagreed with the significant management decision.

LOS ANGELES MULTIFAMILY HUB'S MONITORING OF THE PERFORMANCE-BASED CONTRACT ADMINISTRATOR, ISSUE DATE: NOVEMBER 5, 2007

HUD OIG audited HUD's Los Angeles multifamily hub regarding its monitoring of its annual contributions contract with a nonprofit performance-based contract administrator, Los Angeles LOMOD. OIG's objective was to determine whether the multifamily hub appropriately monitored the contractor.

The multifamily hub did not properly monitor the contractor in accordance with HUD guidance or its annual contributions contract. A major aspect of this finding was that the multifamily hub did not appropriately follow up on findings in its 2004 annual compliance review of the contractor, resulting in the inappropriate reversal of three of its annual compliance review findings and the contractor's continuing to make mistakes similar to those noted in the annual compliance review.

Among other things, OIG recommended that the multifamily hub ensure that the contractor would not be reimbursed for a more than \$105,000 reduction in incentive fees for the findings in the 2004 compliance review that had been improperly reversed (recommendation 1A) and assess nearly \$1.4 million in disincentives and reductions to the incentive fee for contractor deficiencies identified by OIG (recommendation 1B).

In the original March 2008 management decision, the then Deputy Assistant Secretary for Multifamily Housing Programs agreed that more than \$105,000 in annual compliance review disincentives would remain in effect and that HUD had already assessed nearly \$1.4 million in disincentives and incentive fee reductions and withheld the funds in accordance with the OIG recommendations. Although HUD provided documentation showing that the actions had already been implemented, due to stipulations in the annual contributions contract granting the contractor an appeals process, the recommendations were to be kept open until the appeals process had been completed to ensure that the amounts were upheld. However, in October 2008, the multifamily hub reversed all of the applicable questioned costs and distributed the funds to the contractor without proposing a revised management decision or otherwise informing OIG. In June 2011, OIG elevated the matter to the Deputy Assistant Secretary for Multifamily Housing Programs after the Los Angeles hub submitted proposed revised management decisions requesting to close the recommendations. Based on subsequent analysis and discussion with HUD, OIG agreed to reduce the questioned costs under recommendation 1B to just over \$1 million. In January 2013, HUD submitted revised management decisions to close the recommendations based on a HUD Office of General Counsel opinion stating that HUD would not realistically be able to reassess the disincentives and incentive fee reductions.

Although OIG agreed to close the recommendation based on the Office of General Counsel recommendation, OIG strongly disagrees with the multifamily hub's March 2008 reversal and payment of the questioned costs in direct contradiction to the management decisions, without OIG's knowledge. It is OIG's view that this action resulted in the contractor's receiving more than \$1 million in fees to which it was not entitled. (Audit Report: **2008-LA-0001**)

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT OF 1996

HUD did not substantially comply with FFMIA during fiscal year (FY) 2012. HUD made limited progress in bringing its financial management systems into compliance with FFMIA. However, HUD's financial management systems continued to not meet current requirements. HUD's systems were not operated in an integrated fashion and linked electronically to efficiently and effectively provide agencywide financial system support necessary to carry out the agency's mission and support the agency's financial management needs.

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. The modernization project, HUD's Integrated Financial Management Improvement Project, was launched in FY 2003 but was plagued by delays. Originally planned for implementation in 2006, the contract for the Project was not awarded until September 23, 2010. With the award of the contract, HUD anticipated implementation of phase I of the Project in time to have all of the FY 2012 financial data within the new system.

In March 2012, work on the Project was stopped, and HUD began reevaluating its options for the Project. In March 2012, Project sponsorship was transferred from the Office of the Chief Financial Officer (OCFO) to the Deputy Secretary. The Deputy Secretary and a working group comprised of OCFO, the Office of the Chief Information Officer, and the Office of the Chief Procurement Officer are reassessing HUD's options. OMB has stopped funding the Project until HUD can provide a more detailed Project management plan. Since 2003, HUD has spent more than \$35 million and does not have an operational new core financial system to show for this investment.

FFMIA requires OIG to report in its Semiannual Reports to the Congress instances and reasons when an agency has not met the intermediate target dates established in its mediation plan required by FFMIA. At the end of 2012, HUD reported that 3 of the 39 financial management systems were not in substantial compliance with FFMIA. These three systems are the HUD Procurement System (HPS), Small Purchase System (SPS), and Facilities Integrated Resources Management System (FIRMS). HUD acquired a new application, HUD Integrated Acquisition Management System (HIAMS), to replace HPS and SPS on September 30, 2010. The HIAMS application went live on October 1, 2011. The HIAMS implementation used a phased approach; therefore, HPS and SPS were still operational and used during FY 2012.

OIG performed a limited review of the implementation of HIAMS and found that obligation balances in HIAMS were inaccurate and did not match the balances in HUD's Centralized Accounting Program System (HUDCAPS). Because HPS and SPS did not contain the same level of contract data that is required in HIAMS, OCPO developed a data cleanup and transfer process that used a combination of electronic and manual migration of data from the legacy systems to HIAMS. Due to the legacy systems' limitations in capturing subaccount line data, the contracting officials used hardcopy award documents to manually enter the appropriate subaccount line data into the HIAMS application. Discrepancies were identified, and HUD initiated a reconciliation process to correct the data within HIAMS. As a result of the data discrepancies between the HIAMS and HUDCAPS applications, the HIAMS application was not compliant with the requirements of FFMIA for FY 2012.

