

OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT TO CONGRESS

FOR THE PERIOD ENDING SEPTEMBER 30, 2018



DISASTER OVERSIGHT



U.S. DEPARTMENT
OF HOUSING
AND URBAN
DEVELOPMENT

PROFILE OF PERFORMANCE

For the period April 1, 2018, to September 30, 2018

AUDIT RESULTS ¹	THIS REPORTING PERIOD	FISCAL YEAR 2018
Recommendations that funds be put to better use	\$1,491,520,766	\$4,650,083,908
Recommended questioned costs	\$1,324,573,464	\$1,343,904,387
Collections from audits	\$176,059,128	\$193,246,149
Administrative sanctions	0	1
Civil actions	2	2
Subpoenas	3	78
Personnel actions	0	0

INVESTIGATION RESULTS ¹	THIS REPORTING PERIOD	FISCAL YEAR 2018
Total restitutions and judgments	\$32,961,037	\$122,089,089
Total recoveries and receivables to HUD programs ²	\$1,977,053	\$61,758,951
Arrests	106	242
Indictments and informations	117	241
Convictions, pleas, and pretrial diversions	100	231
Civil actions	14	40
Total administrative sanctions	196	362
Suspensions	15	42
Debarments	39	89
Program referrals	28	66
Removal from program participation	0	0
Evictions	96	129
Other ³	18	36
Systemic implication reports	1	2
Search warrants	30	59
Subpoenas	341	791

JOINT CIVIL FRAUD RESULTS ¹	THIS REPORTING PERIOD	FISCAL YEAR 2018
Recoveries and receivables to HUD programs or HUD program participants	\$311,699	\$357,199
Recoveries and receivables for other entities ⁴	\$0	\$0
Recommendations that funds be put to better use	\$47,433,895	\$47,529,664
Civil actions	0	2
Administrative sanctions	0	1

¹ The Offices of Audit and Investigation and the Joint Civil Fraud Division periodically combine efforts and conduct joint civil fraud initiatives. Outcomes from these initiatives are shown in the Joint Civil Fraud Results profile and are not duplicated in the Audit Results or Investigation Results.

² Does not include civil settlements worked jointly with the Office of Audit

³ Includes reprimands, suspensions, demotions, or terminations of the employees of Federal, State, or local governments or of Federal contractors and grantees as the result of OIG activities.

⁴ This amount represents funds that relate to HUD programs but were paid to other entities rather than to HUD, such as funds paid to the U.S. Treasury for general government purposes.

HIGHLIGHTS

OUR MISSION

We promote economy, efficiency, and effectiveness in the administration of the U.S. Department of Housing and Urban Development (HUD) programs through the use of traditional and innovative approaches. We protect the integrity of HUD's programs and operations by identifying opportunities for HUD programs to progress and succeed.

OUR VISION

We are a collaborative team of diverse, empowered professionals committed to excellence, innovation, our core values, and sharing our knowledge and best practices with HUD and the Inspector General community. We leverage the specialized skill sets within the Office of Inspector General (OIG) to bring heightened awareness to HUD's toughest challenges. We support HUD's efforts to achieve stronger housing markets, quality and safer housing, and strengthened communities.

OUR VALUES

Accountability

Accountability is taking ownership of our decisions and actions. We hold one another accountable to a higher standard of conduct.

Courage

Courage is doing what is right, no matter how difficult. We ask questions and raise concerns when needed.

Respect

Respect is appreciating the uniqueness of our workforce. We treat others with dignity, civility, and mutual consideration.

Stewardship

Stewardship is accepting our responsibility to serve the public good. We care about leaving things better than we found them.

Trust

Trust is the result of promises kept. We deliver on our commitments and communicate honestly with our stakeholders.

DURING THE REPORTING PERIOD
APRIL 1, 2018, TO SEPTEMBER 30, 2018

Nearly \$1.5 BILLION in recommendations that funds be put to better use



More than \$1.3 BILLION in recommended questioned costs

More than \$176 MILLION in collections



Issued 77 audit reports

Nearly \$2 MILLION in investigative efforts





It is with great pleasure that I submit the U.S. Department of Housing and Urban Development, Office of Inspector General's (HUD OIG) Semiannual Report to Congress for the second half of fiscal year 2018. This report describes the remarkable accomplishments of the dedicated employees of HUD OIG. Significant among our many accomplishments is our return on investment, which now exceeds a ratio of 42 to 1

for dollars spent for our work compared to dollars returned to HUD and to the U.S. Treasury. By promoting better stewardship and accountability in HUD's programs, HUD OIG staff ensures that we have a lasting, positive impact on the Department and on our communities for the benefit of the American people.

In addition to the investigative cases mentioned below, for this reporting period, HUD OIG has conducted a number of significant and impactful audits and evaluations. For example, our Office of Audit identified that HUD lacked adequate oversight of lead-based paint reporting and remediation in its public housing program and Housing Choice Voucher Program. In a request to 3,800 public housing agencies (PHA), to which 2,600 PHAs responded, the PHAs reported 84 potential cases in public housing and 205 cases in the Housing Choice Voucher Program of children with environmental intervention blood lead levels. HUD lacked assurance that PHAs properly identified and mitigated lead hazards, thus increasing the potential of exposing children to lead poisoning due to unsafe living conditions.

We also audited HUD's Federal Housing Administration's (FHA) preforeclosure sale claims, noting that existing regulations may allow excessive preforeclosure claim interest costs. HUD paid an estimated \$413 million in unnecessary interest and other costs for 27,634 preforeclosure claims because lenders failed to complete servicing actions for defaulted loans within established timeframes. Although the unnecessary amounts were caused by lenders' inaction, HUD reimbursed lenders for these added costs through FHA insurance claims. This condition occurred because HUD's requirements and procedures do not limit unnecessary preforeclosure claim interest and other costs that result from lenders' servicing delays. As a result, the FHA insurance fund incurred unnecessary and unreasonable costs, and fewer funds were available to pay other claims or to apply toward reducing FHA borrower mortgage insurance premiums.

Based on congressional requests, our Office of Evaluation conducted an evaluation of the Alexander County Housing Authority. HUD had been aware of negative conditions at the Authority since at least 2010. HUD identified issues with the Authority's governance, including the misuse of funds, conflicts of interest, and a failure to comply with HUD policies and Federal civil rights laws. Further, about 200 children and their families lived in units with peeling paint; graffiti; pest infestations; and other health and safety hazards, such as inoperable appliances and obstructed accessibility routes. Despite HUD's attempts to bring the Authority into compliance, its efforts did not resolve the negative conditions at the Authority. Residents continued to live in deplorable conditions as the Authority declined, and Authority officials were generally uncooperative in addressing the negative conditions HUD

identified. HUD hesitated to take the Authority into possession in part because Office of Public and Indian Housing officials believed that they had to allow the Authority an opportunity to improve instead of declaring it in substantial default. Additionally, HUD guidance and expertise on receiverships were limited.

In addition, we issued a report on HUD information technology (IT) system management and oversight of the Indian Home Loan Guarantee Program (Section 184 program) in response to a congressional request. HUD had not successfully deployed an IT system that enabled effective management and appropriate oversight of all Section 184 program processes. Multiple IT systems support the Section 184 program with limited functionality and multiple methods for loan processing. Many Section 184 loan application processes are still performed manually or supported by a HUD Office of Housing legacy IT system. HUD developed a modernized Office of Native American Programs Loan Origination System (LOS), which was deployed in 2017 and was still under development during our review, with no projected timelines to complete additional functionality. LOS has significant limitations, requiring lenders and program officials to continue to use a HUD Office of Housing legacy IT system and manual processes for maintaining files, servicing loans, and managing claims. Only 1 of 38 lenders supporting the Section 184 program is able to access LOS due to HUD's inability to administratively resolve an access issue.

Our Office of Investigation continues to uncover and seek prosecution of fraud affecting the Department. As part of one investigation in Newark, NJ, 13 people were sentenced to a cumulative 243 months in prison and ordered to pay restitution totaling more than \$4.4 million, of which at least \$625,220 was returned to HUD FHA. Over a period of 2 years, the conspirators fraudulently obtained mortgages for properties located in New Jersey by recruiting straw buyers and submitting false and fraudulent loan applications and supporting documents so the straw buyers could qualify for the loans when they otherwise would not have qualified. Overall, the scheme involved 24 loans, including 17 FHA mortgages, and induced lenders to issue more than \$6 million in loans, resulting in several defaults, exposing lenders and FHA to more than \$2 million in potential losses.

In another investigation, conducted by our Joint Civil Fraud Division, HUD OIG demonstrated its commitment to proactively preventing loss to the Department and FHA's insurance fund. We identified that HUD did not enforce the terms of a settlement agreement with an FHA lender when it failed to record indemnification agreements on 920 FHA-insured loans. HUD's failure to properly record the indemnifications led to claims being filed on 2 conveyed properties as well as 15 loss mitigation actions, resulting in a loss of \$311,699. HUD required the lender to repay the loss and recorded the 920 loans in FHA Connection, avoiding more than \$47.4 million in estimated losses.

In closing, these are just a few of the many important activities HUD OIG accomplished this year. We in HUD OIG are committed to working with Congress and the Department to improve HUD's programs and operations and are proud of our many accomplishments, which are of consequence and impactful to our Nation's citizens.



TRENDING

2017 DISASTER RECOVERY

OVERVIEW

In the wake of the destruction and aftermath caused by the 2017 natural disasters, the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), continues to focus on the challenges and outcomes of the national Disaster Recovery Initiative. To address the enormous task of enforcement and oversight, HUD OIG has designated its Atlanta, Fort Worth, and Los Angeles regional offices to perform the bulk of 2017 disaster recovery oversight. HUD OIG has initiated assignments to ensure that the lessons learned from previous disasters will be at the forefront in the approval of the grantees' disaster recovery action plans and HUD's disaster recovery guidance. Our audit and investigation staff will provide a continuing and comprehensive review of the expenditure and administration of funds.

Recognized as a leader in disaster recovery oversight, HUD OIG's Offices of Investigation (OI) and Audit (OA) continue to chair their respective subcommittees on the Council of the Inspectors General on Integrity and Efficiency, Disaster Assistance Working Group. Through these subcommittees and the larger working group, HUD OIG works closely with other OIGs to leverage our collective efforts to identify and address disaster-related fraud, waste, and mismanagement. For example, OA is continuing its cross-cutting audit

in coordination with several other OIGs to determine the extent to which HUD and each other participating agency are prepared to respond to future disasters.

AUDIT

In response to congressional concerns, OA continues to monitor progress of the Puerto Rico and U.S. Virgin Islands disaster recovery grantees' preparation to administer assistance funds. OA is preparing to conduct capacity audits of the Puerto Rico Department of Housing and the U.S. Virgin Islands Housing Finance Authority in the coming months.

Also, due to congressional concerns, OA completed capacity audits of the two grantees responsible for administering disaster funding for the States of Florida and Texas. OA concluded that Florida's Department of Economic Opportunity should strengthen its capacity to administer its disaster recovery grants in accordance with applicable regulations and requirements. Specifically, it could strengthen capacity by improving its controls, finalizing disaster program policies and procedures, improving its process for preventing duplication of benefits, and continuing to increase staffing. Strengthening its capacity to administer disaster grants would help ensure that the Department properly spends more than \$1.5 billion in disaster recovery funding in accordance with applicable requirements.

Similarly, OA concluded that the Texas General Land Office should strengthen its capacity to follow Federal procurement regulations when procuring contracts with disaster recovery funds and to spend those funds in accordance with applicable requirements. Specifically, it could strengthen its capacity by reviewing and updating its procurement and expenditure policies and procedures, increasing staffing to ensure that appropriate resources are available to administer the disaster funds, and improving its processes for preventing duplication of benefits. Further, OA concluded that the agency could benefit from a standard set of basic disaster recovery guidelines, established by HUD, to assist it in providing needed relief to affected communities. Strengthening its capacity to administer disaster funds would help ensure that the agency properly spends more than \$5 billion in disaster recovery funding in accordance with applicable requirements.

In another audit completed this period, OA reported that although HUD had managed billions in disaster recovery funds since 2002, it had not codified its Disaster Recovery program in HUD regulations. Instead, to administer disaster recovery funds, HUD issued multiple requirements and waivers for each disaster recovery supplemental appropriation in Federal Register notices, many of which were repeated from disaster to disaster. HUD's use of multiple Federal Register notices to operate the program presented challenges to grantees. For example, 59 grantees with 112 active disaster recovery grants, which totaled more than \$47.4 billion as of September 2017, had to follow requirements contained in 61 different Federal Register notices to manage the program. OA concluded that codifying the Disaster Recovery program would ensure that a permanent framework is in place for future disasters, reduce the existing volume of Federal Register notices, standardize the rules for all grantees, and ensure that grants are closed in a timely manner.

INVESTIGATION

HUD OIG's OI continues to provide impactful assistance to HUD's Disaster Recovery program through its work associated with disaster recovery efforts. Agents continue to be involved with seeking financial recoveries for fraud involving past hurricanes. During fiscal years 2017 and 2018, OI headquarters and field staff provided law enforcement

support through Emergency Support Function (ESF) 13 under the Presidential declaration by means of the Robert T. Stafford Disaster and Emergency Relief Assistance Act as amended, 42 U.S.C. (United States Code) 5121 et seq. HUD OIG volunteered personnel and resources in support of ESF 13 during Hurricane Florence.

In addition to OI agents' providing substantial assistance with performing emergency support and continuity of operations functions, OI has been instrumental in coordinating and collaborating with law enforcement partners in support of disaster relief and fraud detection and prevention. OI special agents have close working relationships with law enforcement officials in the U.S. Virgin Islands, Puerto Rico, and throughout Texas. OI staff has provided outreach in these and other jurisdictions to United States Attorney's Offices, grantees, HUD program staff, and other stakeholders to educate them about inherent risks in HUD's Disaster Recovery program and best practices for fraud prevention. This year, OI committed to providing training to OIG's many stakeholders. OI will continue to leverage the talent of a core team of agents, supervisors, and analysts to provide impactful assistance to HUD and its stakeholders in addressing the complex challenges presented in its Disaster Recovery program.

Further, to develop a sound investigative strategy that integrates diverse perspectives, OI has leveraged the experience of a core team of agents and supervisory agents to serve as subject-matter experts in disaster-related investigations and initiatives. OI continues to leverage the expertise of other OIG offices to tackle the most challenging and complex disaster-related issues.

OI partnered with OA and OIG's Office of Legal Counsel in providing nonconcurring comments on a recent disaster recovery clearance item. This nonconcurrency resulted in HUD's amending and strengthening false statement warnings and certifications contained in borrower eligibility documents for HUD's 30-day disaster foreclosure moratorium. Certain FHA-insured mortgages in affected counties in Puerto Rico and the U.S. Virgin Islands that are still recovering from the devastation of Hurricane Maria fall within the guidelines of the moratorium.



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CHAPTER 1 – 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		Questioned costs	Funds put to better use
Audit	6 audits	\$121,334,767	\$425,660,736

INDEPENDENT AUDITORS FAILED TO CONFORM WITH GENERALLY ACCEPTED AUDITING STANDARDS

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), assisted the U.S. Department of Justice in a civil review of Deloitte and Touche, LLP, a Delaware limited liability partnership headquartered in **New York City, NY**. Deloitte is a professional services firm that provides auditing services to clients throughout the United States. Deloitte provided auditing services to its client, Taylor, Bean & Whitaker Mortgage Corporation (TBW). TBW was an FHA-approved direct endorsement lender and as such, was required to submit to HUD annual audited financial statements to maintain its status as a direct endorsement lender. Deloitte served as TBW's independent outside auditor and submitted audit reports on TBW's financial statements for its fiscal years ending April 30, 2002, through April 30, 2008. Deloitte stated in its reports that it had conducted its audits of TBW in accordance with generally accepted auditing standards.

On February 28, 2018, Deloitte entered into a settlement agreement with the Federal Government, agreeing to pay \$149.5 million, of which \$115 million was restitution owed to HUD. Deloitte denied but settled allegations of alleged conduct in connection with its role as TBW's independent outside auditor for fiscal years that ended April 30, 2002, through April 30, 2008. The settlement agreement was neither an admission of liability by Deloitte nor a concession by the United States that its claims were not well founded. (Audit Memorandum: **2018-FO-1802**)

REVIEW OF HUD'S PREFORECLOSURE SALE CLAIM PROCESS

HUD OIG audited FHA's preforeclosure sale claim process to determine the amount of unnecessary preforeclosure claim interest and other costs that resulted from lender noncompliance with HUD's loan-servicing timeframe requirements.

HUD paid more than \$413 million in unnecessary interest and other costs for 27,634 preforeclosure claims because lenders failed to complete servicing actions for defaulted loans within established timeframes. Although the unnecessary amounts were caused by lenders' inaction, HUD reimbursed lenders for these added costs through FHA insurance claims. As a result, the FHA insurance fund incurred unnecessary and unreasonable costs, and fewer funds were available to pay other claims or apply toward reducing FHA borrower mortgage insurance premiums.

OIG recommended that HUD implement a change to regulations at 24 CFR (Code of Federal Regulations) Part 203 to require curtailment of preforeclosure interest and other costs caused by lender servicing delays, resulting in more than \$413 million in funds to be put to better use. This requirement should include updating or seeking statutory authority to update HUD's regulations as necessary before any changes go through departmental clearance to ensure that planned curtailment requirements can be consistently enforced through the claims process. (Audit Report: **2018-LA-0007**)

REVIEW OF HUD'S PARTIAL CLAIMS PROGRAM

HUD OIG audited HUD to determine whether it identified and collected outstanding partial claims out of surplus proceeds from nonconveyance foreclosures.

HUD did not always identify and collect partial claims out of surplus proceeds from nonconveyance foreclosures. This condition occurred because HUD lacked a policy enabling it to identify surplus funds and the partial claims program as designed did not always adequately protect HUD's interests. As a result, HUD's insurance fund did not receive the benefit of nearly \$6.8 million, various third parties benefited at HUD's expense, and the unclaimed funds sat dormant with the custodians.

OIG recommended that HUD (1) pursue the collection of \$5.7 million in surplus proceeds that HUD is entitled to reclaim from 2017 loan terminations, (2) implement a policy to require servicers to send surplus proceeds notifications to HUD's national loan-servicing contractor and establish procedures to improve HUD's surplus proceeds collection efforts, and (3) redesign the partial claim program to eliminate its weaknesses and put HUD funds to better use. (Audit Report: **2018-KC-0004**)

HUD OIG audited HUD's tracking of partial claim notes to determine whether HUD had adequate controls to ensure that partial claim notes were properly tracked for future collection.

HUD did not have adequate controls to ensure that partial claim notes were properly tracked for future collection, putting the collectability of \$6 million in partial claim notes at risk. More specifically, HUD did not always enter partial claim notes and lender payments into its tracking system and ensure that note and mortgage documents adequately supported the partial claim notes. From January 1, 2013, to August 31, 2017, HUD's Single Family Data Warehouse data showed that there were 407,984 partial claims. A review of 695 FHA loans with partial claims paid during the period January 1, 2013, to August 31, 2017, found 421 deficiencies in boarding (entering partial claims) and 394 deficiencies in tracking partial claim notes. In addition to the risk of partial claims collectability, HUD could be misreporting partial claim note balances.