The FIRMS application does not interface with any other HUD system as required for a property management system. Additionally, FIRMS was not fully operational in FY 2012 because the contract had expired and a new procurement contract had not been executed as of September 30, 2012. Therefore, FIRMS was not compliant with the requirements of FFMIA for FY 2012.

Additionally, OIG continues to report that the Integrated Disbursement and Information System (IDIS) was not in substantial compliance with FFMIA due to the use of a FIFO technique to disburse formula grants. OIG determined that this technique did not comply with Federal accounting standards or budgetary internal control requirements, resulting in IDIS' being noncompliant with FFMIA. However, HUD continues to report IDIS as compliant.

Although HUD certified 36 individual systems as compliant with Federal financial management systems requirements, HUD did not perform independent reviews of all of its financial management systems in accordance with OMB Circular A-127 in the last 3 years. Instead, HUD relied upon the results of OMB Circular A-123 and Federal Information Security Management Act annual internal control reviews for individual applications. Collectively and in the aggregate, deficiencies continued to exist.

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 OIG.

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 (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.

OFFICE OF INVESTIGATION

PEER REVIEW CONDUCTED ON HUD OIG

The most recent peer review of the Office of Investigation was conducted in 2011 by the U.S. Department of Health and Human Services OIG. The results of the peer review found HUD OIG's Office of Investigation compliant (the highest rating) with the quality of standards established by the inspector general community and the attorney general guidelines.

INTERNAL REPORTS

AUDIT REPORTS

CHIEF FINANCIAL OFFICER

2013-FO-0003	Additional Details To Supplement Our Report on HUD's Fiscal Years 2012 and 2011 Financial Statements, 11/15/2012. Better use: \$733,592,718.
2013-FO-0005	HUD's Compliance With the Improper Payments Elimination and Recovery Act of 2010, 03/15/2013.

CHIEF INFORMATION OFFICER

2013-DP-0001	Review of HUD's Transition to Internet Protocol Version 6, 11/28/2012.
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CHIEF PROCUREMENT OFFICER

2013-DP-0002	Audit of Incorrect Payments to the Project Contractor for Data Conversion Tasks Related to the Implementation of HUD's Integrated Core Financial System, 12/04/2012.
2013-DP-0005	Fiscal Year 2012 Review of Information Systems Controls in Support of the Financial Statements Audit, 03/14/2013.

COMMUNITY PLANNING AND DEVELOPMENT

2013-BO-0001	HUD's Proposed HOME Regulations Generally Addressed Systemic Deficiencies, but Field Office Monitoring and Data Validation Need Improvement, 02/12/2013.
2013-FW-0001	Generally, HUD's Hurricane Disaster Recovery Program Assisted the Gulf Coast States' Recovery; However, Some Program Improvements Are Needed, 03/28/2013.
2013-NY-0001	HUD Effectively Administered the Homelessness Program, but Measuring the Program's Outcome Presented Challenges, 10/18/2012.

DEPUTY SECRETARY

2013-DP-0003	Review of the Data Conversion Activities and Interface Plans and Procedures for the Implementation of HUD's Integrated Core Financial System, 12/19/2012.
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FAIR HOUSING AND EQUAL OPPORTUNITY

2013-PH-0003	HUD Did Not Always Adequately Monitor Enforcement Grants Awarded Through Its Fair Housing Initiatives Program, 01/24/2013.
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GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	
2013-DP-0004	Technical Security Control Weaknesses in Selected Ginnie Mae Applications, 02/28/2013.
2013-FO-0001	Audit of the Government National Mortgage Association's (Ginnie Mae) Financial Statements for Fiscal Years 2012 and 2011, 11/07/2012.
HOUSING	
2013-CH-0001	HUD Did Not Always Provide Adequate Oversight of Its Assisted Living Conversion Program, 01/04/2013.
2013-FO-0002	Audit of the FHA's Financial Statements for Fiscal Years 2012 and 2011, 11/09/2012.
2013-FO-0004	Information System Deficiencies Noted During Federal Housing Administration's Fiscal Year 2012 Financial Statement Audit, 01/15/2013.
2013-PH-0001	HUD's Region 3 Multifamily Housing Offices Generally Ensured That Section 236 Rent and Excess Income Requirements Were Met, 12/11/2012. Questioned: \$74,212; unsupported: \$19,121.
2013-PH-0002	HUD Policies Did Not Always Ensure That Borrowers Complied With Program Residency Requirements, 12/20/2012. Better use: \$524,993.
AUDIT-RELATED MEMORANDUMS⁹	
CHIEF INFORMATION OFFICER	
2013-DP-0801	Improper Release of Personally Identifiable Information, 11/06/2012.
COMMUNITY PLANNING AND DEVELOPMENT	
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. Questioned: \$698,343,830; unsupported: \$261,030,993.
HOUSING	
2013-LA-0801	HUD Paid for Unnecessary REO M&M III Field Service Manager Administrative Costs, 10/03/2012. Better use: \$4,914.
OFFICE OF CHIEF HUMAN CAPITAL OFFICER	
2013-IE-0802	Evaluation of HUD's Toll Free Telephone Lines, 02/13/2013.

⁹ The memorandum format is used to communicate the results of reviews not performed in accordance with generally accepted government audit 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.

OFFICE OF STRATEGIC PLANNING AND MANAGEMENT

2013-IE-0801	American Recovery and Reinvestment Act Lessons Learned Initiative, 10/18/2012.
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PUBLIC AND INDIAN HOUSING

2013-LA-0802	Corrective Action Verification, City of Hawthorne, CA, Section 8 Program, Audit Report 2011-LA-1008, 02/15/2013.
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EXTERNAL REPORTS**AUDIT REPORTS****COMMUNITY PLANNING AND DEVELOPMENT**

2013-AT-1001	The Municipality of Ponce Did Not Always Ensure Compliance With HOME Investment Partnerships Program Requirements, Ponce, PR, 11/30/2012. Questioned: \$3,896,782; unsupported: \$3,896,782; better use: \$286,502.
2013-AT-1003	The Municipality of Arecibo Did Not Always Ensure Compliance With CDBG Program Requirements, Arecibo, PR, 03/22/2013. Questioned: \$5,233,524; unsupported: \$4,680,866.
2013-CH-1001	The City of Cleveland Lacked Adequate Controls Over Its HOME Investment Partnerships Program, Cleveland, OH, 02/12/2013. Questioned: \$471,456; unsupported: \$248,762.
2013-KC-1001	The City of Cedar Rapids Did Not Ensure a Competitive Procurement Process and Did Not Properly Execute Its CDBG Disaster Recovery-Funded Contracts, Cedar Rapids, IA, 10/23/2012. Questioned: \$12,210,247; unsupported: \$12,210,247.
2013-LA-1001	The City of Inglewood Did Not Administer HOME Investment Partnerships Program Funds in Accordance With HUD Rules and Requirements, Inglewood, CA, 12/06/2012. Better use: \$2,621,693.
2013-NY-1001	The City of Albany CDBG Recovery Act Program, Albany, NY, 12/06/2012. Questioned: \$745,973; unsupported: \$740,682.
2013-NY-1003	Morris County's CDBG Program Had Weaknesses in Its Financial and Administrative Controls, Morris County, NJ, 01/23/2013. Questioned: \$160,205; unsupported: \$129,735; better use: \$151,729.
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. Questioned: \$373,576; unsupported: \$357,800; better use: \$963,681.
2013-PH-1001	Luzerne County Did Not Properly Evaluate, Underwrite, and Monitor a High-Risk Loan, Wilkes-Barre, PA, 10/31/2012. Questioned: \$5,999,894.

2013-PH-1002	The City of Baltimore Did Not Administer Its Homelessness Prevention and Rapid Re-Housing Program Grant According to Recovery Act Requirements, Baltimore, MD, 11/09/2012. Questioned: \$9,472,118; unsupported: \$9,472,118.
2013-SE-1001	The Idaho Housing and Finance Association, Boise, ID, Did Not Always Comply With HOME Investment Partnerships Program Match and Compliance Monitoring Requirements, Portland, OR, 12/21/2012. Questioned: \$20,826,382; unsupported: \$16,425,654.
HOUSING	
2013-AT-1002	McClain Barr and Associates Did Not Properly Charge Frontline Costs to Its Properties, Summerfield, NC, 03/20/2013. Questioned: \$872,457; unsupported: \$803,887.
2013-BO-1001	Ofori & Associates, PC, Did Not Always Comply With Its REO Contract and Marketing Plan Requirements, Hartford, CT, 02/19/2013. Questioned: \$64,661; unsupported: \$60,411.
2013-FW-1002	Eustis Mortgage Corporation Did Not Always Comply With HUD-FHA Underwriting and Quality Control Program Requirements, New Orleans, LA, 03/21/2013. Better use: \$279,456.
2013-LA-1003	Bay Vista Methodist Heights Violated Its Agreement With HUD When Administering Its Trust Funds, San Diego, CA, 03/14/2013. Questioned: \$6,248,795; unsupported: \$1,056,252.
PUBLIC AND INDIAN HOUSING	
2013-FW-1001	The Cherokee Nation Generally Administered Its Recovery Act Funds According to Requirements, Tahlequah, OK, 03/12/2013. Questioned: \$16,902; unsupported: \$16,902.
2013-FW-1003	The Slidell Housing Authority Did Not Always Properly Operate Its Section 8 Program, Slidell, LA, 03/21/2013. Questioned: \$104,922; unsupported: \$69,462; better use: \$85.
2013-LA-1002	The Southern Nevada Regional Housing Authority Did Not Always Administer Its Recovery Act Capital Fund Grants in Accordance With Recovery Act and HUD Requirements, Las Vegas, NV, 01/23/2013. Questioned: \$7,309; unsupported: \$7,309.
2013-NY-1002	Hoboken Housing Authority Generally Administered the Recovery Act Capital Fund Program in Accordance with Regulations, Hoboken, NJ, 01/04/2013. Questioned: \$17,903; unsupported: \$17,903; better use: \$83,642.
2013-NY-1005	West New York Housing Authority Officials Generally Administered Their Recovery Act Capital Fund Program in Accordance With Recovery Act and HUD Requirements, West New York, NJ, 03/04/2013. Better use: \$68,260.
AUDIT-RELATED MEMORANDUMS¹⁰	
COMMUNITY PLANNING AND DEVELOPMENT	
2013-NY-1801	Deutsche Bank, New York, Job Creation and Retention Program Grant, Hotline Complaint Case Number HL-2012-0199, New York, NY, 01/11/2013.

¹⁰ The memorandum format is used to communicate the results of reviews not performed in accordance with generally accepted government audit 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.