OIG recommended that HUD (1) enter more than \$3 million in partial claims that were not in HUD's Single Family Mortgage Asset Recovery Technology (SMART) system, (2) remove more than \$697,000 in duplicate partial claim note entries from SMART, (3) obtain missing documents for partial claims totaling nearly \$645,000, (4) enter more than \$1 million in lender payments received that were not in SMART, (5) request that lenders rerecord mortgage documents for 18 inappropriately released loans totaling \$451,000, (6) review 4 loans totaling more than \$93,000 in partial claim notes and remove those for which HUD has not paid a partial claim, (7) develop procedures and controls to enter all partial claims paid and lender payments received, (8) develop controls to ensure that note and mortgage documents accepted are accurate and entered into SMART, and (9) develop and implement controls to ensure that mortgages are released only when they have been satisfied. (Audit Report: **2018-LA-0005**)

INVESTIGATION

Program Results

Administrative - civil actions	34
Convictions - pleas - pretrial diversions	41
Financial recoveries	\$25,814,204

THIRTEEN PEOPLE SENTENCED FOR MORTGAGE FRAUD

Two loan officers, seven real estate professionals, a bank official, a contractor, an investor, and a borrower were sentenced in U.S. District Court to serve a cumulative 243 months incarceration and pay a cumulative \$4.49 million in restitution, of which at least \$625,220 was returned to FHA. The conspirators were sentenced in connection with earlier guilty pleas to conspiracy, wire fraud, and tax fraud. Over a period of 2 years, the conspirators agreed to fraudulently obtain mortgage loans for properties located in northern New Jersey. After recruiting “straw buyers” to purchase the properties, the conspirators submitted false and fraudulent loan applications and supporting documents so the straw buyers could qualify for the loans, including those insured by FHA, when they otherwise would not have qualified. Overall, the scheme involved 24 loans, including 17 FHA mortgages, and induced lenders to issue more than \$6 million in loans, resulting in several defaults, exposing lenders and FHA to more than \$2 million in potential losses. HUD OIG, the Federal Bureau of Investigation, the Federal Housing Finance Agency (FHFA) OIG, and the United States Postal Inspection Service (USPIS) conducted this investigation. **(Newark, NJ)**

HOUSING COUNSELING AGENCY VICE PRESIDENT SENTENCED TO 5 YEARS IN LOAN MODIFICATION SCAM

A vice president of a HUD-approved housing counseling agency was sentenced in U.S. District Court to 60 months incarceration and ordered to pay \$611,740 in restitution, \$274,303 of which was due to HUD, for his earlier guilty plea to mail fraud. Through his work at the nonprofit, the executive defrauded many homeowners under the guise that he was providing them with mortgage assistance. Instead, the executive falsified paperwork, stole homeowners’ mortgage payments, and extracted large payments from homeowners in a falsely claimed unsuccessful effort to save their homes from foreclosure. As a result of this fraud, these homeowners were defrauded of tens of thousands of dollars, and many lost their homes. The scheme involved 14 FHA loans, leaving HUD exposed to a possible loss of more than \$1.2 million. HUD OIG, FHFA OIG, and USPIS conducted this investigation. **(Dallas, TX)**

FIVE CONVICTED FOR SHORT SALE FRAUD SCHEME

A loan officer, two attorneys, a nonprofit official, and a real estate agent and owner of a foreclosure rescue company were sentenced in U.S. District court for their role in a scheme to defraud various banks via fraudulent short sales of homes in cities in Massachusetts in which purported sellers remained in their homes with their debt substantially reduced. The five conspirators were sentenced to a total of 57 months incarceration and ordered to pay more than \$1.6 million in restitution in relation to earlier guilty pleas to bank fraud and conspiracy to commit bank fraud.

During a period of almost 3 years, the conspirators submitted materially false and misleading documents to many banks in an effort to induce them to permit short sales for homeowners who were in debt on their homes. Therefore, the purported sellers were released from their unpaid mortgage debts, the banks of the purported buyers provided financing for the short sales, and the sellers stayed in their homes, with their debt substantially reduced. Eight of the eleven homes involved were FHA insured, and the scheme led to a loss to HUD of \$2.2 million. HUD OIG and the Special Inspector General for the Troubled Asset Relief Program conducted this investigation. **(Boston, MA)**

SIX SENTENCED FOR MORTGAGE FRAUD CONSPIRACY

Two loan officers, a loan processor, a real estate agent, and an investor were sentenced in U.S. District Court in connection with their earlier guilty pleas to conspiracy to commit bank fraud, aggravated identity theft, bank fraud, and false statements. The conspirators were sentenced to a total of 66 months incarceration and ordered to pay a total of \$551,793 in restitution, with \$257,055 due to FHA. Over a period of 7 years, the conspirators orchestrated a scheme to defraud FHA and other financial institutions when they caused to be submitted materially false mortgage loan applications and fraudulent supporting documentation by prospective home buyers to their lenders. The six then shared in the proceeds of the fraudulent mortgage loans, residential property sales, and various fees. Fifteen of the involved loans were FHA insured. HUD OIG, the United States Secret Service, and the Rhode Island State Police conducted this investigation. **(Providence, RI)**

EVALUATION

MORTGAGEE REVIEW BOARD ADMINISTRATIVE ACTIONS

The Mortgagee Review Board (MRB) rules on cases against FHA-approved lenders in which there is evidence of serious violations relating to loan origination, servicing activity, and failure to comply with FHA operational guidelines. When the MRB learns that a lender may not be in compliance with FHA requirements, it may take administrative actions to resolve problems with lenders. It does not consider “loss to the government” in these actions. Administrative actions may include notices of violation, civil monetary penalties, withdrawals and suspensions, and settlement agreements.

The MRB regularly takes administrative actions on FHA-approved single-family lenders but does not hear many larger multifamily cases. For fiscal years 2014, 2015, and 2016, the MRB issued 436 administrative actions and 56 civil monetary penalties, withdrawals of FHA approval, suspensions, probations, reprimands, administrative payments, and settlements. The value of the MRB decisions totaled approximately \$1.96 billion.

The MRB has taken steps to improve since OIG’s last evaluation. Specifically, it has increased the consistency of penalties given to lenders for similar violations, met the requirement to publish each administrative action in the Federal Register, and resolved a longstanding backlog of cases. OIG had two findings and made no recommendations. (Evaluation Report: **2017-OE-0005**)

JOINT CIVIL FRAUD

Program Results

Key program results		Questioned costs	Funds put to better use
Civil actions	1	\$311,699	\$47,433,895

HUD OIG worked with HUD to resolve outstanding matters related to two September 2015 agreements with Fifth Third Bank (FTB) in **Cincinnati, OH**, and its principal subsidiary, Fifth Third Bancorp, an Ohio-based bank holding company. HUD had failed to properly record required indemnifications in its FHA Connection system; therefore, it did not hold FTB accountable to the terms of the settlement agreements.

OIG recommended that HUD require FTB to reimburse HUD nearly \$312,000 for 2 loans, for which HUD incurred losses when it sold the properties, and 15 loans, for which FHA insurance had been terminated and HUD had paid loss mitigation claims to FTB. OIG also recommended that HUD record in FHA Connection the remaining indemnified loans, avoiding more than \$47.4 million in estimated losses, and that HUD develop and implement controls to ensure that indemnification agreements that result from U.S. Department of Justice settlements have been properly recorded in FHA Connection. Finally, OIG recommended that HUD take appropriate administrative action against FTB for violations of the settlement agreement. (Memorandum: **2018-CF-0802**)

CHAPTER 2 – PUBLIC AND INDIAN HOUSING PROGRAMS

The U.S. Department of Housing and Urban Development (HUD) provides grants and subsidies to more than 3,300 public housing agencies (PHA) nationwide. Many PHAs administer both public housing and Section 8 programs. HUD also provides assistance directly to PHAs' resident organizations to encourage increased resident management entities and resident skills programs. Programs administered by PHAs are designed to enable low-income families, the elderly, and persons with disabilities to obtain and reside in housing that is safe, decent, sanitary, and in good repair. Some of the highlights from this semiannual period are noted below.

AUDIT

Strategic Initiative 2: Contribute to the reduction of erroneous payments in rental assistance

Key program results		Questioned costs	Funds put to better use
Audit	27 audits	\$39,093,476	\$651,526

REVIEW OF HUD'S HOUSING CHOICE VOUCHER PROGRAM

HUD's Office of Inspector General (OIG) audited the Housing Choice Voucher Program of the Housing Authority of the County of Lake in **Grayslake, IL**, to determine whether the Authority appropriately managed its program in accordance with HUD's and its own requirements.

The Authority did not appropriately manage its Family Self-Sufficiency (FSS) program. As a result, HUD and the Authority lacked assurance that program participants benefited from the program and made progress toward self-sufficiency and more than \$445,000 in coordinator grant funds was used appropriately. In addition, participants' escrow accounts were overfunded, graduation disbursements were unsupported, ineligible escrow disbursements were paid, and participants' escrow accounts were underfunded. The Authority also did not always correctly calculate and support housing assistance payments. As a result, it overpaid nearly \$17,000, underpaid nearly \$4,000, and was unable to support nearly \$19,000 in housing assistance. If the Authority does not correct its certification process, it could overpay nearly \$352,000 in housing assistance over the next year.

In addition, the Authority did not always ensure that program funds were used for eligible expenses and inappropriately charged fees to its Project-Based Voucher Program developments. It also did not properly allocate expenses and lacked support that rent charged to its program was reasonable. As a result, the Authority inappropriately used nearly \$14,000 in program funds and earned nearly \$9,200 in fees. In addition, nearly \$4,100 in expenses was unsupported, and nearly \$43,000 was not available for its program.

OIG recommended that HUD require the Authority to (1) support or reimburse its program for the unsupported escrows, coordinator grant funds, housing assistance payment calculations, and expenditures; (2) reimburse its programs from non-Federal funds for the ineligible escrow disbursements, housing assistance payment calculations, and expenses; and (3) implement adequate procedures and controls to address the findings cited. (Audit Report: **2018-CH-1007**)

REVIEW OF HUD'S FAMILY SELF-SUFFICIENCY PROGRAM

HUD OIG audited HUD's oversight of its FSS program to determine whether HUD provided adequate oversight of its program.

HUD did not provide adequate oversight of its FSS program. Specifically, it did not ensure that grantees (1) always had action plans that complied with regulations, (2) accurately calculated monthly escrow credits, (3) always reported accurately in its Office of Public and Indian Housing Information Center (PIC) database, (4) were adequately monitored by field offices for compliance with regulations, and (5) maintained supporting documentation showing that participants completed contractual agreement requirements. As a result, HUD lacked assurance that the program operated effectively and that participants moved toward self-sufficiency once they graduated from the program. In addition, a PHA made an ineligible escrow payment of nearly \$2,000, and program funds totaling \$7.8 million were unsupported because the action plans for 12 PHAs were incomplete.

OIG recommended that HUD (1) direct the 12 grantees to correct their action plans to comply with program requirements and submit the corrected plans to HUD for review or repay HUD from non-Federal funds for any program funds they received that they cannot support; (2) require the Housing Authority of Brevard County, FL, to repay the ineligible escrow funds to HUD from non-Federal funds for the program participant who exceeded allowable contract terms; (3) monitor grantees' efforts for improved accuracy and completeness of PIC program data; (4) develop and implement a plan to monitor grantee FSS programs, including to ensure that escrow accounts are calculated correctly; and (5) develop and implement policies and procedures to ensure that grantees maintain documentation to support program participants' contractual agreements. (Audit Report: **2018-PH-0002**)

REVIEW OF HUD'S PUBLIC HOUSING OPERATING AND CAPITAL FUND PROGRAMS

HUD OIG audited the Public Housing Operating and Capital Fund programs of the Columbus Metropolitan Housing Authority in **Columbus, OH**, to determine whether the Authority administered its programs in accordance with HUD's requirements.

The Authority invested Federal funds in non-HUD-approved investment accounts and did not properly record the proceeds from the sale of a public housing property. As a result, HUD and the Authority lacked assurance that nearly \$21 million in Federal funds was protected. Also, nearly \$14 million in sales proceeds may not have been available for the intended purposes. In addition, the Authority could not support the source of funds for a loan to an affiliated entity. As a result, HUD and the Authority lacked assurance that nearly \$262,000 in Federal funds was available for program purposes.

In addition, the Authority did not comply with HUD's procurement requirements for one contract. It also used non-Federal funds to pay Capital Fund expenses and inappropriately used capital funds as reimbursement. As a result, HUD and the Authority lacked assurance that more than \$263,000 in capital funds used to pay for the contract was reasonable and that the Authority did not incur and pay expenses before the obligation start date of its Capital Fund grants.

OIG recommended that HUD require the Authority to (1) procure and use HUD-approved investment accounts for Federal funds, (2) ensure that sales proceeds are maintained in a restricted account, (3) support the source of funds for the loan and the reasonableness for one contract or reimburse its program from non-Federal funds, and (4) implement adequate procedures and controls to address the findings cited. (Audit Report: **2018-CH-1006**)

HUD OIG audited the Crisfield Housing Authority in **Crisfield, MD**, regarding its use of public housing program operating and capital funds to determine whether the Authority administered its public housing program in accordance with applicable HUD requirements and its annual contributions contract.

The Authority did not properly administer its public housing program according to applicable HUD requirements and its annual contributions contract. It did not properly administer its operating funds, comply with conflict-of-interest requirements, and comply with Capital Fund requirements. As a result, the Authority's use of operating funds totaling nearly \$138,000 for security services and more than \$1.4 million for unit repairs was unsupported, and it made ineligible payments totaling nearly \$112,000 for unit repairs and repairs to its public housing vehicles using operating funds. In addition, regarding its use of capital funds, the Authority could not show that the prices it paid for products and services totaling nearly \$172,000 were fair and reasonable, and payments it made totaling more than \$236,000 for salaries and other services were ineligible.

OIG recommended that HUD direct the Authority to (1) provide documentation to support its payments for security services or reimburse its Operating Fund for any costs that it cannot support, (2) reimburse its Operating Fund for the ineligible payments, (3) submit a retroactive request for a waiver to the conflict-of-interest requirements to support payments of nearly \$1.5 million or reimburse the appropriate program for any amount not covered by a waiver, (4) provide documentation to show that purchases of products and services using capital funds were at fair and reasonable prices, and (5) reimburse its Capital Fund nearly \$171,000. OIG also recommended that HUD evaluate the apparent conflict-of-interest situations identified and pursue administrative sanctions if warranted. (Audit Report: **2018-PH-1007**)

HUD OIG audited the Buffalo Municipal Housing Authority in **Buffalo, NY**, to determine whether the Authority administered its operating funds in accordance with applicable HUD, Federal, and Authority requirements.

The Authority did not administer its operating funds in accordance with applicable HUD, Federal, and Authority requirements. Specifically, it did not properly procure goods and services with related Operating Fund disbursements and improperly requested, received, and used operating funds. As a result, HUD did not have assurance that (1) the Authority conducted procurements in a manner that provided full and open competition, (2) more than \$1.4 million in operating funds paid under five contracts and to two vendors for purchase orders was for prices that were fair and reasonable, and (3) more than \$464,000 in operating funds was available and used for its intended purpose.

OIG recommended that HUD require the Authority to (1) provide documentation to show that the operating funds paid under five contracts and to two vendors for purchase orders were for prices that were reasonable; (2) evaluate apparent conflict-of-interest situations and pursue administrative sanctions if warranted; (3) provide documentation to justify nearly \$373,000 in unsupported Operating Fund subsidies received and nearly \$9,000 in excessive property management fees charged; (4) reimburse its Operating Fund account from non-Federal funds nearly \$83,000 for document management services contract payments that should have been made with non-Federal funds; (5) strengthen its controls to ensure compliance with HUD, Federal, and Authority requirements; and (6) provide training to employees involved in the procurement, funding, and expenditure processes to ensure compliance with HUD, Federal, and Authority requirements. (Audit Report: **2018-NY-1006**)

REVIEW OF HUD'S RENTAL ASSISTANCE DEMONSTRATION PROGRAM

HUD OIG reviewed HUD's approval of the Moving to Work (MTW) Demonstration plan and capital funds drawdowns of the Lexington-Fayette Urban County Housing Authority in **Lexington, KY**, to determine whether HUD properly approved the Authority's exemption from HUD's third-party requirements for unit inspections in its MTW plan for fiscal year 2017 and capital funds drawdowns after its Rental Assistance Demonstration Program (RAD) conversion.

HUD improperly approved the Authority's exemption from HUD's third-party requirements for unit inspections in its MTW plan for fiscal year 2017 and capital funds drawdowns after its RAD conversion. Specifically, HUD's approval of the Authority's exemption resulted in the Authority's failing to comply with HUD's third-party requirements for an independent entity to conduct unit inspections on the Authority-owned units. HUD improperly approved a drawdown after the Authority's RAD conversion, resulting in an inappropriate use of the Public Housing Capital Fund program.

OIG recommended that HUD (1) ensure that more than \$1.3 million used by the Authority is supported through a valid and retroactive exemption from HUD's third-party requirements, (2) revise the standard MTW agreement for all 39 MTW PHAs to clearly and specifically support which provision(s) waive the third-party inspection requirements, and (3) ensure that reviews of MTW annual plans are thorough by verifying that the MTW plan accurately identifies the appropriate exemptions as authorized in the MTW agreements. In addition, OIG recommended that HUD (1) require the Authority to reimburse its Public Housing Capital Fund program more than \$38,000 from nonproject funds for the inappropriate use of funds for its Section 8 Project-Based Voucher Program units and (2) ensure that it properly coordinates any requests it has received for approving capital funds expenditures after the RAD conversion is complete. (Audit Memorandum: **2018-AT-0801**)

HUD OIG audited the Housing Authority of the City of **Evansville, IN**'s RAD conversion to determine whether the Authority complied with HUD's and its own requirements for the units converted under the program.

The Authority did not follow HUD's and its own requirements for the units converted under RAD. Specifically, it (1) did not ensure that units complied with HUD's housing quality standards before it entered into a housing assistance payments contract, (2) failed to obtain the services of a HUD-approved independent third party to perform housing quality standards inspections for units owned by entities it substantially controlled, and (3) did not apply the correct contract rents for the converted units. As a result, the Authority could not support the eligibility of more than \$1 million in housing assistance payments to the entities and more than \$10,000 in program funds paid to a contractor for housing quality standards inspection services. Further, the application of incorrect rents led to the underpayment of housing assistance to the entities, so these funds were not available for the administration of the Authority's Project-Based Voucher Program.

OIG recommended that HUD require the Authority to (1) support that units met HUD's housing quality standards or reimburse its program for the initial inspections of converted units that did not ensure compliance with the standards, (2) seek retroactive approval or reimburse its program for the program funds paid to contractors for unsupported housing quality standards inspection services completed by contractors that were not approved by HUD, and (3) implement adequate procedures and controls to address the findings cited. (Audit Report: **2018-CH-1003**)

REVIEW OF HUD'S OVERSIGHT OF LEAD-BASED PAINT REPORTING AND REMEDIATION

HUD OIG audited HUD's oversight of lead-based paint reporting and remediation in its public housing program and Housing Choice Voucher Program to determine whether HUD had adequate oversight of lead-based paint reporting and remediation in these programs.

HUD lacked adequate oversight of lead-based paint reporting and remediation in its public housing program and Housing Choice Voucher Program. Specifically, it did not (1) ensure that PHAs appropriately reported and mitigated cases involving children with environmental intervention blood lead levels (EIBLL) in its public housing program, (2) establish policies and procedures for PHAs to report a child with an EIBLL who resided in a household assisted under its Housing Choice Voucher Program and ensure that identified lead hazards had been mitigated, and (3) ensure that PHAs completed required lead-based paint inspections. In addition, for housing built after 1977, HUD did not require PHAs to report and mitigate cases involving children with EIBLLs residing in public or assisted housing. As a result, HUD lacked assurance that PHAs properly identified and mitigated lead hazards, thus increasing the potential of exposing children to lead poisoning due to unsafe living conditions.