GENERAL COUNSEL	
2013-FW-1801	Final Civil Action: Heartland Health Care Center of Bethany Owners Settled Alleged Violations of Equity Skimming, Bethany, OK, 03/28/2013. Questioned: \$1,750,000.
HOUSING	
2013-BO-1801	Pryma Lending Group, LLC, Complied With HUD-FHA Loan Origination and Quality Control Requirements, Danbury, CT, 11/14/2012.
2013-LA-1801	Standard Pacific Mortgage, Inc., Allowed the Recording of Prohibited Restrictive Covenants, Irvine, CA, 02/05/2013. Questioned: \$2,925,424; unsupported: \$1,390,235; better use: \$544,967.
2013-PH-1802	New Day Financial, LLC, Ensured Loans Met FHA Requirements, Fulton, MD, 03/08/2013.
PUBLIC AND INDIAN HOUSING	
2013-PH-1801	Review of the Circumstances Concerning the Abrupt Departure of the Executive Director of the Philadelphia Housing Authority and the Potential Improper Use of HUD Funds, Philadelphia, PA, 01/10/2013.

TABLE A**AUDIT REPORTS ISSUED BEFORE THE START OF PERIOD WITH
NO MANGEMENT DECISION AT 03/31/2013****Significant audit reports described in previous semiannual reports*

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 38.	09/28/2009
* 2012-LA-1801 Shea Mortgage, Inc., Allowed the Recording of Prohibited Restrictive Covenants, Aliso Viejo, CA	See chapter 9, page 39.	09/26/2012

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
2002-KC-0002	Nationwide Survey of HUD's Office of Housing Section 232 Nursing Home Program	07/31/2002	11/22/2002	Note 1
2005-AT-1004	Housing Authority of the City of Durham, NC	11/19/2004	03/15/2005	03/15/2015
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	Note 2
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	09/30/2014
2007-KC-0002	HUD Can Improve Its Use of Residual Receipts To Reduce Housing Assistance Payments	01/29/2007	01/29/2007	Note 1
2007-KC-0003	HUD Did Not Recapture Excess Funds from Assigned Bond-Financed Projects	04/30/2007	08/27/2007	Note 1
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
2007-KC-0801	Lenders Submitted Title II Manufactured Housing Loans for Endorsement Without the Required Foundation Certifications	09/24/2007	03/11/2008	Note 1

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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 2
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	12/31/2013
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-CH-1008	The City of East Cleveland Did Not Adequately Manage Its HOME Investment Partnerships and CDBG Programs, East Cleveland, OH	05/11/2009	09/08/2009	07/31/2014
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	01/01/2030

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2009-KC-0001	HUD Subsidized an Estimated 2,094 to 3,046 Households That Included Lifetime Registered Sex Offenders	08/14/2009	03/31/2011	Note 1
2009-CH-0002	The Office of Affordable Housing Programs' Oversight of HOME Investment Partnerships Program Income Was Inadequate	08/28/2009	12/26/2009	Note 1
2009-DE-1005	Adams County Did Not Have Adequate Controls Over Its Block Grant Funds, Westminster, CO	09/17/2009	01/15/2010	Note 1
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
2009-AT-1013	The City of Atlanta Entered Incorrect Commitments Into HUD's Integrated Disbursement and Information System for its HOME Program, Atlanta, GA	09/28/2009	11/05/2009	Note 1
2010-LA-0001	HUD's Performance-Based Contract Administration Contract Was Not Cost Effective	11/12/2009	03/12/2010	Note 1
2010-FO-0003	Additional Details To Supplement Our Report on HUD's Fiscal Years 2009 and 2008 Financial Statements	11/16/2009	04/02/2010	Note 1
2010-KC-1001	The State of Iowa Misspent CDBG Disaster Assistance Funds and Failed To Check for Duplicate Benefits, Des Moines, IA	03/10/2010	09/13/2010	Note 2
2010-KC-1003	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, East St. Louis, IL	03/26/2010	07/22/2010	Note 1
2010-CH-0001	The Office of Block Grant Assistance Lacked Adequate Controls Over the Inclusion of Special Conditions in NSP Grant Agreements	03/29/2010	07/27/2010	Note 1
2010-AT-1003	The Housing Authority of Whitesburg Mismanaged Its Operations, Whitesburg, KY	04/28/2010	08/26/2010	11/29/2035

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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 1
2010-AT-1006	The Puerto Rico Department of Housing Failed To Properly Manage Its HOME Investment Partnerships Program, San Juan, PR	06/11/2010	10/08/2010	Note 1
2010-AT-1007	The Housing Authority, City of Wilson, Lacked the Capacity To Effectively Administer Recovery Act Funds, Wilson, NC	07/27/2010	11/24/2010	11/27/2013
2010-AT-1011	The Puerto Rico Department of Housing Did Not Ensure Compliance With HOME Program Objectives, San Juan, PR	08/25/2010	12/06/2010	Note 1
2010-FW-0003	HUD Was Not Tracking Almost 13,000 Defaulted HECM Loans With Maximum Claim Amounts of Potentially More Than \$2.5 Billion	08/25/2010	12/03/2010	Note 2
2010-LA-0002	HUD's Office of Single Family Housing's Management Controls Over Its Automated Underwriting Process	09/15/2010	01/13/2011	Note 2
2010-KC-1008	The City of East St. Louis Awarded Block Grant Program Funds to Recipients Without Adequately Verifying Their Eligibility, East St. Louis, IL	09/28/2010	01/26/2011	Note 2
2010-HA-0003	HUD Needs To Improve Controls Over Its Administration of Completed and Expired Contracts	09/30/2010	01/27/2011	Note 1
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	04/30/2013
2011-PH-1002	The City of Scranton Did Not Administer Its CDBG Program in Accordance With HUD Requirements, Scranton, PA	11/08/2010	03/08/2011	Note 2

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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	Note 2
2011-NY-1003	The Irvington Housing Authority Did Not Administer Its Capital Fund Programs in Accordance With HUD Regulations, Irvington, NJ	11/24/2010	03/23/2011	04/30/2013
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	04/19/2013
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 2
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	10/31/2013
2011-AT-1802	The Municipality of Arecibo Charged the HOME Program With Expenditures That Did Not Meet Program Objectives, Arecibo, PR	01/27/2011	05/26/2011	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	10/15/2013
2011-KC-1001	The City of East St. Louis Did Not Properly Manage Housing Rehabilitation Contracts Funded by the CDBG Program, East St. Louis, IL	02/09/2011	06/09/2011	Note 2

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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
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	Note 2
2011-AT-1006	The Municipality of Mayaguez Did Not Ensure Compliance With HOME Program Objectives, Mayaguez, PR	04/08/2011	08/05/2011	Note 2
2011-FW-0001	The National Servicing Center Implemented the FHA-HAMP Loss Mitigation Option in Accordance With Rules and Regulations	04/08/2011	08/05/2011	Note 2
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	Note 2
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 2
2011-LA-0002	HUD Did Not Always Follow Its Requirements for the Preclosing and Postclosing Review of Mortgage Files Submitted by New Direct Endorsement Lenders	04/18/2011	08/02/2011	06/30/2013
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	Note 2
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	04/30/2013

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2011-AO-0001	The Lafayette Parish Housing Authority Violated HUD Procurement Requirements and Executed Unreasonable and Unnecessary Contracts	06/22/2011	10/13/2011	12/31/2013
2011-LA-1012	The City of Las Vegas Did Not Always Ensure That Homelessness Prevention and Rapid Re-Housing Funds Were Used as Required, Las Vegas, NV	07/06/2011	10/28/2011	06/28/2013
2011-NY-1802	The City of Dunkirk Used CDBG Recovery Act Funding for an Ineligible Activity, Dunkirk, NY	07/14/2011	11/10/2011	Note 2
2011-LA-1015	Chicanos Por La Causa, Inc., Did Not Always Administer Its NSP2 Grant In Accordance With HUD Requirements, Phoenix, AZ	07/22/2011	11/09/2011	Note 2
2011-NY-1011	The Housing Authority of the City of Elizabeth Had Weaknesses in Its Capital Fund Program's Financial Controls, Elizabeth, NJ	08/04/2011	11/30/2011	09/30/2013
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	04/01/2014
2011-BO-1009	Weymouth Housing Authority Did Not Always Administer Its Housing Choice Voucher Program and Public Housing Program in Accordance With HUD Regulations and Its Annual Contributions Contracts, Weymouth, MA	08/29/2011	12/22/2011	06/30/2013
2011-NY-1015	Weaknesses Existed in Essex County's Administration of Its Homelessness Prevention and Rapid Re-Housing Program, Essex County, NJ	09/20/2011	01/11/2012	Note 2
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 2

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2011-FW-1016	AmericaHomeKey, Inc., Did Not Follow HUD-FHA Loan Requirements in Underwriting 13 of 20 Manufactured Home Loans, Dallas, TX	09/23/2011	01/20/2012	Note 2
2011-SE-1008	The Idaho Housing and Finance Association Did Not Always Comply With HOME Investment Partnerships Project and Cost Eligibility Regulations, Boise, ID	09/23/2011	01/18/2012	Note 2
2011-KC-0004	FHA Did Not Prevent Corporate Officers of Noncompliant Lenders From Returning to the FHA Program	09/26/2011	06/28/2012	Note 2
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	Note 2
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	02/28/2014
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-FO-0006	American Recovery and Reinvestment Act of 2009 Grantees Met Initial Expenditure Requirements, but HUD Should Return Recaptured Funds to the U.S. Treasury and Ensure That Grant Closeout Procedures Comply With the Act	09/30/2011	02/15/2012	Note 1
2012-FW-1001	TXL Mortgage Corporation Did Not Comply With HUD-FHA Loan Requirements in Underwriting 16 of 20 Home Loans, Houston, TX	10/06/2011	02/24/2012	05/14/2013
2012-NY-1002	The City of New York Charged Questionable Expenditures to Its HPRP, New York, NY	10/18/2011	02/16/2012	Note 2

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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	Note 2
2012-AT-1002	The Sanford Housing Authority Lacked Adequate Management of and Controls Over Its Public Housing and Section 8 Programs, Sanford, FL	10/28/2011	03/20/2012	Note 2
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 2
2012-PH-1002	The National Community Reinvestment Coalition Did Not Comply With Conflict-of-Interest Provisions in Its Fair Housing Initiative Program Agreement With HUD, Washington, DC	11/14/2011	03/06/2012	06/30/2013
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	04/01/2014
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	02/27/2015
2012-LA-1001	Housing Our Communities Did Not Administer Its NSP in Accordance With HUD Requirements, Mesa, AZ	12/08/2011	03/13/2012	06/28/2013
2012-LA-1003	The City of Modesto Did Not Always Comply With NSP2 Requirements, Modesto, CA	12/22/2011	04/05/2012	04/01/2013
2012-BO-1001	The Housing Authority of the City of Hartford did not Properly Administer its \$2.5 Million Recovery Act Grant Construction Management Contract, Hartford, CT	01/06/2012	05/11/2012	05/01/2013
2012-AT-1007	The Shelby County, TN, Housing Authority Mismanaged Its HUD-Funded Programs, Memphis, TN	01/26/2012	05/25/2012	06/01/2035