OIG recommended that HUD (1) update its regulations to expand the inspection and abatement requirements of 24 CFR (Code of Federal Regulations) Part 35 to housing completed after 1977 in cases in which a child with an elevated blood lead level is reported and (2) implement adequate procedures and controls to ensure that PHAs comply with the lead safe requirements. (Audit Report: **2018-CH-0002**)

REVIEW OF REAL ESTATE ASSESSMENT CENTER'S INSPECTION PROCESS

HUD OIG audited HUD's Real Estate Assessment Center's (REAC) inspections process to determine whether REAC had adequate processes for and controls over the certification and monitoring of contracted inspectors and its public housing units' physical inspections processes.

REAC could improve its inspections processes and controls related to the certification and monitoring of its contracted inspectors and its public housing units' physical inspections processes. Specifically, REAC did not always ensure that (1) contract inspectors met requirements, (2) database system controls functioned properly, and (3) it verified the accuracy of sampled units for PHAs. As a result, REAC did not always have assurance that it (1) made the most effective and efficient use of its resources when training and certifying inspectors, (2) protected its database system data from unauthorized access and use, and (3) had accurate unit selections.

OIG recommended that HUD (1) develop written policies and procedures to ensure that inspectors meet program requirements, (2) support that inspector candidates met minimum qualifications and were properly monitored, (3) ensure that it performs annual assessments and continuous monitoring of its database, and (4) develop processes and procedures to verify the accuracy of sampled units. (Audit Report: **2018-FW-0003**)

REVIEW OF OFFICE OF NATIVE AMERICAN PROGRAMS' INDIAN HOUSING BLOCK GRANT PROGRAM

HUD OIG audited HUD's Office of Native American Programs' Indian Housing Block Grant program to determine whether HUD ensured the accuracy of tribal enrollment numbers submitted by registered Native American tribes or their tribally designated housing entities.

HUD did not ensure that grantees submitted accurate tribal enrollment numbers to support their allocated portion of program funding for fiscal years 2015, 2016, and 2017. As a result, there was an increased overall risk that more than \$1.9 billion in program funding awarded to 377 grantees may not have been properly allocated. Additionally, the increased risk could result in grantees' receiving more or fewer program funds than they are entitled to receive to address the housing needs within the Native American community.

OIG recommended that HUD (1) update the program's information collection requirements on form HUD-4117 to ensure that grantees report annually, (2) revise form HUD-4117 to include certification and false claim statements to hold grantees responsible for the accurate reporting of tribal enrollment numbers, (3) develop and implement policies and procedures to assist in formally challenging grantees' reporting of tribal enrollment numbers, and (4) issue guidance to grantees on procedures to ensure the accurate reporting of tribal enrollment numbers. (Audit Report: **2018-LA-0002**)

HUD OIG audited HUD's Indian Housing Block Grant program to determine whether HUD ensured that grantees invested, obligated, and spent program funds within HUD's required time limits.

HUD generally ensured that grantees obligated, spent, and invested program funds within HUD's required time limits in fiscal years 2015, 2016, and 2017. However, for two of six grantees reviewed, HUD did not always ensure that the grantees maintained the required depository agreements to invest program funds in investment securities for use in carrying out affordable housing activities. In addition, its Indian Housing Block Grant Recipient Self-Monitoring Guidebook included an expired requirement for investing program funds. As a result, HUD did not fully ensure that all grantees maintained the required depository agreements to allow them to invest program funds for affordable housing activities, and the expired guidance in the Guidebook put grantees at risk of not complying with current requirements to meet program objectives.

OIG recommended that HUD (1) obtain the required depository agreements for two grantees to ensure that they invest program funds in investment securities for use in carrying out affordable housing activities, (2) strengthen monitoring controls to ensure that current and future grantees maintain the required depository agreements before allowing them to invest program funds, and (3) update HUD's Indian Housing Block Grant Recipient Self-Monitoring Guidebook to replace the expired requirements with the latest requirements to ensure that grantees remain compliant with requirements for investing program funds. (Audit Report: **2018-LA-0004**)

HUD OIG audited HUD's Section 184 Indian Home Loan Guarantee program to identify and evaluate actions taken by HUD since the issuance of a prior audit report (2015-LA-0002), including a review of \$2.6 million received for administrative contract expenses to carry out the Section 184 program.

HUD continued to operate without adequate oversight of the Section 184 program. Many of the issues identified in the prior OIG audit report continued to impact the program 3 years later. HUD officials inappropriately closed 6 of the 10 recommendations from the prior OIG audit report. The corrective actions for the six agreed-upon management decisions were not fully implemented or completed. One recommendation from the prior audit report remained open 3 years after the audit report was issued and was past due by 6 months, and the actions by HUD did not sufficiently address the recommendations. OIG also determined that HUD was not able to fully account for administrative contract expenses; had a nearly \$2.3 million unobligated administrative contract expense fund balance; and would primarily use these funds, in addition to the annual appropriation of up to \$750,000, for two contracts that cost nearly \$111,000 per year.

Based on the cited deficiencies, OIG will reopen the six improperly closed recommendations from the prior audit report until corrective action is fully developed and implemented. OIG will also reopen recommendation 1C, which was closed and moved to recommendation 1A, to ensure that it is properly tracked and addressed. In addition, OIG recommended that HUD (1) develop and implement internal policies and procedures to ensure that approved

underwriters are accurately maintained and kept current in the origination systems for the indemnification process to ensure that corrective actions have been adequately developed and fully implemented and to track and make administrative contract expense fund expenditures readily available for review; (2) support line item expenditures for the administrative contract expense fund for fiscal years 2015 to 2018; (3) develop and implement a comprehensive plan to use unobligated administrative contract expense funds; and (4) consider adding HUD staff, including a full-time director, to provide additional leadership and management oversight. (Audit Memorandum: **2018-LA-0801**)

INVESTIGATION

Program Results

Administrative - civil actions	106
Convictions - pleas - pretrial diversions	34
Financial recoveries	\$3,151,734

HOUSING AUTHORITY EXECUTIVE DIRECTOR SENTENCED TO 5 YEARS

A former executive director of a PHA was sentenced in a New Jersey Superior Court in relation to his earlier guilty plea to theft by unlawful taking. The executive director was sentenced to 60 months incarceration and ordered to pay \$35,000 in restitution to the PHA. In addition, he agreed to give up his government-funded pension and the possibility of future public employment in the State of New Jersey. Over a period of 3 years, he misappropriated approximately \$90,000 by, among other things, diverting PHA grant funds that were supposed to be used for training to a corporation he created and by inappropriately giving himself a salary increase. HUD OIG and the Monmouth County Prosecutor's Office conducted this investigation. (**Newark, NJ**)

TWO SENTENCED FOR BID-RIGGING SCHEME

A cook and a former executive director of a PHA, who was also the owner-president of a construction company, were sentenced in U.S. District Court to a total of 55 months incarceration. The two were sentenced in relation to their earlier guilty pleas to wire fraud and conspiracy to commit wire fraud. In addition, the cook, a legal permanent resident, faces deportation from the United States after his sentence has been completed. The executive director-owner and the cook falsified forms to show that the cook was a contractor, and they created and submitted fictitious bids to several local PHAs. As a result of their actions, the executive director-owner and the cook received several contracts from local PHAs. HUD OIG and the Federal Bureau of Investigation conducted the investigation. (**McAllen, TX**)

EVALUATION

HUD'S OVERSIGHT OF ALEXANDER COUNTY HOUSING AUTHORITY

HUD had been aware of negative conditions at Alexander County Housing Authority since at least 2010. HUD identified issues with the Authority's governance, including the misuse of funds, conflicts of interest, and a failure to comply with HUD policies and Federal civil rights laws. Further, about 200 children and their families lived in units with peeling paint; graffiti; pest infestations; and other health and safety hazards, such as inoperable appliances and obstructed accessibility routes.

Despite HUD's attempts to bring the Authority into compliance, its efforts did not resolve the negative conditions at the Authority. Residents continued to live in deplorable conditions as the Authority declined, and Authority officials were generally uncooperative in addressing the negative conditions HUD identified. Since 2010, the Office of Public and Indian Housing (PIH) had used several oversight tools to identify issues at the Authority, but major enforcement action against it occurred only after HUD assembled a cross-programmatic team. HUD hesitated to take possession of the Authority in part because PIH officials believed that they had to allow it an opportunity to improve instead of declaring it in substantial default. Additionally, HUD guidance and expertise on receiverships were limited.

OIG recommended that PIH (1) create agreements and strategies with other program offices that describe when cross-programmatic reviews and enforcement actions against PHAs are required, (2) train PIH officials on the authority and processes for declaring PHAs in substantial default and for taking PHAs into HUD possession, (3) update and strengthen the training program for HUD receivers of PHAs, and (4) update procedures for receiverships to include specific guidance on when initiating a receivership may be appropriate. HUD agreed with OIG's recommendations and provided approved management decisions for each. (Evaluation Report: **2017-OE-0014**)

HUD IT SYSTEM MANAGEMENT AND OVERSIGHT OF THE SECTION 184 PROGRAM

The Appropriations Committee requested that HUD OIG assess the information technology (IT) systems supporting the Office of Native American Programs' Indian Home Loan Guarantee Program (Section 184 program) following concerns that HUD had not used provided resources to address shortcomings in internal controls and deploy a reliable IT system. This evaluation was completed, along with an audit that OIG conducted, to identify and evaluate actions taken by HUD since it last audited the Section 184 program in 2015 (2015-LA-0002). OIG determined that despite investing \$4 million on a new IT system, called the Loan Origination System (LOS), the system does not satisfy all management and oversight objectives.

LOS has significant limitations, requiring lenders and program officials to continue to use a HUD legacy IT system and manual processes for maintaining files, servicing loans, and managing claims. Only 1 of 38 lenders was able to access and use LOS due to HUD's inability to agree upon and resolve a system user access issue. Further, LOS had no capability to conduct loan servicing and claims, which are still conducted using an Excel spreadsheet. Finally, LOS lacked critical management reporting by providing program officials with only about 25 percent of the reports needed to ensure proper oversight of the program.

LOS cost HUD \$3 million in the base year of 2016 and costs \$903,000 annually for operations and maintenance. To address the critical issues with IT system support of the Section 184 program, OIG made five recommendations to HUD. HUD concurred with the recommendations, with a suspense of November 26, 2018, to provide OIG with management decisions. (Evaluation Report: **2018-OE-0004**)

CHAPTER 3 – MULTIFAMILY HOUSING AND HEALTHCARE PROGRAMS

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

AUDIT

Strategic Initiative 2: Contribute to the reduction of erroneous payments in rental assistance

Key program results		Questioned costs	Funds put to better use
Audit	11 audits	\$24,952,082	\$86,018,357

REVIEW OF OFFICE OF HEALTHCARE PROGRAMS

HUD's Office of Inspector General (OIG) audited HUD's monitoring of the financial performance of Section 232 nursing homes to determine whether HUD had sufficient financial information and used this information to adequately assess and monitor the financial status of the nursing homes.

HUD did not always have and use sufficient financial information to adequately assess and monitor nursing homes. Specifically, it (1) allowed four nursing homes with defaulted Federal Housing Administration (FHA)-insured mortgages to remain in its portfolio for up to 6½ years; (2) made a partial payment to help one nursing home return to solvency, and it went bankrupt 14 months later; (3) insured a nursing home that did not operate as a single-asset entity and a nursing home that did not submit a marketing plan; (4) did not enforce its regulatory agreements at six nursing homes; and (5) did not properly classify nine nursing homes as troubled. In addition, HUD did not require owners, operators, and lenders to routinely submit financial data that were sufficient, accurate, complete, and timely. As a result, HUD could lose more than \$32.1 million for the defaulted mortgages and owed more than \$10 million in carrying costs. It did not act on ineligible expenses of more than \$7.8 million, unsupported expenses of more than \$8.9 million, and accrued expenses of more than \$44.4 million. Additionally, nine nursing homes, with more than \$82.4 million in HUD-insured mortgages, were at risk of default.

OIG recommended that HUD (1) develop, implement, and enforce action plans with defined completion dates to address each nursing home's challenges; (2) require support for the unsupported expenses and documentation for the validity of the accounts payable; (3) require repayment of the ineligible expenses; and (4) follow up on inaccurate, incomplete, conflicting, and late financial data. (Audit Report: **2018-BO-0001**)

HUD OIG audited the FHA-insured nursing home, Middlesex Health Care Center, in **Middletown, CT**, to determine whether the project was operated according to its regulatory agreement and HUD requirements.

Although the owner, Athena Middlesex, LLC, generally complied with the regulatory requirements tested, it did not operate according to its regulatory agreement and HUD requirements when it transferred or distributed funds from the project to affiliated healthcare facilities while the project was not in a surplus-cash position. The owner's regulatory agreement states that "Owners shall not without the prior written approval of the Secretary... assign, transfer, dispose of, or encumber any personal property of the project, including rents, or pay out any funds except from surplus cash, except for reasonable operating expenses and necessary repairs," and "...make or receive and retain, any distribution of assets or any income of any kind of the project except surplus cash...." As a result of the violations, more than \$1.1 million in project transfers or distributions made did not comply with the regulatory agreement and were not available to the project for necessary and reasonable expenses.

OIG recommended that HUD require the owner to (1) repay the project for the ineligible distributions made to affiliated healthcare facilities and (2) implement controls to ensure that project distributions are made from surplus cash and comply with the regulatory agreement and HUD requirements. (Audit Report: **2018-BO-1004**)

REVIEW OF MULTIFAMILY PROPERTIES

HUD OIG audited Rainbow Terrace Apartments in **Cleveland, OH**, to determine whether the project's owner and management agent operated the project in accordance with the regulatory agreement and HUD's requirements.

The project's owner and management agent did not always operate the project in accordance with the regulatory agreement and HUD's requirements. Specifically, the project's owner and management agent did not always provide sufficient documentation to support that project funds were used for reasonable operating expenses or necessary repairs of the project. In addition, project funds were not used for reasonable expenses or necessary repairs of the project, excess management fees and unsupported bookkeeping fees were charged to the project, and tenants' security deposits were not maintained in the project's security deposit bank account. As a result, HUD and the owner lacked assurance that more than \$2.3 million in project funds was used for reasonable operating expenses or necessary repairs of the project. In addition, more than \$141,000 in project funds was not used appropriately.

OIG recommended that HUD require the owner to (1) support the reasonableness of or reimburse the project from nonproject funds for disbursements from the project's operating account without sufficient documentation, (2) reimburse the project from nonproject funds for unreasonable operating expenses or unnecessary repairs of the project, (3) use the project's security deposit bank account to deposit and disburse security deposits, and (4) implement adequate procedures and controls to address the findings cited. (Audit Report: **2018-CH-1009**)

HUD OIG audited Luther Towers II in **Wilmington, DE**, to determine whether the owner managed the project in accordance with its regulatory agreement and HUD requirements.

The owner of Luther Towers II did not manage the project in accordance with its regulatory agreement and HUD requirements. Specifically, the owner (1) could not show that it always used project funds for costs that were reasonable and necessary for the operation of the project because it commingled HUD funds totaling more than \$1.7 million with its own funds and those of its other activities, (2) pledged up to \$100,000 in project funds as security for its line of credit, (3) used project funds totaling more than \$407,000 to pay its line of credit liability, (4) managed the project without a HUD-approved management certification and management entity profile, and (5) did not ensure that all tenant security deposit funds were deposited into the project's security deposit bank account. As a result, disbursements totaling more than \$2.1 million were unsupported, and up to \$100,000 in project funds could be put to better use.

OIG recommended that HUD require the owner to (1) provide documentation to show that disbursements were reasonable and necessary expenses for the operation of the project or repay the project from nonproject funds for any amount it cannot support, (2) segregate project bank accounts from the owner's bank accounts, (3) remove project bank accounts as security for its line of credit, (4) submit a management certification and other required documentation to HUD for review and approval, and (5) develop and implement policies and procedures to ensure that project funds are used in accordance with its regulatory agreement and HUD requirements. (Audit Report: **2018-PH-1006**)

REVIEW OF HUD'S MULTIFAMILY SECTION 8 PROGRAM

HUD OIG audited the multifamily Section 8 Project-Based Rental Assistance program at the Eastwood Terrace Apartments in **Nacogdoches, TX**, to determine whether the owner administered its program in accordance with HUD regulations and guidance; specifically, whether the owner ensured that tenants were eligible for the program and housing assistance subsidies were correct.

The owner did not administer its program in accordance with HUD regulations and guidance. It did not ensure that tenants were eligible for the program and housing assistance subsidies were correct. Specifically, the owner (1) billed HUD for at least 81 tenants without the required documentation for recertifications and did not ensure that it could support the eligibility of its tenants, as certified on its reimbursement requests to HUD; (2) housed tenants in units larger than their family size should have allowed; and (3) failed to ensure that required annual inspections were conducted. As a result, HUD paid the owner more than \$1.8 million for unsupported tenant subsidies and units that it could not assure HUD were decent, safe, and sanitary.

OIG recommended that HUD require the Eastwood Terrace owner to (1) support or repay HUD for tenants whose eligibility the owner could not support, (2) properly house tenants in the correct unit size, (3) perform annual inspections as required, and (4) ensure that its recently implemented quality control program is working as designed and in accordance with HUD requirements. (Audit Report: **2018-FW-1005**)

INVESTIGATION

Program Results

Administrative - civil actions	6
Convictions - pleas - pretrial diversions	4
Financial recoveries	\$344,085

CHAPTER 4 – COMMUNITY PLANNING AND DEVELOPMENT PROGRAMS

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

AUDIT

Strategic Initiative 3: Contribute to the strengthening of communities

Key program results		Questioned costs	Funds put to better use
Audit	23 audits ⁵	\$18,758,636	\$930,403,309

During this semiannual period, the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), audited the community planning and development program, Community Development Block Grant (CDBG) program, HOME Investment Partnerships program, and Community Compass Technical Assistance and Capacity Building program.

COMMUNITY PLANNING AND DEVELOPMENT PROGRAM

HUD OIG audited HUD CPD's risk assessment and monitoring of its grantees to determine whether CPD appropriately assessed grantees' risk to the integrity of community planning and development programs and adequately monitored its grantees.

CPD's risk assessment and monitoring did not provide effective oversight of programs and grantees. Risk analyses, annual work plans, and monitoring of grantees did not conform to requirements. As a result, CPD did not have assurance that it correctly assessed grantee risk, prepared accurate work plans, or monitored grantees in compliance with requirements. Accordingly, CPD could not have confidence regarding accuracy, validity, or conclusions drawn.

OIG recommended that HUD require CPD headquarters' substantive involvement and responsibility for risk assessment and monitoring, to include (1) overseeing risk assessment, including ensuring that all grantees are assessed; (2) reviewing annual work plans; (3) evaluating monitoring performance and findings; (4) implementing functional supervisory controls; (5) enforcing field office compliance with requirements; and (6) establishing a field office-based multiyear monitoring tracking system, allowing the assessment of monitoring findings, resolution, and coverage. (Audit Report: **2018-FW-0001**)

⁵ The total CPD audits, questioned costs, and funds put to better use amounts include any disaster recovery audits included in the community planning and development area (six audits). The writeups for these audits may be shown separately in chapter 5 of this report.