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2012-CH-1002	The Saginaw Housing Commission Did Not Administer Its Grant in Accordance With Recovery Act, HUD's, and Its Requirements, Saginaw, MI	01/26/2012	06/04/2012	12/30/2013
2012-LA-1004	MetLife Bank's Scottsdale, AZ, Branch Office Did Not Follow FHA-Insured Loan Underwriting and Quality Control Requirements	01/26/2012	05/18/2012	05/18/2013
2012-FO-0004	Information System Deficiencies Noted During FHA's Fiscal Year 2011 Financial Statement Audit	01/27/2012	05/21/2012	05/21/2013
2012-NY-1005	The City of Newark Had Weaknesses in the Administration of Its HPRP, Newark, NJ	01/27/2012	04/26/2012	04/22/2013
2012-NY-1006	MLD Mortgage, Inc., Did Not Always Comply With HUD-FHA Loan Origination and Quality Control Requirements, Florham Park, NJ	02/06/2012	05/18/2012	05/18/2013
2012-PH-0004	HUD Controls Did Not Always Ensure That Home Equity Conversion Mortgage Loan Borrowers Complied With Program Residency Requirements	02/09/2012	06/08/2012	06/08/2013
2012-DP-0001	Audit Report on the Fiscal Year 2011 Review of Information Systems Controls in Support of the Financial Statements Audit	02/14/2012	07/02/2012	09/30/2013
2012-NY-1007	The City of Syracuse Did Not Always Administer Its Economic Development Initiative Program in Accordance With HUD Requirements, Syracuse, NY	02/21/2012	06/12/2012	06/03/2013
2012-AO-1001	Opelousas Housing Authority Did Not Always Comply With Recovery Act and Federal Obligation, Procurement, and Reporting Requirements, Opelousas, LA	02/23/2012	05/10/2012	05/04/2013
2012-CH-1003	The Springfield Housing Authority Needs To Improve Its ARRA Contract Administration Procedures, Springfield, IL	02/23/2012	06/04/2012	05/11/2013

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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	06/22/2013
2012-KC-1002	The East St. Louis Housing Authority Did Not Properly Manage or Report on Recovery Act Capital Funds, East St. Louis, IL	03/02/2012	06/29/2012	05/31/2013
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	07/05/2013
2012-FW-1802	Bank of America Corporation, Foreclosure and Claims Process Review, Charlotte, NC	03/12/2012	07/09/2012	06/30/2013
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	03/13/2014
2012-BO-1002	The Housing Authority of the City of Stamford Did Not Properly Administer and Oversee the Operations of Its Federal Programs, Stamford, CT	03/14/2012	08/27/2012	05/31/2013
2012-PH-1006	Gloucester Township Did Not Always Administer Its CDBG-R Act Funds According to Applicable Requirements, Blackwood, NJ	03/14/2012	05/30/2012	05/30/2013
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	07/12/2013
2012-BO-1003	The Medford Housing Authority Needs to Improve Rent Reasonableness Determinations, Procurement, and Enforcement of Housing Quality Standards, Medford, MA	03/21/2012	08/06/2012	05/03/2013

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2012-CH-1006	Cuyahoga Metropolitan Housing Authority Did Not Operate Its Section 8 Housing Choice Voucher Program According to HUD's Requirements, Cleveland, OH	03/29/2012	07/18/2012	06/28/2013
2012-CH-1007	The State of Michigan Lacked Adequate Controls Over Its Use of NSP Funds Under the HERA for a Project, Lansing, MI	03/30/2012	07/26/2012	04/22/2013

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 March 31, 2013

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2012-KC-1004	The Manhattan Housing Authority Improperly Executed a Contract Change Order and Did Not Accurately Report on Its Recovery Act Funds, Manhattan, KS	04/09/2012	07/31/2012	07/31/2013
2012-FW-1803	Corrective Action Verification, City of Tulsa – CDBG, Land Use and Program Income, Audit Report 2008-FW-1012, Tulsa, OK	04/10/2012	08/07/2012	08/07/2013
2012-DE-1004	The Aurora Housing Authority Did Not Always Follow Requirements When Obligating, Expending, and Reporting Information About Its Recovery Act Capital Funds, Aurora, CO	05/04/2012	06/04/2012	11/30/2013
2012-LA-1006	Amar Plaza Was Not Administered in Accordance With HUD Rules and Regulations, La Puente, CA	05/21/2012	09/17/2012	09/17/2013
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	08/01/2013
2012-FW-1008	The Management and Board of Commissioners of the Housing Authority of the City of Port Arthur Failed To Exercise Their Fiduciary Responsibilities, Port Arthur, TX	06/01/2012	09/22/2012	09/21/2013

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2012-LA-1007	Los Angeles Neighborhood Housing Services Did Not Always Properly Administer Its NSP2 Grant, Los Angeles, CA	06/05/2012	09/21/2012	06/21/2013
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	10/18/2013
2012-NY-1010	The Lower Manhattan Development Corporation Approved Invoices That Were Not Always Consistent With Subrecipient Agreements, New York, NY	07/27/2012	12/04/2012	Note 2
2012-AO-1002	The Jefferson Parish Housing Authority Violated Federal Regulations, Marrero, LA	07/30/2012	12/31/2012	03/19/2014
2012-BO-1004	The Lawrence Housing Authority Did Not Obtain HUD Approval To Fund a Trust Account and Had Weaknesses in Its Controls, Boston, MA	07/31/2012	11/28/2012	06/28/2013
2012-FW-1012	Weststar Mortgage Corporation Did Not Comply With HUD FHA Single Family Requirements for 10 Loans Reviewed, Albuquerque, NM	08/02/2012	12/31/2012	08/02/2013
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	11/22/2013
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	11/30/2013
2012-SE-1005	Washington State Generally Complied With Lead Hazard Control Grant and Recovery Act Requirements but Charged Excessive Administrative Costs, Olympia, WA	08/09/2012	10/05/2012	04/30/2013
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	08/15/2013

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2012-CH-1010	The Aurora Housing Authority Did Not Administer Its Grant in Accordance With Recovery Act, HUD, and Its Own Requirements, Aurora, IL	09/05/2012	01/03/2013	12/31/2013
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	07/31/2013
2012-FW-1014	The State of Louisiana Generally Complied With Recovery Act HPRP, Baton Rouge, LA	09/07/2012	02/08/2013	04/15/2013
2012-LA-1010	Innotion Enterprises, Inc., Did Not Always Comply With Its REO Contract Requirements, Las Vegas, NV	09/12/2012	01/10/2013	09/11/2013
2012-LA-1011	Bankers Mortgage Group Loan Originations Did Not Comply With FHA-Insured Loan Documentation Requirements, Woodland Hills, CA	09/13/2012	01/10/2013	11/15/2013
2012-KC-0004	FHA Paid Claims for Approximately 11,693 Preforeclosure Sales that Did Not Meet FHA Requirements	09/18/2012	01/14/2013	09/17/2013
2012-LA-0003	HUD Did Not Always Enforce REO M&M III Program Requirements	09/18/2012	01/09/2013	09/17/2013
2012-LA-0004	HUD Did Not Ensure Public Housing Agencies' Use of Property Insurance Recoveries Met Program Requirements	09/21/2012	12/19/2012	01/01/2014
2012-LA-1012	The City of Long Beach Did Not Fully Comply With Federal Regulations When Administering Its NSP2 Grant, Long Beach, CA	09/21/2012	12/18/2012	09/20/2013
2012-PH-1012	The Allegheny County Housing Authority, Pittsburgh, PA, Needs To Improve Its Inspections To Ensure That All Section 8 Housing Choice Voucher Units Meet Housing Quality Standards, Pittsburgh, PA	09/21/2012	11/29/2012	09/02/2013

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2012-LA-1801	Shea Mortgage, Inc., Allowed the Recording of Prohibited Restrictive Covenants, Aliso Viejo, CA	09/26/2012	03/01/2013	Note 3
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	09/30/2013
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	06/27/2014
2012-FO-0006	HUD's Oversight of Recovery Act-Funded Housing Programs	09/27/2012	03/05/2013	07/15/2013
2012-KC-1006	The City of St. Louis Did Not Effectively Manage Its Recovery Act Funding, St. Louis, MO	09/27/2012	01/25/2013	10/31/2013
2012-BO-1005	Housing Choice Voucher Program Units Did Not Meet HUD's Housing Quality Standards, and Authority Officials Did Not Always Comply with HUD's or Their Own Procurement Policy, Augusta, ME	09/28/2012	03/14/2013	05/01/2013
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	11/30/2013
2012-CH-1014	Mortgage Now Inc. Did Not Always Comply With HUD's Underwriting and Quality Control Requirements, Shrewsbury, NJ	09/28/2012	01/25/2013	09/28/2013

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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	04/30/2014
2012-DP-0005	Review of Controls Over HUD's Mobile Devices	09/28/2012	12/18/2012	11/08/2014
2012-NY-1802	Village of Spring Valley, Hotline Complaint, Federal Housing Finance Agency Complaint Number Z-12-0445-1, Village of Spring Valley, NY	09/28/2012	01/28/2013	06/30/2013
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	09/30/2013

AUDITS EXCLUDED:

86 audits under repayment plans

36 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 03/31/2013 (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	39	\$1,195,849	\$63,843
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	-	597	366
A4	For which costs were added to noncost reports	0	0	0
B1	Which were issued during the reporting period	21	769,816	312,635
B2	Which were reopened during the reporting period	0	0	0
SUBTOTALS (A + B)		65	1,975,222	382,143
C	For which a management decision was made during the reporting period	43 ¹¹	1,233,189	92,019
	(1) Dollar value of disallowed costs:			
	Due HUD	24 ¹²	1,139,520	14,482
	Due program participants	23	66,611	51,024
	(2) Dollar value of costs not disallowed	9 ¹³	27,058	26,508
D	For which management decision had been made not to determine costs until completion of litigation, legislation, or investigation	5	8,960	5,299
E	For which no management decision had been made by the end of the reporting period	17 < 52 > ¹⁴	733,073 < 721,438 > ¹⁴	284,825 < 273,190 > ¹⁴