COMMUNITY DEVELOPMENT BLOCK GRANT

HUD OIG audited the **State of Connecticut**'s Small Cities CDBG program to determine whether the State ensured that its grantees properly administered their housing rehabilitation programs. OIG also assessed various complaints made against the program to determine whether they had merit and if so, whether they were addressed and resolved.

The State did not ensure that its grantees properly administered their housing rehabilitation programs. For example, the State did not ensure that its grantees always (1) conducted and documented environmental reviews, (2) properly procured contracts, (3) properly determined homeowner and project eligibility, and (4) correctly charged program costs. Additionally, the complaints reviewed generally had merit, but they were not all addressed and resolved. As a result, OIG identified more than \$2.9 million in questioned costs. Additionally, the State did not meet its program goal to assist the maximum number of homeowners, and HUD did not have assurance that all costs were eligible, supported, reasonable, and necessary and that valid complaints were reasonably addressed and resolved.

OIG recommended that HUD require State officials to (1) repay more than \$1.1 million in ineligible program costs, (2) repay nearly \$435,000 in unreasonable program costs, (3) adequately support or repay more than \$1.3 million in unsupported program costs, (4) strengthen controls over program oversight to ensure that grantees comply with their agreements and program requirements, and (5) develop policies and procedures to address program complaints in a timely manner. (Audit Report: **2018-BO-1005**)

HUD OIG audited the City of **Erie, PA**'s CDBG program to determine whether the City properly used its CDBG funds for its code enforcement and community policing activities in accordance with HUD and Federal requirements.

The City did not always properly use its CDBG funds for code enforcement and community policing activities according to HUD and Federal requirements. It conducted code enforcement inspections in areas where most residents were low and moderate income, and CDBG funds are intended to benefit these residents. However, the City did not maintain documentation to show that it complied with program eligibility requirements and to support expenses. As a result, the City's use of nearly \$1.7 million in program funds was unsupported.

OIG recommended that HUD require the City to (1) provide documentation to support nearly \$672,000 in code enforcement costs or repay the program from non-Federal funds for any amount it cannot support; (2) provide documentation to support \$1 million in community policing costs or repay the program from non-Federal funds for any amount it cannot support; and (3) develop and implement policies and procedures to ensure that its code enforcement and community policing activities costs comply with applicable program requirements, thereby ensuring that program funds totaling nearly \$598,000 can be put to better use. (Audit Report: **2018-PH-1008**)

HUD OIG audited the City of **Modesto, CA**'s CDBG program to determine whether the City used CDBG funds in accordance with HUD requirements, focusing on its rehabilitation activities.

The City did not use CDBG funds in accordance with HUD requirements. Specifically, it (1) did not follow HUD's and its own requirements for its rental and homeowner rehabilitation projects, (2) drew CDBG funds in advance, (3) provided false information to HUD, (4) spent HUD funds inefficiently, (5) misclassified some delivery costs, and (6) did not include all recipients in its monitoring plan. As a result, the City was unable to support that its use of

more than \$1.6 million in CDBG funds met HUD requirements, and it improperly used nearly \$258,000 for duplicate costs.

OIG recommended that HUD require the City to (1) support that its use of CDBG funds met program requirements or repay the program from non-Federal funds, (2) repay the program for the duplicate costs from non-Federal funds, (3) implement policies and procedures to ensure that CDBG funds are used in accordance with program requirements, (4) provide training to its staff to ensure sufficient knowledge of CDBG program requirements, and (5) implement policies and procedures to ensure that it includes all of its CDBG recipients in its monitoring plan and selects objective samples. (Audit Report: **2018-LA-1005**)

HOME INVESTMENT PARTNERSHIPS

HUD OIG audited the City of **Providence, RI**'s HOME Investment Partnerships program to determine whether the City properly committed and disbursed HOME funds in accordance with Federal and HUD rules and regulations.

City officials did not properly administer their HOME program. Specifically, they did not properly commit and disburse HOME funds in accordance with Federal and HUD rules and regulations. They did not ensure that they (1) met the commitment deadline for their HOME funds for program year 2013, (2) properly documented and supported their underwriting of activities, (3) complied with environmental review requirements, (4) disbursed funds in accordance with requirements, (5) properly tracked and obtained program income, and (6) supported their administrative fees. As a result, they incurred more than \$1.4 million in ineligible costs, more than \$1.8 million in unsupported costs, and more than \$1.2 million in unspent HOME funds that may need to be reallocated to eligible activities.

OIG recommended that HUD require City officials to (1) repay the ineligible costs when commitment and environmental requirements were not properly completed and funds were not properly disbursed; (2) support that the unsupported costs were reasonable, supported, and allowable or repay the funds; (3) support that the unspent funds were reasonable and allowable or reallocate the funds; (4) cancel stalled activities in HUD's Integrated Disbursement and Information System; and (5) develop and implement adequate underwriting and environmental policies and procedures and tools to improve record-keeping practices. (Audit Report: **2018-BO-1003**)

HUD OIG audited the City of **Dallas, TX**'s HOME program; specifically, its reconstruction program, to determine whether the City followed HOME regulations and its own policies and procedures when it reconstructed 13 homes and correctly administered its matching contributions.

The City did not follow HOME regulations and its own policies and procedures in its reconstruction program or its administration of its match contributions. It did not (1) follow environmental regulations, (2) properly assess contractors or ensure that they followed contract terms, (3) check the eligibility status of subcontractors, (4) sign loan agreements, or (5) support and calculate participant income correctly. As a result, the City rushed projects without ensuring that it followed HOME regulations or its own policies and misspent more than \$1.3 million to reconstruct 13 single-family homes. Also, the City did not meet all HOME requirements for its match contributions. As a result, it claimed more than \$2.9 million in ineligible match contributions.

OIG recommended that HUD require the City to (1) repay HUD for the misspent funds, (2) perform environmental reviews in accordance with HUD regulations, (3) hire a qualified entity to determine the structural integrity of the reconstructed houses, (4) provide a plan to cover the costs of any potential warranty work needed on the properties,

(5) develop procedures to include the review of subcontractors, (6) repay the ineligible match contributions, and (7) ensure that its employees understand and comply with HOME income requirements. (Audit Report: **2018-FW-1004**)

COMMUNITY COMPASS TECHNICAL ASSISTANCE AND CAPACITY BUILDING

HUD OIG audited HUD's oversight of its Community Compass Technical Assistance and Capacity Building program to determine whether HUD had adequate oversight of its program to ensure that it complied with applicable requirements.

HUD did not have adequate oversight of its Community Compass program to ensure that it complied with applicable requirements. Specifically, HUD did not ensure that expenditures always met program requirements, services were properly procured, and provider subcontractors were approved with consistent wage rates. As a result, HUD lacked assurance that providers administered program funds in accordance with requirements, as it incurred ineligible costs of more than \$13,000 and unsupported costs of more than \$845,000

OIG recommended that HUD require the providers reviewed to (1) reimburse from non-Federal funds the ineligible costs paid to providers for overcharged labor or travel costs and (2) support or repay the unsupported wage and travel costs from non-Federal funds. In addition, OIG recommended that HUD develop and implement policies and procedures for the Community Compass program to ensure that providers comply with all applicable requirements, thereby putting more than \$20.5 million to better use. (Audit Report: **2018-PH-0003**)

INVESTIGATION

Program Results

Administrative - civil actions	15
Convictions - pleas - pretrial diversions	5
Financial recoveries	\$1,109,534

SUBGRANTEE SETTLES WITH GOVERNMENT FOR IMPROPER CHARGES

A subgrantee entered into a civil settlement agreement with the United States and the State of Connecticut to pay \$362,000, of which more than \$58,914 will go to HUD. The settlement was made to resolve allegations that the community action agency violated the Federal and State False Claims Acts. Over a period of 4 years, an agency official directed that certain employees work on a State-funded grant program while charging their time to HUD's Supportive Housing Program and other government programs. HUD OIG, the U.S. Department of Health and Human Services OIG, and the U.S. Department Of Energy OIG conducted this investigation. (**Hartford, CT**)

CHAPTER 5 – DISASTER RECOVERY PROGRAMS

In response to disasters, Congress may appropriate additional funding as Disaster Recovery grants to rebuild the affected areas and provide crucial seed money to start the recovery process. Since fiscal year 1993, Congress has appropriated \$85.6 billion to the U.S. Department of Housing and Urban Development (HUD), from which HUD provides flexible grants to help cities, counties, and States recover from presidentially declared disasters. Of the \$83.8 billion in active disaster grants, the funds have been allocated nationwide, with nearly \$55.8 billion obligated and \$39.5 billion disbursed as of September 30, 2018.

Disaster	Funds allocated	Funds disbursed	Percentage of funds disbursed	Fiscal year (FY) funds allocated
Harvey, Irma & Maria	\$35.4 billion	\$1.3 million	2	FY 2017 & FY 2018
Louisiana, Texas & West Virginia	\$2.1 billion	\$523.2 million	24	FY 2016
Hurricane Sandy	\$15.1 billion	\$10 billion	66	FY 2013
Hurricanes Ike, Gustav & Dolly	\$6.1 billion	\$5.5 billion	90	FY 2008
Hurricanes Katrina, Rita & Wilma	\$19.7 billion	\$19.3 billion	98	FY 2006 & FY 2008
9-11	\$3.5 billion	\$3.2 billion	92	FY 2001-2002

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

AUDIT

Strategic Initiative 3: Contribute to the strengthening of communities

Key program results		Questioned costs	Funds put to better use
Audit	6 audits ⁶	\$1,113,048	\$544

REVIEW OF COMMUNITY DEVELOPMENT BLOCK GRANT DISASTER RECOVERY PROGRAM

HUD OIG audited the City of **New York, NY**'s Infrastructure Rehabilitation and Reconstruction of Public Facilities Program to determine whether the City used Community Development Block Grant Disaster Recovery (CDBG-DR) funds under its program for eligible and supported costs.

The City did not always use CDBG-DR funds under its program for eligible and supported costs. Specifically, for one of two projects reviewed, the City did not (1) have sufficient documentation to show that the use of salary multipliers for overhead and profit, resulting in more than \$594,000 in additional costs, was supported and eligible; (2) maintain adequate documentation to show compliance with requirements of the Davis-Bacon Act and related acts; and (3) identify billing and payroll errors made by subcontractors, including nearly \$1,200 in overpaid wages and nearly \$2,700 in wages that may have been overpaid. As a result, HUD did not have assurance that the City used nearly \$598,000 in CDBG-DR funds as intended for matching requirements for other federally funded infrastructure projects, and HUD could not be assured that funds were disbursed for only eligible and supported costs that complied with applicable Federal requirements.

OIG recommended that HUD require the City to (1) provide documentation to show that the nearly \$597,000 disbursed due to the use of multipliers and a higher than required overtime rate was for eligible, reasonable, necessary, and supported costs or reimburse its program from non-Federal funds; (2) reimburse its program nearly \$1,200 from non-Federal funds for overpaid wages; (3) provide documentation showing that it has strengthened its invoice review process to ensure that costs are eligible and supported before disbursing CDBG-DR funds; and (4) provide documentation showing compliance with Davis-Bacon requirements and that restitution has been made to affected workers for any underpayments identified. (Audit Report: **2018-NY-1007**)

HUD OIG audited HUD's CDBG-DR program to determine whether HUD should codify the CDBG-DR funding as a program in the Code of Federal Regulations.

Although HUD had managed billions in CDBG-DR funds since 2002, it had not codified the program because it believed it did not have the authority under the Robert T. Stafford Disaster Relief and Emergency Assistance Act and had not determined whether it had the authority under the Housing and Community Development Act of 1974 as amended. It also believed a Presidential Executive order presented a barrier to codification, as it required HUD to identify two rules to eliminate before creating a new codified rule.

OIG believes HUD has the authority under the Housing Act of 1974 and it should codify the program. HUD's use of multiple Federal Register notices to operate the CDBG-DR program presented challenges to the grantees. For

⁶ Disaster-related audits consist of community planning and development audits. The questioned costs and funds put to better use amounts relate only to disaster-related costs.

example, 59 grantees with 112 active CDBG-DR grants, which totaled more than \$47.4 billion as of September 2017, had to follow requirements contained in 61 different Federal Register notices to manage the program. Further, codifying the CDBG-DR program would (1) ensure that a permanent framework is in place for future disasters, (2) reduce the volume of Federal Register notices, (3) standardize the rules for all grantees, and (4) ensure that grants are closed in a timely manner.

OIG recommended that HUD work with its Office of General Counsel to codify the CDBG-DR program. (Audit Report: **2018-FW-0002**)

REVIEW OF STATES' CAPACITY TO ADMINISTER DISASTER GRANTS

HUD OIG audited the Texas General Land Office in **Austin, TX**, to determine whether the State of Texas had the capacity to follow Federal procurement regulations when procuring contracts with CDBG-DR funds and spend its CDBG-DR funds in accordance with applicable requirements.

The Texas General Land Office should strengthen its capacity to follow Federal procurement regulations when procuring contracts with CDBG-DR funds and spend those funds in accordance with applicable requirements. Specifically, it should (1) review and update its procurement and expenditure policies and procedures to ensure that they are implemented and working as designed, (2) increase staffing to ensure that appropriate resources are available to administer the funds, and (3) improve its processes for preventing duplication of benefits. It should also ensure that false statement and false claim warnings are included in all of its contract-related forms. Further, the agency could benefit from a standard set of basic guidelines, established by HUD, to assist it in providing needed relief to affected communities. Strengthening its capacity to administer disaster funds would help ensure that it properly spends more than \$5 billion in CDBG-DR funding in accordance with applicable requirements.

OIG recommended that HUD require the Texas General Land Office to (1) ensure that its procurement and expenditure policies and procedures are implemented and working as designed, (2) fill vacancies to ensure that staffing levels remain adequate and its staff is properly trained to administer disaster funds, (3) take steps to mitigate potential duplication of benefit risks, and (4) ensure that false statement and false claim warnings are included in all of its contract-related forms. (Audit Report: **2018-FW-1003**)

HUD OIG reviewed the **State of Florida's** Department of Economic Opportunity's CDBG-DR program to determine whether the Department had the capacity to administer its CDBG-DR grants in accordance with applicable regulations and requirements.

The Department should strengthen its capacity to administer its CDBG-DR grants in accordance with applicable regulations and requirements. It could strengthen its capacity by (1) finalizing policies and procedures for its disaster program, (2) ensuring that subrecipient agreements are not executed before its policies and procedures are finalized, (3) improving its financial controls to address weaknesses, (4) improving its process for preventing duplication of benefits, and (5) continuing to increase its staffing. Strengthening its capacity to administer disaster grants would help ensure that the Department properly spends more than \$1.5 billion in CDBG-DR funding in accordance with applicable requirements.

OIG recommended that HUD instruct the Department to (1) obtain HUD approval of its disaster policies and procedures before executing its subrecipient agreements and ensure that its finalized policies and procedures include financial management, procurement, duplication of benefits, and monitoring; (2) establish and implement adequate

financial controls to ensure that its disaster funds are properly classified and allocated to the correct grant; (3) continue establishing data-sharing agreements to prevent the risk of duplicated benefits; and (4) continue to fill its staffing vacancies and assess resources as it prepares for additional disaster funds. (Audit Report: **2018-AT-1010**)

INVESTIGATION

Program Results

Administrative - civil actions	2
Convictions - pleas - pretrial diversions	13
Financial recoveries	\$2,362,027
*Figures included in public and Indian housing and community planning and development statistics	

CHAPTER 6 – OTHER SIGNIFICANT AUDITS AND EVALUATIONS

AUDIT

Strategic Initiative 4: Contribute to improving HUD’s execution of and accountability for fiscal responsibilities as a relevant and problem-solving advisor to the Department

Key program results		Questioned costs	Funds put to better use
Audit	9 audits	\$1,098,383,641	\$2,542,373

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

INTERIM REPORT – POTENTIAL ANTIDEFICIENCY ACT AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLE VIOLATIONS

While auditing HUD’s Office of Community Planning and Development (CPD) to determine whether CPD monitored grantees and ensured that they complied with the 24-month statutory expenditure requirement in the Disaster Relief Appropriations Act of 2013, OIG noted issues with the recording of grants in the Line of Credit Control System (LOCCS) and the grantees’ recording of expenditures in the Disaster Recovery Grants Reporting (DRGR) system. These issues require immediate action by the Office of the Chief Financial Officer (OCFO) as they are potential violations of the Antideficiency Act (ADA) and do not appear to follow generally accepted accounting principles (GAAP).

As of January 19, 2018, two of the six grantees had recorded in the DRGR system total expenses of more than \$160 million, which exceeded CPD’s obligation for a grant round. Five grantees also recorded expenses of more than \$435 million in the DRGR system before CPD executed a grant round amendment and after a grant round expired. In addition, four grantees made revisions to completed and revised vouchers totaling more than \$496 million in the DRGR system a year or more after they entered the initial vouchers. These expenses appeared to have been potential ADA and GAAP violations and could potentially have a negative effect on both HUD’s and the grantees’ financial statements. If OCFO does not require corrections in how it and CPD account for Community Development Block Grant Disaster Recovery (CDBG-DR) funds, these issues will continue to occur with the remaining \$6.4 billion in 2013 CDBG-DR funding and \$35.4 billion for 2017 and 2018 CDBG-DR funding.

OIG recommended that HUD determine whether (1) summary expenditures totaling more than \$160 million, which exceeded the grant round obligations for the two grantees, and (2) revised and completed detail transactions totaling more than \$435 million, which occurred before and after grant round obligation and expenditure dates, were ADA violations. OIG also recommended that HUD determine whether the revised and completed transactions made more than a year after the original DRGR voucher entry were GAAP violations. OIG further recommended that HUD enter expiration terms into LOCCS for DRGR funding and require CPD to implement additional controls to prevent the identified issues from occurring in 2017 and 2018 CDBG-DR funding. (Audit Memorandum: **2018-FW-0802**)

AUDIT OF HUD'S UNCLAIMED PROPERTY WEBSITE

HUD OIG audited HUD to determine whether it located and recovered funds due to it as identified on States' unclaimed property websites.

HUD did not locate and recover its funds held by State unclaimed property administrators. As a result, it lacked the benefit of its portion of \$1.9 million collected by the U.S. Department of the Treasury and will lack the benefit of its portion of an additional \$2.2 million in current unclaimed funds.

OIG recommended that HUD (1) designate an unclaimed asset recovery official as required by the Treasury Financial Manual, (2) work with Treasury to identify and obtain reimbursement for the Federal Housing Administration's and Government National Mortgage Association's portion of the \$1.9 million in HUD funds that Treasury collected, and (3) establish and implement policies and procedures to ensure that all of its unclaimed funds are claimed and the money is appropriately routed to put \$2.2 million to better use. (Audit Report: **2018-KC-0002**)

AUDIT OF LEAD HAZARD CONTROL AND HEALTHY HOMES

HUD OIG audited the **Kansas City, MO**, Health Department's Lead Safe KC program to determine whether the Health Department (1) properly and consistently calculated income for program participants, (2) spent grant funds on items that qualified as lead hazards, (3) properly spent grant funds for the relocation of owner-occupants, and (4) properly notified owners in accordance with HUD requirements.

The Health Department (1) did not consistently and correctly calculate annual income for program participants; (2) sometimes replaced windows that did not qualify as lead hazards; (3) did not determine whether relocation was a hardship for owner-occupants; and (4) did not properly notify property owners of lead-based paint disclosure requirements, timely risk assessment results, clearance reports, and ongoing reporting and maintenance recommendations.

OIG recommended that the Health Department (1) repay more than \$19,000 spent on ineligible assistance; (2) complete a cost breakdown for the nearly \$11,000 spent for a rental property, which included assistance to an ineligible unit; (3) recalculate the annual income for participants assisted with the 2014 lead hazard control grant to support the \$1.8 million spent and repay the U.S. Treasury from non-Federal funds for any property found to be ineligible; and (4) provide support showing that the nearly \$80,000 spent on window replacement qualified or repay the U.S. Treasury from non-Federal funds. (Audit Report: **2018-KC-1002**)

HUD OIG audited the City of **Chicago, IL**'s Department of Public Health's Lead Hazard Reduction Demonstration Grant Program to determine whether the Department administered the program in accordance with HUD's and its own requirements.

The Department did not administer the program in accordance with HUD's and its own requirements. Specifically, it did not (1) properly procure its subcontractor, (2) make appropriate reimbursements to the subcontractor for program activities, (3) ensure that income was properly calculated for households residing in assisted units, (4) ensure that landlords gave preference in renting assisted units to targeted families, (5) properly document its lead inspection results to support that program activities were necessary, (6) ensure that program funds were adequately protected, and (7) ensure that it accurately reported the number of assisted units to HUD. As a result, the

Department lacked support that more than \$512,000 in program funds was used in accordance with HUD's requirements and did not have more than \$122,000 in program funds available for eligible activities. In addition, HUD and the Department lacked assurance that more than \$386,000 in program funds was protected and available for program use.

OIG recommended that HUD require the Department to (1) support that the contract for grant administration services was cost reasonable or reimburse the program, (2) reimburse its programs for duplicate reimbursements and for four units that had been sold within 3 years, (3) support the eligibility of households residing in assisted units and that landlords gave preference to targeted families in renting units or reimburse the program, and (4) implement adequate procedures and controls to address the findings cited. (Audit Report: **2018-CH-1010**)

REVIEW OF HUD'S HOUSING COUNSELING PROGRAM

HUD OIG reviewed HUD's Housing Counseling Program to determine whether HUD adequately administered its program.

HUD did not adequately administer its program in accordance with Federal regulations and its own requirements. Specifically, it (1) did not adequately perform its agency approval and performance review processes, (2) approved grant vouchers without ensuring that agencies provided sufficient supporting documentation to verify the related expenses, and (3) did not ensure that termination and posttermination processes were adequately performed. As a result, HUD did not have assurance that (1) agencies classified as approved in its system were properly qualified to provide services, (2) more than \$1.3 million in grant funds disbursed to agencies was for eligible and supported costs, and (3) unqualified agencies stopped advertising and providing services as HUD-approved agencies in a timely manner.

OIG recommended that HUD (1) identify housing counseling agencies that were classified as reapproved without performance reviews being performed upon expiration of their approvals and determine whether they were properly qualified to provide services; (2) obtain documentation for seven housing counseling grants to show that the grant funds disbursed were for eligible and supported costs; (3) develop and implement updated standard operating procedures to ensure consistency and adequacy of the agency approval, performance review, voucher approval, and termination and posttermination processes; and (4) ensure that the new system being developed provides the ability to adequately oversee the work of its staff and track important housing counseling agency milestones, including HUD approval expirations and required terminations. (Audit Report: **2018-NY-0001**)

AUDIT OF HUD'S TRAVEL AND PURCHASE CARD PROGRAM

HUD OIG audited HUD's travel and purchase card program for fiscal year 2017 to determine whether HUD travel cards were used for unauthorized, unsupported, or ineligible purchases.

HUD's travel cards were used for unauthorized, unsupported, or ineligible purchases in at least 950 instances totaling more than \$95,000. Based on the results of a statistical sample drawn from a pool of 3,045 purchases with indicators of improper activity, OIG statistically projected with a 95 percent confidence level that at least 944 government travel card purchases totaling nearly \$91,000 were unauthorized or unsupported. OIG also identified 15 purchases totaling more than \$5,000 that were ineligible. Further, there could be additional unauthorized or

ineligible purchases in the universe of more than 89,000 purchases that were not part of the targeted audit pool of 3,045 purchases.

OIG recommended that HUD (1) review the 17 travel cardholders with purchases that occurred without a travel authorization and the 6 travel cardholders with purchases that were not supported to determine whether they were allowable, proper, and paid in full by the cardholder, taking appropriate administrative actions as necessary; (2) perform an analysis of the remainder of the 3,045 potentially improper travel card transactions to determine whether they were allowable, proper, and paid in full by the cardholder, taking appropriate administrative actions as necessary; (3) refer the 15 ineligible travel card transactions to the appropriate program office for appropriate administrative actions; and (4) strengthen internal monitoring efforts. (Audit Report: **2018-KC-0005**)

AUDIT OF HUD'S COMPLIANCE WITH THE IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT OF 2010

HUD OIG audited HUD's fiscal year 2017 compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA).

Fiscal year 2017 marked the fifth consecutive year in which OIG determined that HUD did not comply with IPERA. OIG reviewed HUD's compliance with the six IPERA requirements. HUD did not comply with two of the requirements (b and c) and complied with one. OIG could not determine compliance with the remaining three requirements (d, e, and f). Areas of noncompliance were related to HUD's failure to (1) conduct risk assessments according to Office of Management and Budget requirements and (2) publish improper payment estimates for all programs and activities identified as susceptible to significant improper payments.

OIG did not make additional audit recommendations. If implemented, OIG expects that all prior-year audit recommendations, which have not been closed, will continue to help HUD remediate repeat findings identified in this audit. (Audit Report: **2018-FO-0006**)

EVALUATION

FIRE SAFETY PLANNING FOR THE WEAVER BUILDING NEEDS IMPROVEMENT

On December 21, 2017, smoke spread in the Weaver Building, which is HUD headquarters, from a malfunctioning air-handling unit on the 11th floor to parts of many other floors. While a smoke detector in an air duct functioned properly and the fire department was notified, there was no audible alarm or public announcement to notify occupants to evacuate. People in one suite described the smoke as "heavy" and "thick."

HUD and the General Services Administration believe that the fire safety system operated as designed. To sound an audible alarm for this incident, a person would have had to pull a manual alarm. However, no one did. Without an audible alarm or public notification, confusion spread about what was happening, how widespread the threat was, and what people should do.

The occupant emergency plan for the Weaver Building did not accurately describe the fire safety system or how occupants were to report a fire or other emergencies; specifically, when to use manual pull stations. The plan did not comply with regulations that require employers to explain the preferred means of reporting emergencies and to list procedures for reporting a fire or other emergency.

Additionally, on March 22, 2018, OIG sent a memorandum to the Assistant Secretary for Administration to inform her that fire drills had not been conducted at the Weaver Building for years, which posed a danger to occupants of the building. The Assistant Secretary responded to this memorandum by saying that a drill was being planned. On March 28, 2018, the fire drill took place. OIG is encouraged by HUD's quick action, but a process is needed to ensure that drills occur at least every year.

To improve fire safety planning for the Weaver Building, OIG made the following recommendations to HUD: (1) update the occupant emergency plan so that it lists the ways occupants are to report fires or other emergencies, (2) periodically provide training on the occupant emergency plan once it is updated, and (3) create a process to help ensure that fire drills for the Weaver Building occur at least every year. HUD agreed with OIG's recommendations and described planned actions to address them. (Evaluation Report: **2018-OE-0002**)

HUD 2018 PRIVACY PROGRAM EVALUATION

HUD OIG evaluated the effectiveness of the HUD privacy program to determine whether HUD was taking appropriate measures to protect privacy data and was in compliance with Federal privacy requirements. OIG also evaluated the progress, if any, HUD had made since OIG last evaluated the HUD privacy program in 2014. Overall, 14 of 34 recommendations remain open from the 2014 evaluation. Through the course of these evaluations, OIG determined that HUD maintains more than one billion records containing personally identifiable information (PII) of American citizens. It is critical that HUD establish and resource a mature privacy program to meet its legal requirements and protect the vast amount of sensitive data it stores and processes daily. A breach of these data would cause citizens undue difficulties and financial hardships and could create a lack of trust and willingness by external parties to share sensitive data with HUD.

HUD had improved certain aspects of its privacy program but continued to face challenges in establishing an adequate program for its extensive holdings of sensitive information.

HUD had strengthened its privacy impact assessment and documentation processes, and the privacy program was taking a more active role in the development of HUD's technology and business operations. However, the privacy strategic plan and other privacy program initiatives were on hold pending staffing of key privacy program management positions. In addition, HUD was not able to fully identify and inventory its extensive holdings of PII and had not instituted formal risk management or compliance processes to hold offices accountable for privacy protection. OIG made 24 recommendations in addition to the 14 remaining open recommendations made in its 2014 privacy program report (2014-ITED-0001). HUD did not provide a written response to the report but offered verbal support for the report's recommendations during the exit conference. (Evaluation Report: **2018-OE-0002**)

CHAPTER 7 – LEGISLATION, REGULATIONS, AND OTHER DIRECTIVES

Reviewing and making recommendations on legislation, regulations, and policy issues is a critical part of the Office of Inspector General's (OIG) responsibilities under the Inspector General Act. During this 6-month reporting period, OIG has committed more than 550 hours to reviewing 135 issuances. The draft directives consisted of 95 notices, 11 mortgagee letters, and 29 other directives. OIG provided comments on 43 (or 32 percent) of the issuances, nonconcurred on 20 (or 15 percent), and lifted 5 nonconcurrences. Of the 29 other directives, OIG reviewed 7 proposed rules and 2 final rules, 11 handbooks or guidebooks, 3 congressional reports, and 6 U.S. Department of Housing and Urban Development (HUD) legislative referral memorandum reports. On the seven proposed rules, OIG nonconcurred on one, provided comments on four, and had no position on two. OIG also had no position on the two final rules. Below is a summary of selected reviews for this 6-month period.

NOTICES, POLICY ISSUANCES, AND FINAL RULES

OFFICE OF SINGLE FAMILY HOUSING

Appraiser Roster – On July 3, 2018, The Federal Housing Administration (FHA) published a final rule (Federal Register 5457–P–01), which streamlines the inspection requirements for FHA single-family mortgage insurance by removing the regulations for the FHA Inspector Roster. The Roster is a list of inspectors approved by FHA as eligible to determine whether the construction quality of a one- to four-unit property is acceptable as security for an FHA-insured loan. The removal of the Roster regulations is based on the recognition of the sufficiency and quality of inspections carried out by certified inspectors and other qualified individuals. This final rule follows publication of a February 6, 2013, proposed rule and takes into consideration the public comments received on the proposed rule. OIG provided a no position response regarding this final rule.

Loss mitigation in presidentially declared major disaster areas – On August 15, 2018, HUD issued Mortgagee Letter 2018-05, which was designed to provide greater alternatives to foreclosure for lenders to use with borrowers in designated presidentially declared major disaster areas by rearranging the FHA disaster loss mitigation waterfall so that borrowers may be considered earlier for disaster stand-alone partial claims. This change would provide an expedited permanent loss mitigation solution. Further, HUD is providing a 30-day foreclosure moratorium only for certain eligible FHA-insured mortgages secured by properties located in areas of Puerto Rico and the U.S. Virgin Islands that the U.S. Department of Homeland Security's Federal Emergency Management Agency has declared to be eligible for individual assistance (affected counties) as a result of Hurricane Maria. The mortgagee letter was accompanied by a borrower certification for properties impacted by Hurricane Maria. OIG nonconcurred on the certification language and provided revised language explicitly stating that the signer is certifying under penalty of perjury, along with specific citations to the United States Code. These changes help to not only discourage fraud, but also effectively prosecute it when it happens. HUD made the revisions, and OIG lifted the nonconcurrence.

Reverse mortgage – On September 28, 2018, HUD issued Mortgagee Letter 2018-06, announcing that FHA will require a second appraisal to be conducted when a collateral risk assessment of the initial appraisal submitted for use in the home equity conversion mortgage (HECM) origination determines that additional support for the collateral value is required. OIG's review of the draft mortgagee letter resulted in a comment to HUD to clarify the procedures in case the second appraisal supports the same valuation as the first appraisal. In the final mortgagee letter, HUD addressed this comment, clarifying the procedures to be followed when a second appraisal supports an equal or higher value of the property. Specifically, the included procedures were to (1) notify FHA's Resource Center that the second appraisal was obtained and that it supported a higher or equal valuation of the property; (2) include the second, equal or higher appraisal in the case binder, but the lender must not upload it into the Electronic

Appraisal Delivery or use it to calculate the maximum claim amount in originating the HECM; and (3) after notifying FHA, proceed with the underwriting process using the first, lower appraised value to calculate the maximum claim amount.

OFFICE OF PUBLIC AND INDIAN HOUSING

Implementation of the Tribal HUD–VA Supportive Housing program – On May 22, 2018, HUD published a notice, which consolidates all Tribal HUD-U.S. Department of Veterans Affairs Supportive Housing (VASH) program requirements into one notice and establishes HUD’s procedures for issuing renewal funding, subject to the availability of future appropriations. The HUD-VASH program combines Housing Choice Voucher Program rental assistance for homeless veterans with case management and clinical services provided by or through VA through Veterans Administration Medical Centers. Under Tribal HUD-VASH, Indian tribes and tribally designated entity participants must partner with VA to provide healthcare assistance to eligible Native American veterans. This notice includes appropriate adjustments to program requirements through the issuance of statutory and regulatory waivers that HUD has deemed necessary for the effective delivery and administration of rental assistance under the program. OIG provided a no position response regarding this notice.

Rental Assistance Demonstration Program: implementation of certain fiscal year 2018 Appropriations Act provisions – On July 3, 2018, HUD published a notice that implements several changes to HUD’s Rental Assistance Demonstration Program (RAD). For the first component (relating to public housing conversions) of RAD, this notice increases the number of public housing units that may be awarded competitively and extends the application deadline. For the second component (relating to Project-Based Rental Assistance conversions and Project-Based Voucher Program conversions), the notice implements two provisions of the 2018 Appropriations Act relating to initial rent setting for the conversion of rent supplement and rental assistance payment properties and the prohibition against rescreening residents. OIG provided a no position response regarding this notice.

Housing Opportunity Through Modernization Act of 2016: final implementation of public housing income limit – On July 26, 2018, HUD published a notice informing the public of how HUD is setting income limits and making the income limits effective, while also providing information to public housing agencies (PHA) on how to start the process for tracking overincome families. This notice finalizes how the overincome limit is determined and informs PHAs about how to begin implementing the statutory income limit for public housing. PHAs must update their admissions and continued occupancy policies to implement these changes. OIG provided a no position response regarding this notice.

Relief from HUD requirements available during calendar year 2018 to public housing agencies to assist with recovery and relief efforts on behalf of families affected by presidentially declared major disasters – On September 12, 2018, HUD published a notice advising the public that to more effectively and quickly respond to presidentially declared major disaster declarations (MDD), for calendar year 2018, HUD is establishing an expedited process for the review of requests for relief from HUD regulatory or administrative requirements (HUD requirements) for PHAs that are located in counties included in MDDs. PHAs located in areas covered by MDDs issued for which a related disaster occurs during 2018 may request waivers of HUD requirements and receive expedited review of such requests, using the flexibilities and the expedited waiver process set out by this notice. OIG’s review of the draft notice resulted in a minor comment to HUD to clarify the acronyms in the notice. HUD made the revisions.

OFFICE OF MULTIFAMILY HOUSING PROGRAMS

Updating the standardized firm commitment templates – On April 9, 2018, HUD published Housing Notice, H 2018-03, which updates the current standardized firm commitment templates for section 220, 221(d)(4), 223(f), 223(a)(7), 231, and 241(a) multifamily programs. These templates, along with a set of standard conditions, were updated to reflect changes in FHA policy requiring changes in processing and closing procedures and ensure that lenders and borrowers are current with the changes to FHA-insured policies. It is effective immediately following the date of publication. OIG provided a no position response regarding this notice.

OFFICE OF RESIDENTIAL CARE FACILITIES

Proposed revisions and updates of healthcare facility documents for Section 232 program – On April 10, 2018, HUD published Federal Register Notice, FR-7001-N-09, to allow public review and input to the process that HUD used in establishing the healthcare facility documents for Section 232 of the National Housing Act, the Section 232 program. The healthcare facility documents include 156 documents in which a majority of the documents are being renewed, and some include edits that were made to address changes in policies in recent years or inconsistencies across documents and other program obligations (such as the Section 232 Handbook 4232.1). The collection also includes new additions to incorporate tools previously found only in the multifamily housing document collections, as well as to create consistent formats for submitting information to the Office Residential Care Facilities (ORCF) that was not previously captured in the 2014 document collection but is required by ORCF. A few obsolete documents are being removed as well. These include resources that are no longer relevant to ORCF or duplicate information found in other documents. An example would include documents specifically related to “blended rate” transactions. ORCF updated its policies after determining that, consistent with FHA Multifamily Housing’s approach, an otherwise eligible transaction could come within either the Section 223(f) criteria or the Section 232 Substantial Rehabilitation criteria and that, therefore, a blending of the loan-to-value criteria of those two programs is not necessary. OIG provided a no position response regarding this notice.

OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT

Disaster funding – On April 10, 2018, HUD allocated nearly \$28 billion in Community Development Block Grant Disaster Recovery (CDBG-DR) funding appropriated by the Further Additional Appropriations for Disaster Relief Requirements Act of 2018. The funding included nearly \$10.03 billion to address unmet needs from disasters occurring in 2017, \$2 billion for improved electrical power systems in areas impacted by Hurricane Maria, and \$15.9 billion for mitigation activities. On August, 10, 2018, HUD released a notice specifying that the nearly \$10.03 billion would be used to supplement a prior allocation of \$7.4 billion for addressing unmet recovery needs of California, Florida, Georgia, Missouri, Puerto Rico, Texas, and the U.S. Virgin Islands. During the clearance process, OIG nonconcurred with the notice. One item with which OIG did not agree was the definition of a proficient procurement process. OIG believes that the definition included in the notice weakened the previous definition because it no longer contained references to parts of 2 CFR (Code of Federal Regulations) Part 200. The notice also allowed grantees to request that HUD rely on previous certifications made by the HUD Secretary related to Public Laws 114-113, 114-223, 114-254, or 115-31. OIG audits have found that HUD had not always provided accurate and supported certifications to grantees regarding the procurement process, and HUD and OIG have not reached management decisions on those recommendations. OIG also disagreed with HUD’s providing a waiver to the Commonwealth of Puerto Rico to allow it to use up to \$15 million in CDBG-DR funds to promote travel and

attract new businesses. OIG believes that the funding would be better used on activities that have a direct impact on the affected communities. HUD issued the notice without OIG's lifting its nonconurrence.

Suspension of the 24-month HOME commitment requirement for deadlines occurring in 2016, 2017, 2018, 2019, and 2020 – On August 27, 2018, HUD published a notice explaining the treatment of commitment and other deadlines occurring in the HOME Investment Partnerships program in years 2016, 2017, 2018, 2019, and 2020. Section 218(g) of the Cranston-Gonzalez National Affordable Housing Act of 1990 (NAHA), as amended, required that participating jurisdictions place HOME funds under a binding commitment within 24 months after receiving the grant. NAHA also stated that a participating jurisdiction loses its right to draw down HOME funds that are not committed within 2 months. The Consolidated Appropriations Acts of 2017 and 2018 (Public Laws 115-36 and 115-141, respectively) suspend the 24-month commitment requirement for HOME funds. The notice clarified that the community housing development organization reservation requirement, HOME expenditure deadline requirement, and expiration of the HOME grant were not affected by the appropriation acts. OIG had no position in response to the draft notice.