11 Fifteen audit reports also contain recommendations with funds to be put to better use.

12 Six audit reports also contain recommendations with funds due program participants.

13 Seven audit reports also contain recommendations with funds agreed to by management.

14 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 03/31/2013 (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	21	\$883,965
A2	For which litigation, legislation, or investigation was pending at the commencement of the reporting period	4	17,375
A3	For which additional costs were added to reports in beginning inventory	-	389
A4	For which costs were added to noncost reports	0	0
B1	Which were issued during the reporting period	12	739,123
B2	Which were reopened during the reporting period	0	0
SUBTOTALS (A + B)		37	1,640,852
C	For which a management decision was made during the reporting period	22 ¹⁵	819,974
	(1) Dollar value of recommendations that were agreed to by management:		
	Due HUD	11	800,751
	Due program participants	11	15,889
	(2) Dollar value of recommendations that were not agreed to by management	3 ¹⁶	3,334
D	For which management decision had been made not to determine costs until completion of litigation, legislation, or investigation	4	17,375
E	For which no management decision had been made by the end of the reporting period	11 < 16 > ¹⁷	803,503 < 16,502 > ¹⁷

15 Fifteen audit reports also contain recommendations with questioned costs.

16 Three audit reports also contain recommendations with funds agreed to by management.

17 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 those 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.

OIG TELEPHONE DIRECTORY

Office of Audit

HEADQUARTERS OFFICE OF AUDIT	Washington, DC	202-708-0364
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REGION 1/2	New York, NY	212-264-4174
	Albany, NY	518-462-2892
	Boston, MA	617-994-8380
	Buffalo, NY	716-551-5755
	Hartford, CT	860-240-4832
	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
	Jacksonville, FL	904-232-1226
	Knoxville, TN	865-545-4400
	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	702-336-2100
	Phoenix, AZ	602-379-7250
	San Francisco, CA	415-489-6400

Office of Investigation

HEADQUARTERS OFFICE OF INVESTIGATION	Washington, DC	202-708-0390
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REGION 1/2	New York, NY	212-264-8062
	Boston, MA	617-994-8450
	Buffalo, NY	716-551-5755
	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
	Hattiesburg, MS	601-434-5848
	Jackson, MS	601-965-4700
	Memphis, TN	901-554-3148
	Miami, FL	305-536-3087
	Nashville, TN	615-736-2332
	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	616-916-3715
	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, OK	405-609-8603
	San Antonio, TX	210-475-6819

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

REGION 9	Los Angeles, CA	213-894-0219
	Las Vegas, NV	702-413-0531
	Phoenix, AZ	602-379-7252
	Sacramento, CA	916-930-5691
	San Francisco, CA	415-489-6683

Joint Civil Fraud Division

AUDIT	Kansas City, KS	913-551-5429
INVESTIGATION	Kansas City, KS	913-551-5866

ACRONYMS LIST

ARRA	American Recovery and Reinvestment Act of 2009
CDBG	Community Development Block Grant
CDBG-DR	Community Development Block Grant-Disaster Recovery
CFR	Code of Federal Regulations
CPD	Office of Community Planning and Development
DOJ	U.S. Department of Justice
FBI	Federal Bureau of Investigation
FEMP	Federal Emergency Management Program
FFMIA	Federal Financial Management Improvement Act of 1996
FHA	Federal Housing Administration
FIFO	first-in, first-out
FIRMS	Facilities Integrated Resources Management System
FY	fiscal year
GAO	U.S. Government Accountability Office
HECM	home equity conversion mortgage
HIAMS	HUD Integrated Acquisition Management System
H4H	HOPE for Homeowners
HOME	HOME Investment Partnerships Program
HOPWA	Housing Opportunities for Persons with AIDS
HPS	HUD Procurement System
HUD	U.S. Department of Housing and Urban Development
HUDCAPS	HUD's Centralized Accounting Program System
ICFS	Integrated Core Financial System
IDIS	Integrated Disbursement and Information System
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPv6	Internet Protocol Version 6
IRS	Internal Revenue Service
LTV	loan to value
MMIF	Mutual Mortgage Insurance Fund
NCDF	National Center for Disaster Fraud
NSP	Neighborhood Stabilization Program
OCFO	Office of the Chief Financial Officer
OI	Office of Investigation
OIG	Office of Inspector General
OMB	Office of Management and Budget
PHA	public housing agency
PIH	Office of Public and Indian Housing
REO	real estate-owned
SIGTARP	Office of the Special Inspector General for the Troubled Asset Relief Program
SPS	Small Purchase System
U.S.C.	United States Code

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.	36
Section 5(a)(1)-description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of the Department.	8 - 35
Section 5(a)(2)-description of recommendations for corrective action with respect to significant problems, abuses, and deficiencies.	38
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
Section 5(a)(4)-summary of matters referred to prosecutive authorities and the prosecutions and convictions that have resulted.	8 - 35
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
Section 5(a)(7)-summary of each particularly significant report.	8 - 35
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
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
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
Section 5(a)(11)-a description and explanation of the reasons for any significant revised management decisions made during the reporting period.	40
Section 5(a)(12)-information concerning any significant management decision with which the Inspector General is in disagreement.	44
Section 5(a)(13)-the information described under section 05(b) of the Federal Financial Management Improvement Act of 1996.	45

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.

WHERE TO REPORT FEDERAL HOUSING ADMINISTRATION LOAN FRAUD:
Call toll free: 800-347-3735



REPORT

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

Calling the OIG hotline: 1-800-347-3735

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

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

Report Number 69

www.hudoig.gov

HUD OIG Hotline: 1-800-347-3735