ADMINISTRATIVE-OTHER

Adjusting the civil monetary penalty amounts – On July 16, 2018, HUD published a final rule, FR-6076-F-01, which provides for 2018 inflation adjustments of civil monetary penalty amounts required by the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015. This final rule became effective on August 15, 2018. For each component, HUD provided a description of the penalty, the United States Code statutory citation providing for the penalty, the Code of Federal Regulations citation under Title 24 for the penalty, the amount of the penalty under the rule implementing the 2017 adjustment (82 FR 24521, May 30, 2017), and the corresponding penalties after applying the 2018 inflation adjustment. OIG provided a no position response regarding this final rule.

CHAPTER 8 – REPORT RESOLUTION

In the report 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 recommendations. Through this process, OIG strives to achieve measurable improvements in HUD programs and operations. The overall responsibility for ensuring that the agreed-upon changes are implemented rests with HUD managers. This chapter describes reports issued before the start of the period that do not have management decisions, have significantly revised management decisions, or have significant management decisions with which OIG disagrees. It also has a status report on HUD's implementation of the Federal Financial Management Improvement Act of 1996 (FFMIA). In addition to this chapter on report resolution, see appendix 3, table B, "Significant Audit Reports for Which Final Action Had Not Been Completed Within 12 Months After the Date of the Inspector General's Report."

AUDIT REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AS OF SEPTEMBER 30, 2018

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

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

The OIG report included a recommendation (2C) that HUD PIH implement a cost-effective method for automating the cash management process, to include an electronic interface of transactions to the United States Standard General Ledger (USSGL).

HUD issued three proposals to address recommendation 2C. However, OIG rejected all three proposals because they were too vague and did not include a high-level plan showing the actions PIH will take until the final action date to implement corrective action. Further, the proposals included several contingencies from which OIG cannot determine whether PIH is making progress in addressing the recommendation.

This issue was referred to the Assistant Secretary on June 19, 2014, and September 30, 2014, but, as of March 31, 2015, a new proposal had not been made. Therefore, this issue was referred to the Deputy Secretary on March 31, 2015. OIG met to brief the Deputy Secretary's staff on the subject on April 20, 2015. On August 24, 2016, PIH indicated that in coordination with the Office of the Chief Information Officer (OCIO), plans were being developed to address the recommendation. However, PIH still has not provided a management decision, and it is difficult to determine whether or when these new systems would be implemented. OIG followed up with PIH and OCIO on September 19, 2017, about entering a management decision to reflect current plans, but as of September 30, 2017, OIG had not received a response. During the course of the fiscal year 2018 financial statement audit, OIG followed up with PIH again regarding this recommendation. PIH reported that it was waiting for the release of funding from the Office of the Chief Procurement Officer (OCPO) to procure a contract to automate the cash management process. OIG inquired with PIH about entering a management decision as it appeared that it was making progress

on addressing this recommendation, but no management decision had been submitted as of September 30, 2018. (Audit Report: **2014-FO-0003**)

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT OF 2010, ISSUE DATE: APRIL 15, 2014

HUD OIG audited HUD's fiscal year 2013 compliance with the Improper Payments Information Act of 2002 as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA). OIG found that HUD did not comply with IPERA reporting requirements because it did not sufficiently and accurately report its (1) billing and program component improper payment rates; (2) actions to recover improper payments; (3) accountability; or (4) corrective actions, internal controls, human capital, and information systems. In addition, HUD's supplemental measures and associated corrective actions did not sufficiently target the root causes of its improper payments because they did not track and monitor processing entities to ensure prevention, detection, and recovery of improper payments caused by errors in the calculation of HUD's subsidy for tenant rent and billing errors, which are root causes identified by HUD's contractor studies.

The OIG report included several recommendations that required the Office of Chief Financial Officer (OCFO) to work with PIH and the Office of Multifamily Housing Programs to ensure sufficient and accurate IPERA reporting in its agency financial report (AFR). The report also recommended that OCFO conduct a current billing study and, if not performed annually in future years, report the reason for this in the AFR and update the previous study to reflect program and inflationary changes. Similarly, the report recommended a study to assess improper payments arising from the Housing Choice Voucher Program. Finally, the report also recommended that OCFO report on multifamily, public housing, and Section 8 program improper payment rates separately in the AFRs.

Initially, OCFO disagreed with several of OIG's recommendations, citing (1) funding issues in conducting current billing studies, which it believes do not produce tangible results; (2) disagreement on the need to determine whether improper payments exist as the result of changes in the funding of the Housing Choice Voucher Program; and (3) management's position that formal policies and procedures for the IPERA reporting process are not necessary. OIG generally disagreed with OCFO's management decisions because they disregarded IPERA reporting requirements and Office of Management and Budget guidance and the management decisions did not reflect the Chief Financial Officer's (CFO) responsibility as the lead official for directing and overseeing HUD's actions to address improper payments.

OIG sent a referral memorandum to the Acting CFO on September 23, 2014, regarding its disagreement, along with an untimely referral memorandum for two recommendations that had not had management decisions entered. Following OIG's memorandum, OCFO entered management decisions for seven of nine recommendations, of which OIG agreed with only one. The remaining six recommendations, along with two recommendations for which management had not yet entered a management decision, were referred to the Deputy Secretary on March 31, 2015. OIG briefed the Deputy Secretary's staff on the subject report on April 20, 2015, and in August 2015, meetings were held with OCFO to discuss what was needed to come to agreement. As of March 31, 2018, management decisions had been agreed upon for all recommendations except two.

OCFO submitted a new management decision for one of the two recommendations on March 15 and September 17, 2018. OIG disagreed with the management decision because OCFO indicated that HUD does not make payments to tenants, although one of its supplemental measures was to reduce improper payments made to deceased single-member households. OIG also disagreed with the proposed management decision because it is too vague and does not reflect how the recommendation will be addressed. Further, the evidence to provide closure is "to be determined" and is dependent on funding.

OCFO has submitted several proposed management decisions for the other recommendation on September 30, 2014, March 31, 2016, March 30, 2017, March 14, 2018, and September 13, 2018. Originally, HUD disagreed with OIG's recommendation and refused to provide a corrective action plan, which would ensure that the true error rate in certain programs was not masked when reported in the AFR. Recently, OCFO agreed with this recommendation. However, OIG has continued to disagree with the proposed management decisions because they are dependent on funding and the final action target date is January 30, 2020. OCFO did not provide sufficient details in its proposed management decision to justify the need for a final action target date of January 30, 2020. (Audit Report: **2014-FO-0004**)

HUD DID NOT ALWAYS RECOVER FHA SINGLE-FAMILY INDEMNIFICATION LOSSES AND ENSURE THAT INDEMNIFICATION AGREEMENTS WERE EXTENDED, ISSUE DATE: AUGUST 8, 2014

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

HUD did not always bill lenders for FHA single-family loans that had an indemnification agreement and a loss to HUD. Specifically, it did not bill lenders for any loans that were part of the Accelerated Claims Disposition (ACD) program or the Claims Without Conveyance of Title (CWCOT) program or loans that went into default before the indemnification agreement expired but were not in default on the expiration date. There were 486 loans from January 2004 to February 2014 that had enforceable indemnification agreements and losses to HUD, but lenders were not billed. This condition occurred because HUD's Financial Operations Center was not able to determine loss amounts for loans that were part of the ACD program, was not aware of the CWCOT program, and considered only the final default date for billing. As a result, HUD did not attempt to recover a loss of \$37.1 million for 486 loans that had enforceable indemnification agreements.

In addition, HUD did not ensure that indemnification agreements were extended to 64 of 2,078 loans that were streamline refinanced into another FHA-insured loan. As a result, HUD incurred losses of \$373,228 for 5 loans, and 16 loans had a potential loss to HUD of approximately \$1 million. The remaining 43 loans were either terminated or did not go into delinquency before the indemnification agreement expired, or the agreement did not state that it would extend to loans that were streamline refinanced.

OIG rejected three management decisions proposed by the Offices of Single Family Housing and Finance and Budget because they did not follow the plain language explicitly stated in signed indemnification agreements. The Offices of Single Family Housing and Finance and Budget disagreed with OIG's determination that HUD should have billed lenders for FHA loans that either were in default or went into default during the indemnification agreement period.

OIG referred the matter to the Assistant Secretary for Housing – Federal Housing Commissioner on January 8, 2015. OIG met with the HUD Office of General Counsel (OGC) and the Offices of Housing, Single Family Housing, and Finance and Budget on January 30, 2015. The meeting ended in disagreement; however, HUD OGC and the OIG Office of Legal Counsel continued discussions.

Single Family Housing received two legal opinions from HUD OGC, dated January 26 and February 24, 2015, respectively. Combined, the legal opinions support Single Family Housing's and Finance and Budget's position that they have collected in a manner consistent with longstanding policy that emphasized the definition of the "date of default." Single Family Housing maintains that its collection practice is consistent with FHA's regulatory

definition of “date of default” found in 24 CFR (Code of Federal Regulations) 203.331, which refers to the first “uncorrected” failure and the first failure to pay that is not satisfied by later payments.

OIG disagrees and believes that Single Family Housing and Finance and Budget have adopted a collection practice not supported by the plain language of the indemnification agreements or required by HUD regulations. Based on the plain language explicitly stated in signed indemnification agreements, OIG believes that the indemnification agreement should be enforced for any loan that “goes into default” during the indemnification agreement term, regardless of whether the loan emerged from a default status after the agreement expired. In response to HUD’s legal opinions, OIG received its own legal opinion from the OIG Office of Legal Counsel, which supports OIG’s position.

OIG has had discussions with HUD OGC, Single Family Housing, and Finance and Budget regarding the recommendations in question but has not reached agreeable management decisions. On March 31, 2015, OIG referred the recommendations to the Deputy Secretary for a decision and as of September 30, 2018, was still awaiting that decision. (Audit Report: **2014-LA-0005**)

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION FISCAL YEARS 2014 AND 2013 FINANCIAL STATEMENTS AUDIT, ISSUE DATE: FEBRUARY 27, 2015

HUD OIG audited the Government National Mortgage Association’s (Ginnie Mae) fiscal year 2014 stand-alone financial statements. OIG conducted this audit in accordance with the Chief Financial Officers Act of 1990, as amended. OIG found a number of material weaknesses in Ginnie Mae’s financial reporting specifically related to the auditability of several material assets and reserve for loss liability account balances. The audit report had 20 audit recommendations to (1) correct the financial statement misstatements identified and (2) take steps to strengthen Ginnie Mae’s financial management operations.

Initially, OIG did not reach consensus with Ginnie Mae on the necessary corrective actions for 9 of the 20 audit recommendations and referred the matter to the Deputy Secretary for a decision on September 21, 2015. In August 2016, OIG reached an agreement on three of nine management decisions that it previously rejected. As a result, there are now six audit recommendations without a management decision. OIG’s audit recommendations request that the HUD CFO provide oversight of Ginnie Mae’s financial management operations, but HUD’s proposed corrective action plan to provide the oversight of Ginnie Mae lacked specificity. As of September 30, 2018, the Deputy Secretary had not provided a decision on the six recommendations referred. (Audit Report: **2015-FO-0003**)

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION FISCAL YEARS 2015 AND 2014 (RESTATED) FINANCIAL STATEMENTS AUDIT, ISSUE DATE: NOVEMBER 13, 2015

HUD OIG audited Ginnie Mae’s fiscal year 2015 stand-alone financial statements. OIG conducted this audit in accordance with the Chief Financial Officers Act of 1990 as amended. This report had new and repeat audit findings. Of 11 audit recommendations, OIG did not reach consensus on the necessary corrective actions for 3 recommendations. Ginnie Mae did not provide a response to OIG to explain Ginnie Mae’s refusal to implement one audit recommendation related to compliance with the Debt Collection Improvement Act.

For the remaining two information technology (IT)-related audit recommendations, Ginnie Mae's master servicer (MSS) disagreed with one audit recommendation. The MSS believes that it has the proper segregation of duties for cash processes, payment processing, and reconciliation of all financial activities. However, OIG disagrees and maintains its original position that segregation of duties means that no single person should have control of two or more conflicting functions within a transaction or operation. Further, while a security camera system, criminal background checks, etc., are helpful, they do not take the place of good internal controls, which include the segregation of duties.

Regarding the second IT audit recommendation, Ginnie Mae's MSS agreed to regularly review the market discount fraction change report and confirm this review in its monthly self-evaluation. However, this response and management's plan of action did not fully address OIG's recommendation. The methods identified were neither sufficient nor adequate to address OIG's (1) finding "that management had an ineffective monitoring tool in place" and (2) recommendation that management automate the approval process to include restricting the capability to make unauthorized changes unless evidence of approval is present or increase the scope of the "Admin Adjustment Report" to include all exceptions and adjustments. The issue was not that a review process was not in place but that the review was not meaningful or effective because the tool or report used to review financial adjustment changes was limited. The manual approval process also enabled staff to avoid obtaining approval before making adjustments because there were (1) no checks and balances and (2) no restrictions in the financial system to prevent unauthorized adjustments. Management's plan of action did not address OIG's concern.

OIG referred this matter to the President of Ginnie Mae for a decision on April 21, 2016, and to the Deputy Secretary on March 6, 2017.

On September 12, 2018, Ginnie Mae provided additional information in response to the recommendations. OIG reviewed the information and concluded that the information did not adequately address the recommendations. As of September 30, 2018, OIG was awaiting a decision on the remaining three recommendations referred to the Deputy Secretary. (Audit Report: **2016-FO-0001**)

ADDITIONAL DETAILS TO SUPPLEMENT OUR FISCAL YEARS 2015 AND 2014 (RESTATED) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FINANCIAL STATEMENT AUDIT, ISSUE DATE: NOVEMBER 18, 2015

HUD OIG audited HUD's consolidated financial statements and reported on deficiencies including the areas of (1) accounting for liabilities for PIH programs in accordance with GAAP and FFMIA and (2) HUD's financial management governance structure and internal controls over financial reporting. HUD disagreed with several recommendations made in each of these areas and as a result, OIG first referred them to the Principal Deputy Assistant Secretary for Public and Indian Housing and the Deputy Chief Financial Officer on April 21, 2016. OIG received a response to only one recommendation, and disagreement remained on the actions necessary to correct the deficiencies identified in the report. OIG referred the remaining recommendations to the Deputy Secretary on September 20, 2016. OIG had received two new proposals as of March 31, 2018; however, OIG could not agree with them due to an insufficient proposal that was not clear on how to address the recommendations and insufficient evidence to support closure.

Accounting for liabilities for PIH programs in accordance with GAAP and FFMIA: OIG reported that HUD is not recognizing the accounts payables arising from shortages identified in PIH's cash management reconciliations. PIH's position is that it does not record the payables because the cash management reconciliations are completed 45-60 days after each quarter. By the time they are conducted, the PHA could have used either restricted or unrestricted net position balances or requested frontload funding to cover the shortages. OIG does not agree that

this complies with GAAP because adjusting the prepaid expense after payables have been paid is not accrual accounting. PIH has not submitted a revised position on this matter. OIG believes that this recommendation cannot be resolved until PIH's cash management process is automated, which OIG discusses in Audit Report 2014-FO-0003 (discussed above). As of September 19, 2018, PIH had not entered a management decision for the recommendation OIG made in 2014-FO-0003 or this recommendation.

HUD's financial management governance structure and internal controls over financial reporting: OIG reported on deficiencies found in the financial governance and financial reporting areas. OIG could not accept the proposed management decisions for eight recommendations because OCFO (1) requested final action target dates that were too far into the future, (2) claimed the deficiencies had been addressed by the new processes implemented by New Core when they had not, or (3) did not provide sufficient detail to support that the recommendations would be fully addressed. OIG communicated these issues to HUD on March 7, 2016, and April 6, 2017. New proposals were submitted for four of the eight recommendations and accepted. As of September 30, 2018, OIG had not received new proposals for the remaining four outstanding recommendations. (Audit Report: **2016-FO-0003**)

HUD DID NOT ALWAYS PROVIDE ADEQUATE OVERSIGHT OF PROPERTY ACQUISITION AND DISPOSITION ACTIVITIES, ISSUE DATE: JUNE 30, 2016

HUD OIG audited HUD's Community Development Block Grant (CDBG) program's property acquisition and disposition activities. OIG's audit objective was to determine whether HUD had adequate oversight of property acquisition and disposition activities under its CDBG program.

OIG found that HUD did not always provide adequate oversight of property acquisition and disposition activities. Specifically, of 14 activities reviewed, 7 field offices did not provide adequate oversight of 8 property acquisition and disposition activities totaling more than \$26.2 million. For the eight activities for which adequate oversight was not provided, two activities with draws totaling \$6.1 million had outstanding program-related findings that HUD had not enforced, and six totaling \$20.1 million had not been monitored. Additionally, four of the eight activities totaling nearly \$11.9 million had not met a national objective.

These conditions occurred because HUD did not have adequate controls to ensure that it enforced its monitoring findings and its grantee risk assessment procedures did not specifically address oversight of property acquisition and disposition activities.

The OIG report included a recommendation that the Deputy Assistant Secretary for Grant Programs direct field offices to include property acquisition and disposition activities as an area of special emphasis when assessing grantee risk and establishing their monitoring plans and grantee monitoring strategies.

The Deputy Assistant Secretary for Grant Programs proposed a management decision in December 2016. However, after discussions with HUD, OIG rejected the proposed management decision because it did not specifically address directing field offices to include property acquisition and disposition activities as an area of special emphasis when assessing grantee risk and establishing their monitoring plans and grantee monitoring strategies as recommended. For OIG to consider the proposed management decision as an acceptable alternative action, OIG requested clarification and documentation from HUD. However, HUD did not provide the requested information and documentation, and OIG referred this recommendation to the Assistant Secretary for Community Planning and Development on March 30, 2017. HUD proposed another management decision in April 2017; however, OIG rejected it because it also did not directly address the intent of the recommendation. OIG referred this recommendation to the Deputy Secretary on August 23, 2017, and as of September 30, 2018, had not received a decision. (Audit Report: **2016-PH-0001**)

HUD DID NOT ALWAYS PROVIDE ACCURATE AND SUPPORTED CERTIFICATIONS OF STATE DISASTER GRANTEE PROCUREMENT PROCESSES, ISSUE DATE: SEPTEMBER 29, 2016

HUD OIG audited HUD's controls over its certifications of State disaster recovery grantee procurement processes to determine whether HUD's certifications were accurate and supported. OIG found that HUD did not always provide accurate and supported certifications of State disaster grantee procurement processes. Specifically, it (1) allowed conflicting information on its certification checklists, (2) did not ensure that required supporting documentation was included with the certification checklists, and (3) did not adequately evaluate the supporting documentation submitted by the grantees. These conditions occurred because HUD did not have adequate controls over the certification process. Due to the weaknesses identified, HUD did not have assurance that State grantees had proficient procurement processes in place, and the Secretary's certifications did not meet the intent of the Disaster Relief Appropriations Act of 2013.⁷

The report included five recommendations for the Deputy Assistant Secretary for Grant Programs. The Deputy Assistant Secretary proposed corrective actions on January 11, 2017, and OIG rejected the proposed actions on January 27, 2017. OIG referred the recommendations to the General Deputy Assistant Secretary for Community Planning and Development on February 6, 2017. The General Deputy Assistant Secretary responded to the referral on February 21, 2017. For all of the recommendations, the General Deputy Assistant Secretary stated that OIG's disagreement regarding the definition of a proficient procurement process as it relates to State disaster grantees and the meaning of "equivalent" as it relates to a State's procurement policies and procedures being "equivalent to" or "aligned with" the Federal procurement standards was closed by the Deputy Secretary in her decision regarding resolution of recommendations from OIG's audit of New Jersey's Sandy Integrated Recovery Operations and Management System.⁸ In the January 10, 2017, decision, the Deputy Secretary wrote that the State certified that its procurement standards were equivalent to the Federal standards at 24 CFR 85.36 and HUD had also certified to the proficiency of the State's policies and procedures. The Deputy Secretary noted that two legal opinions from OGC concluded that the standards at 24 CFR 85.36 did not apply and, therefore, there was no legal basis for the finding and associated recommendations. The General Deputy Assistant Secretary asserted that the legal opinion for the New Jersey audit applied to this audit. Based on this information, the General Deputy Assistant Secretary believed it was appropriate to close all of the recommendations.

OIG disagreed with the General Deputy Assistant Secretary's request to close the recommendations in this audit based on the Deputy Secretary's decision to resolve recommendations from OIG's audit of New Jersey's Sandy Integrated Recovery Operations and Management System. OIG has two main areas of disagreement with the decision: (1) OIG continues to assert that 24 CFR 85.36 was applicable to the State because its procedures needed to be equivalent to these Federal standards, and (2) OIG asserts that the applicability of 24 CFR 85.36 was not the only basis for the recommendations in the New Jersey audit report and believes that the decision failed to consider the other bases of the recommendations. Further, the Deputy Secretary's decision did not address all of the issues with HUD's process for certifying State disaster grantee procurement processes that were identified in the subject audit report. OIG referred these recommendations to the Deputy Secretary on March 31, 2017, and as of September 30, 2018, had not received a decision. (Audit Report: **2016-PH-0005**)

⁷ Public Law 113-2, dated January 29, 2013

⁸ 2015-PH-1003, dated June 4, 2015

AUDIT OF FISCAL YEARS 2016 AND 2015 (RESTATED) FINANCIAL STATEMENTS AUDIT, ISSUE DATE: NOVEMBER 14, 2016

HUD OIG audited Ginnie Mae's fiscal year 2016 stand-alone financial statements. OIG conducted this audit in accordance with the Chief Financial Officers Act of 1990 as amended. Of 19 recommendations issued, OIG did not reach consensus on the necessary corrective actions for 2 audit recommendations.

The first disagreement was associated with OIG's recommendation for Ginnie Mae to reverse the accounting writeoff of the advances account. In conjunction with the subledger data solution, Ginnie Mae needs to conduct a proper analysis to determine whether any of the \$248 million balances in the advances accounts are collectible. Ginnie Mae believed that it could not reverse the \$248 million residual balance in the advances account. Based on its analysis, Ginnie Mae explained that this residual balance should have been charged off by the realized losses incurred on liquidated loans from fiscal years 2009 through 2016, but it was not. Therefore, according to Ginnie Mae, this residual balance was no longer supportable or collectible after the sale of the mortgage servicing rights. Additionally, Ginnie Mae stated that it cannot pursue additional collection from its MSSs based on the terms of the settlement with them. OIG has concerns about the reliability of Ginnie Mae's analysis because when OIG attempted to review Ginnie Mae's support for the advances writeoff, OIG was unable to validate the accuracy of the information used in its analysis. For example, of \$248 million, OIG could not validate the \$180 million in realized losses because this information was based on rough estimates (\$50 million) and MSSs' accounting reports that OIG considered unauditible (\$130 million). Ginnie Mae could not explain the other \$68 million. Further, OIG's audit showed that the \$248 million residual balance may contain advances related to unliquidated nonpooled loans. Specifically, in fiscal year 2016, Ginnie Mae informed OIG that all advance balances associated with liquidated loans were removed from the advances account and attached (carried forward) to the liquidated loans balance. However, in fiscal year 2017, OIG learned that this was not the case. According to Ginnie Mae, the advance balances associated with these loans were not carried forward. Therefore, there are legitimate collection action claims that Ginnie Mae can pursue on these unliquidated nonpooled loans.

The second disagreement was related to OIG's recommendation for Ginnie Mae to appropriately exclude the loan impairment allowance on other indebtedness instead of reporting it as part of loan impairment allowance on the mortgage held for investment (MHI) account. Ginnie Mae partially agreed with OIG regarding the MHI allowance issue. Ginnie Mae agreed that it should have excluded from the MHI allowance account the allowance portion related to the reimbursable preforeclosure expense but not the nonreimbursable preforeclosure expense portion. According to Ginnie Mae, it included the nonreimbursable preforeclosure expense in the MHI allowance calculation because the expense was necessary to collect proceeds of the MHI loans. Ginnie Mae cited Accounting Standards Codification (ASC) 450-20 and the Interagency Policy Statement on the allowance for loan and lease losses as the bases for its conclusion with respect to the issue of nonreimbursable preforeclosure expense. Overall, Ginnie Mae concluded that in estimating the MHI allowance, the expected-anticipated recoveries from insurance, as well as the expected but not yet incurred preforeclosure costs, will need to be included in determining the collectability of cash flows from these loans. Regarding nonreimbursable preforeclosure expenses, OIG does not agree with Ginnie Mae that its inclusion in the ASC 450-20 or ASC 310-10 components of the MHI allowance was in accordance with GAAP.

Both disagreements were referred to the Deputy Secretary on August 24, 2017. As of September 30, 2018, OIG was awaiting a decision. (Audit Report: **2017-FO-0001**)

ADDITIONAL DETAILS TO SUPPLEMENT OUR FISCAL YEARS 2016 AND 2015 (RESTATED) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FINANCIAL STATEMENT AUDIT, ISSUE DATE: NOVEMBER 15, 2016

HUD OIG audited HUD's consolidated financial statements and reported on deficiencies in the areas of (1) HUD's loan guarantee balances, (2) significant reconciliations not completed in a timely manner, and (3) HUD's lack of a policy and procedure framework. OIG issued several referrals regarding these recommendations to HUD senior management for untimeliness and disagreement between May 31 and July 24, 2017. For the recommendation regarding HUD's loan guarantee balances, OIG rejected HUD's initial management decision on April 24, 2017, as it did not contain adequate evidence to provide closure. This recommendation was referred to the Deputy Secretary on July 24, 2017; however, as of September 30, 2018, HUD had not submitted a revised management decision. For significant reconciliations not completed in a timely manner, OCFO submitted management decisions on September 27, 2018, for reconciliations performed between the subledgers and general ledger, with requests to close concurrently. OIG did not agree because the provided documentation for evidence to provide closure did not include all items previously agreed upon between OIG and OCFO. Regarding HUD's lack of a policy and procedure framework, OIG received a new proposed management decision on September 26, 2018, and it was under review by OIG as of September 30, 2018. (Audit Report: **2017-FO-0003**)

HUD'S TRANSITION TO FEDERAL SHARED SERVICE PROVIDER FAILED TO MEET EXPECTATIONS, ISSUE DATE: FEBRUARY 1, 2017

HUD OIG audited the effectiveness of the controls over the New Core Interface Solution (NCIS) and PRISM™ and the impact of the implementation of release 3 of phase 1 of the New Core Project on the preparation of HUD's financial statements.

HUD's transition to a Federal shared service provider (FSSP) did not significantly improve the handling of its financial management transactions. Weaknesses identified with the controls over NCIS and PRISM™ contributed to this issue. A year after the transition, HUD had inaccurate data resulting from the conversions and continued to execute programmatic transactions using its legacy applications. The transition increased the number of batch processes required to record programmatic financial transactions and introduced manual processes and delays for budget and procurement transactions. In addition, the interface program that allowed for and translated the financial transactions between HUD and the U.S. Department of the Treasury's Administrative Resource Center (ARC) was not covered under HUD's disaster recovery plan. These conditions occurred because of funding shortfalls as well as HUD's decisions to (1) separate phase 1 of the project into smaller releases, (2) move forward with the implementation despite unresolved issues, and (3) terminate the project before its completion. These system issues and limitations inhibited HUD's ability to produce reliable, useful, and timely financial information.

While HUD considered its New Core Project implementation successful, it acknowledged that not all of the originally planned capabilities were deployed. HUD needs to pursue new process improvement projects to address the functionalities that were not achieved with phase 1 of New Core, which will require additional time and funding. HUD will also need to pursue process improvements for the functionality planned in the future phases of the project. In April 2016, HUD ended the New Core Project and the transition to an FSSP after spending \$96.3 million; however, the transition did not allow HUD to decommission all of the applications it wanted to or achieve the planned cost savings.

HUD OIG made two recommendations that were directed to the Deputy Secretary. Specifically, (1) reevaluate the functionality initially planned under the New Core Project and determine how the agency will implement the

functionality needed for budget formulation, cost accounting, property management, and the consolidation of HUD's financial statements and (2) take an active role in the implementation of financial management improvement initiatives or projects moving forward to ensure collaboration within HUD and that adequate funding and governance are in place.

OIG has not received a response or a proposed management decision related to the two recommendations. OIG referred these recommendations to the Deputy Secretary on June 6, 2017. As of September 30, 2018, HUD had not submitted management decisions for these recommendations. (Audit Report: **2017-DP-0001**)

HUD'S OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT DID NOT APPROPRIATELY ASSESS STATE CDBG GRANTEES' RISK TO THE INTEGRITY OF CPD PROGRAMS OR ADEQUATELY MONITOR ITS GRANTEES, ISSUE DATE: JULY 10, 2017

HUD OIG audited HUD's Office of Community Planning and Development's (CPD) risk assessment and monitoring of its State CDBG recipients. OIG's reporting objective was to determine whether CPD appropriately assessed State CDBG grantees' risk to the integrity of CPD programs and adequately monitored its grantees.

OIG found that CPD did not appropriately assess State CDBG grantees' risk to the integrity of CPD programs or adequately monitor its grantees. This condition occurred because its field office staff did not follow CPD risk assessment and monitoring requirements and field office management responsible for reviewing staff performance did not correct noncompliance of staff performing these responsibilities. In addition, the headquarters desk officer review function was administrative in focus and failed to note noncompliance. As a result, CPD cannot be assured that its field offices correctly identified the high-risk grantees or conducted adequate monitoring to mitigate risk to the integrity of CPD programs.

The report included five recommendations, including recommendations to (1) develop and implement a policy requiring field offices to rate grantees of at least medium risk that have not been monitored in their respective program area within the last 3 years on factors that require assessments of capacity, program complexity, and monitoring findings resulting in repayment or grant reductions; (2) develop and implement guidance for field offices to maintain supporting documentation in their official files with an adequate explanation of procedures performed to verify risk scores assigned, which could include upgrading CPD's systems to allow for the attachment of supporting documentation for risk analyses; and (3) update monitoring exhibits to require staff to document procedures performed, provide sufficient explanation to verify procedures performed and conclusions drawn, and reference appropriate supporting documentation.

CPD provided proposed management decisions on October 19, 2017, for all five recommendations. OIG concluded that the response did not adequately address the three recommendations discussed above. OIG advised HUD of its concerns on October 27, 2017, but was unable to reach agreement within 120 days.

OIG referred the three recommendations without management decisions to the Assistant Secretary for Community Planning and Development on December 19, 2017. Following OIG's referral, CPD submitted proposed management decisions, along with additional documentation, on March 30, 2018. Based on the documentation submitted, OIG was not able to reach a resolution on the remaining three recommendations. OIG referred these recommendations to the Deputy Secretary on June 25, 2018. On June 27, 2018, HUD submitted management decisions. However, the management decisions did not appropriately address the recommendations, and OIG could not concur. As of September 30, 2018, HUD had not resubmitted management decisions for these recommendations. (Audit Report: **2017-FW-0001**)

HUD NEEDS TO CLARIFY WHETHER ILLEGAL-UNDOCUMENTED ALIENS ARE ELIGIBLE FOR ASSISTANCE UNDER THE HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS PROGRAM, ISSUE DATE: AUGUST 21, 2017

HUD OIG assisted the U.S. Attorney's Office, Southern District of New York, in a civil investigation related to illegal-undocumented aliens receiving Housing Opportunities for Persons with AIDS (HOPWA) assistance. The HOPWA program at 24 CFR Part 574 is a HUD CPD grant program that provides formula allocations and competitively awarded grants to eligible States, cities, and nonprofit organizations to provide housing assistance and related supportive services to meet the housing needs of low-income persons and their families living with HIV-AIDS.

Noncitizen or alien ineligibility for federally funded programs is a recurring issue in Congress. Two laws primarily govern noncitizen or alien eligibility for housing programs: Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 - 8 U.S.C. (United States Code) 1611 (PRWORA) and Section 214 of the Housing and Community Development Act of 1980 as amended. PRWORA states that aliens, who are not qualified aliens, are not eligible for "Federal public benefits," a term defined in the law to include public and assisted housing. Under this statute, illegal aliens do not meet the definition of qualified aliens and as a result, are ineligible for Federal public benefits. However, PRWORA exempted certain Federal public benefits from the alien eligibility restrictions, including programs, services, or assistance (such as soup kitchens, crisis counseling and intervention, and short-term shelters) specified by the Attorney General, after consultation with the appropriate Federal agency.

The issue of nonqualified aliens receiving assistance under HOPWA or other homeless assistance programs has not been clearly addressed in HUD regulations and guidance. Specifically, OIG has not been able to identify clear guidance as to whether programs that are funded through HUD's community development programs and administered through nonprofits (such as HOPWA) have been clearly designated as a "Federal public benefit." This designation is important because aliens, who have not been qualified to be considered "qualified aliens" under 8 U.S.C. 1611, are not eligible for Federal public benefits. Also, it is not clear whether homeless assistance grants are considered a Federal public benefit. There is a discord between "housing assistance," which is considered a Federal public benefit and is limited to qualified aliens, and "homeless assistance." If homeless assistance grants were considered a Federal public benefit, HOPWA would not be available to illegal-undocumented aliens. However, because it is unclear whether such grants are considered Federal public benefits, there is a potential for unqualified aliens to fall under the exceptions under 8 U.S.C. 1611 (which include emergency type programs) and qualify to receive benefits.

OIG recommended that HUD CPD (1) clarify whether assistance provided under its community development programs, such as HOPWA, are considered "Federal public benefits" and are, therefore, subject to PRWORA's noncitizen eligibility restrictions and (2) consult with the Office of the Attorney General to establish whether HOPWA and other homeless assistance programs are a Federal public benefit that meets the definition of "providing assistance for the protection of life or safety" and are, therefore, exempt from PRWORA noncitizen eligibility restrictions.

HUD CPD submitted management decisions for both recommendations on December 18, 2017, but the management decisions stated that CPD was not able to take action on the recommendations, and OIG rejected them. This issue was referred the Assistant Secretary on December 19, 2017. In January 2018, OIG attempted to meet with HUD regarding the recommendations but was unsuccessful. The issue was referred to the Deputy Secretary on February 27, 2018. As of September 30, 2018, OIG was awaiting a decision from the Deputy Secretary. (Memorandum: **2017-CF-0801**)

HUD DID NOT PROVIDE SUFFICIENT GUIDANCE AND OVERSIGHT TO ENSURE THAT STATE DISASTER GRANTEEES FOLLOWED PROFICIENT PROCUREMENT PROCESSES, ISSUE DATE: SEPTEMBER 22, 2017

HUD OIG audited HUD's oversight of disaster grantee procurement processes to determine whether HUD provided sufficient guidance and oversight to ensure that disaster grantees followed proficient procurement processes when purchasing products and services. OIG found that HUD did not provide sufficient guidance and oversight to ensure that State disaster grantees followed proficient procurement processes. Since HUD agreed to correct procurement issues from a previous audit,⁹ OIG has issued 17 audit reports on disaster grantees with questioned costs totaling nearly \$391.7 million related to procurement. These conditions occurred because HUD was so focused on providing maximum feasible deference to State grantees that it was unable to ensure that grantees followed proficient procurement processes. HUD also believed that State grantees were not required to have procurement standards that aligned with each of the Federal procurement standards. As a result, HUD lacked assurance that State grantees purchased necessary products and services competitively at fair and reasonable prices.

OIG made four recommendations to the Deputy Assistant Secretary for Grant Programs. The Deputy Assistant Secretary proposed corrective actions on November 24, 2017. For two of the recommendations, the Deputy Assistant Secretary stated that the matter of the applicability of the Federal procurement standards at 2 CFR 200.318 through 200.326¹⁰ (or 24 CFR 85.36(b) through (i)) and the requirements of the Federal Register notices on procurement was closed by the Deputy Secretary in her January 10, 2017, decision regarding resolution of recommendations from OIG's audit of New Jersey's Sandy Integrated Recovery Operations and Management System.¹¹ In this decision, the Deputy Secretary wrote that the State certified that its procurement standards were equivalent to the standards at 24 CFR 85.36 and HUD had also certified to the proficiency of the State's policies and procedures. The Deputy Secretary noted that two legal opinions from OGC concluded that the standards at 24 CFR 85.36 did not apply and, therefore, there was no legal basis for the finding and associated recommendations. The Deputy Assistant Secretary also noted that the Senate Appropriations Committee report on fiscal year 2018 U.S. Department of Transportation-HUD appropriations legislation¹² addressed this issue. The report stated that the Committee believed that as long as HUD provided consistent and rigorous oversight of the procurement processes employed by the State and local recipients, an equivalent, though not identical, procurement standard that upholds the principles of fair and open competition can prevent Federal dollars appropriated for disaster recovery from being spent irresponsibly. The Deputy Assistant Secretary further stated that HUD clarified its definition of proficient procurement processes and policies when it published subsequent Federal Register notices allocating funds under Public Laws 114-113, 114-223 and 114-254. Based on this information, the Deputy Assistant Secretary believed it was appropriate to close these two recommendations.

OIG disagrees with the Deputy Assistant Secretary's request to close these two recommendations based on the Deputy Secretary's decision to resolve recommendations from OIG's audit of New Jersey's Sandy Integrated Recovery Operations and Management System. OIG continues to assert that the procurement standards at 24 CFR 85.36 were applicable to the State because its procedures needed to be equivalent to these Federal standards. OIG acknowledges the Senate Committee's belief that consistent and rigorous oversight of equivalent State procurement processes and standards that uphold the principles of fair and open competition can prevent Federal dollars from being spent irresponsibly. However, Federal procurement involves the acquisition of products and services at fair and reasonable prices, which OIG believes is a higher standard and necessitates cost estimates and cost analyses.

⁹ Audit Report 2013-FW-0001, Generally, HUD's Hurricane Disaster Recovery Program Assisted the Gulf Coast States' Recovery; However, Some Program Improvements Are Needed, issued March 28, 2013

¹⁰ Before December 26, 2014, the relevant procurement requirements were found at 24 CFR 85.36. HUD has since moved its uniform administrative requirements, cost principles, and audit requirements for Federal awards to 2 CFR Part 200.

¹¹ 2015-PH-1003, dated June 4, 2015

¹² Senate Report 1115-138, dated July 27, 2017

OIG believes that HUD weakened its interpretation of Federal procurement standards in the subsequent Federal Register notices because rather than considering a State's procurement process proficient if its procurement standards were equivalent to the Federal standards, HUD considered a State's procurement process proficient if its procurement standards operated in a manner that provided for full and open competition. Because of this disagreement, OIG rejected the Deputy Assistant Secretary's request to close the recommendations.

In response to another recommendation, OIG rejected it because the proposed corrective action did not directly address improving controls by having HUD personnel who specialize in procurement evaluate the proficiency of State grantee procurement processes for those States that select the equivalency option to ensure that the State processes fully align with, or meet the intent of, each of the Federal procurement standards at 2 CFR 200.318 through 200.326.

In response to the remaining recommendation, OIG rejected it because the proposed guidance and training did not include State grantees that chose to certify that their procurement processes and standards were equivalent to the Federal procurement standards at 2 CFR 200.318 through 200.326.

OIG referred the recommendations to the Assistant Secretary for Community Planning and Development on January 25, 2018. The Assistant Secretary did not respond. OIG referred these recommendations to the Deputy Secretary on March 16, 2018, and as of September 30, 2018, had not received a decision. (Audit Report: **2017-PH-0002**)

HUD COULD IMPROVE ITS CONTROLS OVER THE DISPOSITION OF PROPERTIES ASSISTED WITH CDBG FUNDS, ISSUE DATE: SEPTEMBER 29, 2017

HUD OIG audited HUD's oversight of the disposition of real properties assisted with CDBG funds. OIG's objective was to determine whether HUD had adequate controls over the disposition of real properties assisted with CDBG funds.

OIG found that HUD could improve its oversight of the disposition of real properties assisted with CDBG funds. Although HUD's drawdown and reporting system allowed grantees to enter identifying information for assisted properties and its field offices performed risk-based monitoring of grantees, HUD's controls were not always sufficient to ensure that grantees (1) entered addresses of assisted properties into its system, (2) provided proper notice to affected citizens before changing the use of assisted properties, (3) adequately determined the fair market value of assisted properties at the time of disposition, and (4) properly reported program income from the disposition of the properties. Further, HUD did not fully implement guidance related to the applicability of change-of-use requirements after voluntary grant reductions. OIG attributed these deficiencies to HUD's lack of emphasis on verifying address information, its field office staff's not being adequately trained to use data to monitor HUD's interest in properties, and the Milwaukee field office's incorrectly interpreting program requirements. As a result, HUD could not track and monitor its interest in the properties and did not have assurance that grantees properly handled changes in use and properly reported program income.

OIG recommended that the Deputy Assistant Secretary for Grant Programs develop a process to ensure that grantees properly report the addresses of assisted properties in HUD's Integrated Disbursement and Information System (IDIS) and properly calculate and report program income from the disposition of these properties regularly. OIG indicated that this process could include but would not be limited to developing a process to extract data reported in IDIS on activities with the matrix codes related to real property and training and instructing CPD's field office staff to extract these data and manually check for address and program income data on grantees' activities, particularly activities that are completed but have properties that could still be subject to program income requirements.

The Deputy Assistant Secretary for Grant Programs proposed a management decision in January 2018, which OIG rejected. OIG referred this recommendation to the Assistant Secretary for Community Planning and Development on February 6, 2018, and to the Deputy Secretary on March 26, 2018. In an attempt to reach agreement, OIG held discussions with CPD officials on February 13 and March 8, 2018. On March 28, the Deputy Assistant Secretary for Grant Programs submitted a revised proposal. It proposed to (1) ensure that its staff is aware of a recent CPD notice; (2) ensure that its staff and grantees are aware of the record retention requirements related to change-of-use and reversion-of-asset requirements; (3) present a webinar for field staff on the importance of requirements related to real property, especially program income in relation to the acquisition and disposition of real properties, and the requirement to maintain inventories of real property; (4) identify, create, or revise a report that lists acquisition-related activities or includes addresses and accomplishment data for staff to use for monitoring; and (5) evaluate the adequacy of several sections of the CDBG Single Audit Compliance Supplement, to include reviews for real property acquisition and disposition and related to program income issues.

On March 28, 2018, HUD proposed a management decision, which OIG rejected for several reasons. For example, HUD's proposal (1) did not clearly cover all categories of activities related to real property assisted with CDBG funds but, rather, focused on those specifically related to acquisitions and dispositions and (2) did not commit to changes that would result in a process to ensure that grantees properly report the addresses of properties assisted with CDBG funds and properly calculate and report program income from the disposition of these properties regularly. While it alluded to a report that could be used by field staff to prepare for monitoring, it did not indicate that its monitoring process would be updated to require field offices to consider the relevant information. Further, while HUD committed to reviewing the CDBG Single Audit Compliance Supplement requirements, it did not commit to this review's resulting in a process to ensure that grantees properly report the addresses of properties assisted with CDBG funds and that grantees properly calculate and report program income from the disposition of these properties. As of September 30, 2018, OIG had not reached a management decision. (Audit Report: **2017-NY-0002**)

ADDITIONAL DETAILS TO SUPPLEMENT OUR FISCAL YEARS 2017 AND 2016 (RESTATED) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FINANCIAL STATEMENT AUDIT, ISSUE DATE: NOVEMBER 15, 2017

HUD OIG audited HUD's consolidated financial statements and reported on deficiencies in the area of HUD's administrative control of funds system and internal control documentation. Recommendations were made to OCPO to address the deficiency of not maintaining adequate records for interagency agreements in its procurement system of record, ARC's PRISM. OIG issued a referral regarding two recommendations to address this deficiency to HUD OCPO on March 22, 2018, and could not reach agreement. These recommendations were then referred to the Deputy Secretary on May 31, 2018. After OIG issued the referral of disagreement, OCPO did not provide additional corrective action plans for resolving the missing interagency agreements and modifications in its procurement system of record. However, on July 5, 2018, OCPO provided the remaining changes to its internal policies and procedures for one of the two recommendations. However, as of September 30, 2018, OIG had not received new proposed management decisions for the two recommendations. As a result, there continues to be no management decision. (Audit Report: **2018-FO-0004**)

EVALUATION REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AS OF SEPTEMBER 30, 2018

RISK-BASED ENFORCEMENT COULD IMPROVE PROGRAM EFFECTIVENESS, ISSUE DATE: FEBRUARY 12, 2016

HUD OIG evaluated the effectiveness of the Departmental Enforcement Center (DEC). Historically, HUD program managers have not wanted to enforce program requirements. That reluctance increases the risk that program funds will not provide maximum benefits to recipients and allows serious noncompliances to go unchecked. When it was created, DEC had independent enforcement authority, but it lost that authority when it moved from the Deputy Secretary's office to OGC. DEC lost control of funding and staffing levels and contended with inadequate IT systems and support. Although program offices were asking for more DEC financial analyses, they did not consistently use enforcement actions to remedy noncompliances. Further, managers' reluctance to enforce program requirements limited DEC's effectiveness in most programs. Turnover, retirements, and hiring limitations could leave DEC without enough skilled staff to support future workloads needed to service HUD programs and enforce program requirements. Risk-based monitoring and enforcement offers the opportunity to provide quality, affordable rental housing, improve the quality of life, and build strong, resilient communities.

OIG made eight recommendations, seven of which remain open. In general, OGC initially disagreed that DEC could be more effective if it had more authority and independence. OIG met with the General Counsel on December 9, 2015, to discuss the findings, recommendations, and OGC's response. Following the meeting, OGC generally agreed with the recommendations.

Since that time, OIG has worked with OGC and other HUD offices to resolve the recommendations. However, OIG still has not received a proposed management decision for seven of the recommendations. Originally, OGC indicated that it would provide OIG with updates for all eight recommendations, but it has recently decided to let each office work on its individual recommendations. In September 2018, OIG contacted the Office of Housing and PIH to obtain a proposed management decision on their respective recommendations. (Evaluation Report: **2014-OE-0002**)

COMPREHENSIVE STRATEGY NEEDED TO ADDRESS HUD ACQUISITION CHALLENGES, ISSUE DATE: FEBRUARY 2, 2016

HUD OIG evaluated OCPO's acquisition improvement initiatives. HUD has faced many acquisition challenges over the years, and OIG found that HUD had made progress in addressing those challenges. OIG observed that HUD had not developed a sound, cohesive strategy to address improvement initiatives, offices did not communicate or coordinate effectively, and offices did not agree on the best way to address acquisition challenges.

OIG made 10 recommendations, 1 of which remains open. The open recommendation requires OCPO to reach agreement on the staffing model and resources needed to implement the contracting officer's representative professionalization initiative. OCPO concurred with the recommendation but has not provided OIG an estimated completion date for final action. OCPO said it has developed the professionalization initiative as part of a greater reform plan, but HUD senior leadership has not yet implemented it. OIG requested a complete corrective action plan in April 2018, again in July 2018, and most recently in September 2018. To date, OCPO has not proposed a timely and complete management decision. On September 26, 2018, OIG notified OCPO that it would refer the recommendation to the Deputy Secretary for resolution. (Evaluation Report: **2015-OE-0004**)

DEPARTMENTWIDE APPROACH NEEDED TO ADDRESS HUD CONTRACTOR EMPLOYEE SECURITY RISKS, ISSUE DATE: MARCH 30, 2016

HUD OIG evaluated security policies and operations for contractor employees performed primarily by HUD's Office of the Chief Human Capital Officer. OIG reviewed progress HUD had made in addressing previously identified background investigation issues. The Personnel Security Division had reduced the backlog of suitability adjudication cases, but on average it took about four times longer than the Office of Personnel Management standard of 90 days to complete a case, resulting in several hundred contractor employees working at HUD without a final suitability determination. The Personnel Security Division had not issued comprehensive policies and procedures or implemented an automated case management system. Administrative and program offices within HUD that were responsible for personnel, physical, and information security did not collaborate effectively at the policy-making level. During the evaluation, the Office of Administration established a security council to identify and address cross-HUD security issues. OIG identified successful practices of other Federal agencies that would address HUD's contractor employee security risks and made recommendations to improve the timeliness and reliability of security processes.

OIG made nine recommendations, one of which remains open. HUD did not comment on the recommendations in the response to the draft report. Rather, HUD provided additional information on process improvements in or actions it planned to initiate. HUD has not provided a necessary estimated completion date for final action.

The open recommendation requires the Personnel Security Division to develop a comprehensive policy and clear guidance for all HUD personnel with roles and responsibilities related to contractor employee security. HUD has drafted a handbook for this purpose, but its ability to release the handbook is contingent upon resolving a bargaining unit bargaining obligation. HUD officials told OIG that they could not estimate when the bargaining unit bargaining obligation would be resolved or when the handbook would be released to close the recommendation. (Evaluation Report: **2015-OE-0008**)

HUD WEB APPLICATION SECURITY EVALUATION, ISSUE DATE: JUNE 6, 2017

HUD OIG completed a targeted web application security evaluation of HUD in support of a Counsel of the Inspectors General on Integrity and Efficiency Federal cross-cutting project, making nine recommendations for improvement to HUD. OIG assessed HUD's capability to identify and mitigate critical IT vulnerabilities in HUD's publicly accessible web applications. OIG identified key deficiencies in HUD's practices that put HUD's extensive collection of sensitive data, including personal information of private citizens, at increased risk of unauthorized access and compromise. Of particular concern was the discovery of multiple operating web applications unknown to OCIO.

To date, HUD has not provided management decisions for the nine recommendations or a required estimated completion date of final action. On June 2, 2017, HUD concurred with all recommendations and agreed to work with OIG to assign responsibility and complete resolution. The nine recommendations required multiple entities within HUD to develop resolution milestones, which were hindered due to key leadership changes and vacancies. (Evaluation Report: **2016-OE-0002**)

OPPORTUNITIES FOR IMPROVEMENT WITHIN CPD'S RISK MANAGEMENT PROCESS FOR HURRICANE SANDY GRANTS

HUD OIG evaluated the risk analysis process for Hurricane Sandy grants performed by HUD CPD. CPD uses a risk analysis process to rank grantees that pose the greatest risk to the integrity of its programs. According to CPD, the risk analysis results guide how the monitoring phase of the risk management process is conducted. After CPD management certifies the risk analysis results, management develops a monitoring strategy. By monitoring grantees, CPD aims to ensure that a grantee performs and delivers on the terms of the grant while reducing the possibility of fraud, waste, and mismanagement.

OIG observed that (1) CPD's risk analysis worksheet did not consider risk related to performance outputs, (2) the risk analysis did not consider the likelihood of risk events occurring, (3) there was no clear correlation between the risk analysis and monitoring, (4) CPD made limited use of data analytics in its risk management process, and (5) CPD staff was not trained to conduct a risk analysis.

OIG made five recommendations, three of which remain open. CPD's Office of Field Management disagrees with two of these recommendations. OIG has attempted to meet and discuss the recommendations with the director of that office but has not been successful. OIG will elevate these recommendations to the next senior official for resolution. The Disaster Response and Special Issues Division concurred with the remaining recommendations and has closed one recommendation but has not provided an estimated completion date for the final action on the remaining open recommendation. (Evaluation Report: **2016-OE-0004S**)

SIGNIFICANTLY REVISED MANAGEMENT DECISIONS

Section 5(a)(11) of the Inspector General Act, as amended, requires that OIG report information concerning the reasons for any significantly revised management decisions made during the reporting period. During the current reporting period, there were 10 significantly revised management decisions.

HUD'S FISCAL YEARS 2016 AND 2015 (RESTATED) CONSOLIDATED FINANCIAL STATEMENTS AUDIT (REISSUED), ISSUE DATE: MARCH 1, 2017

ADDITIONAL DETAILS TO SUPPLEMENT OUR FISCAL YEARS 2016 AND 2015 (RESTATED) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FINANCIAL STATEMENT AUDIT, ISSUE DATE: NOVEMBER 15, 2016

In OIG's fiscal years 2016 and 2015 consolidated financial statement audit, OIG reported on weaknesses in HUD's internal controls over financial reporting. OIG has reported on these weaknesses for the last 3 years and has issued several recommendations to the CFO or Deputy CFO on the matter. Specifically, OIG made recommendations for OCFO to (1) improve its existing processes and related internal controls, (2) provide adequate training and resources to the individuals who execute the financial reporting process, and (3) develop standard operating procedures for its financial reporting process outlining roles and responsibilities. While HUD had provided corrective action plans for the prior-year recommendations, it did not immediately implement them, causing some of them to become invalid due to changes in processes or technology. During fiscal year 2018, OCFO began an initiative to implement corrective actions in a timely manner that would immediately address this repeat finding. In that effort, OCFO worked to develop a single corrective action that would address all of the prior-year recommendations that were outstanding as they related to the new processes and systems that had been or were being implemented during the current fiscal year. Revised management decisions were developed for several prior-year recommendations to reflect the new corrective action that was being implemented and tracked under the most

recent financial statement audit report and recommendations, 2018-FO-0004, issued on November 15, 2017.¹³ Because the corrective action is being tracked under the most current audit report and several of the prior-year recommendations were no longer suitable due to changes in HUD's financial reporting process, OIG agreed with these revised management decisions and with the closure of the prior-year recommendations. (Audit Reports: **2017-FO-0005** and **2017-FO-0003**)

THE HOUSING AUTHORITY OF THE CITY OF ROCK ISLAND, ROCK ISLAND, IL, DID NOT ALWAYS COMPLY WITH HUD'S REQUIREMENTS REGARDING THE ADMINISTRATION OF ITS HOUSING CHOICE VOUCHER PROGRAM, ISSUE DATE: SEPTEMBER 28, 2016

HUD OIG audited the Housing Authority of the City of Rock Island, IL's Housing Choice Voucher Program. OIG found that the Authority did not always administer its program in accordance with HUD's requirements. Specifically, it did not comply with HUD's conflict-of-interest requirements when it did not obtain the services of an independent third party to perform housing quality standards inspections and rent reasonableness determinations for units it substantially controlled. As a result, the Authority inappropriately (1) paid nearly \$454,000 in housing assistance to the entities and (2) earned nearly \$44,000 in administrative fees. Further, HUD lacked assurance that the Authority acted in the best interests of its program households. In addition, the Authority did not appropriately manage its Family Self-Sufficiency program when it did not ensure that (1) required documentation to determine participants' admission to and continued participation in the program was obtained and maintained and (2) program participants were connected to resources and supportive services. It also did not ensure that participants' (1) escrow accounts were correctly calculated and recorded and (2) escrow account disbursements were fully supported. As a result, HUD and the Authority lacked assurance that (1) program participants benefited from the program or had made progress toward self-sufficiency and (2) more than \$141,000 in program funds was used appropriately.

OIG recommended that HUD require the Authority to (1) reimburse its program more than \$507,000 from non-Federal funds for the ineligible housing assistance paid to the entities and the inappropriate escrow disbursements, (2) support or reimburse its program more than \$130,000 from non-Federal funds for the unsupported coordinator grant funds and escrow payments, (3) transfer more than \$2,100 to or from its program account for the underfunded and overfunded escrows, and (4) implement adequate procedures and controls to address the findings cited.

HUD's original management decisions, dated December 22, 2016, agreed with the recommendations. On July 23, 2018, HUD submitted a revised management decision, stating that HUD intends to seek forgiveness for nearly \$454,000 of the questioned costs and enter into a repayment agreement with the Authority for the remaining more than \$44,000. On July 25, 2018, OIG concurred with the revised management decision. (Audit Report: **2016-CH-1007**)

¹³ Additional Details To Supplement Our Fiscal Years 2017 and 2016 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit, issued November 15, 2017

THE GOSHEN HOUSING AUTHORITY, GOSHEN, IN, FAILED TO FOLLOW HUD'S AND ITS OWN REQUIREMENTS REGARDING THE ADMINISTRATION OF ITS PROGRAM, ISSUE DATE: AUGUST 14, 2014

HUD OIG audited the Goshen Housing Authority's Section 8 program. OIG found that the Authority did not always administer its Section 8 program in accordance with HUD's and its own requirements. Specifically, the Authority did not correctly calculate and maintain its net restricted assets. It also failed to maintain accurate books of record to support the appropriateness of credit card expenditures and employee loans. Further, the Authority did not properly manage its operating bank account. As a result, HUD and the Authority lacked assurance that program funds were (1) available to provide assistance to eligible families and (2) used appropriately. In addition, the Authority failed to ensure that 46 program units, including 19 that materially failed, complied with HUD's housing quality standards and its program administration plan. As a result, the Authority's households were subjected to health- and safety-related violations, and the Authority did not properly use its program funds. Further, the Authority did not always (1) correctly calculate housing assistance payments, (2) apply the appropriate payment standards, (3) maintain required eligibility documentation, and (4) ensure that assisted units were affordable. As a result, HUD lacked assurance that the Authority used its program funds appropriately.

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

HUD's original management decisions, dated October 30, 2014, agreed with the recommendations. On August 23, 2018, HUD submitted a revised management decision, stating that the Authority has transferred its program to another PHA and the staff and board of the Authority no longer exist. The City intends to terminate the Authority, in accordance with State law. Therefore, the field office intends to pursue forgiveness of the questioned costs identified in the audit report, once the Authority's termination is complete. On August 23, 2018, OIG concurred with the revised management decision. (Audit Report: **2014-CH-1006**)

THE HAMTRAMCK HOUSING COMMISSION, HAMTRAMCK, MI, DID NOT ALWAYS ADMINISTER ITS GRANT IN ACCORDANCE WITH THE RECOVERY ACT, HUD'S, OR ITS OWN REQUIREMENTS, ISSUE DATE: APRIL 30, 2014

HUD OIG audited the Hamtramck Housing Commission's American Recovery and Reinvestment Act of 2009 grant. The Commission did not comply with the Recovery Act, HUD's, or its own requirements. Specifically, it (1) improperly awarded a noncompetitive Recovery Act-funded contract, (2) lacked support for the reasonableness of the price paid for its Recovery Act-funded activities, and (3) used Recovery Act funds to pay for work activities that were not included in its approved annual or 5-year action plan. As a result, the Commission subverted full and open competition, and both HUD and the Commission lacked assurance that more than \$1.1 million in Recovery Act competitive grant funds was used appropriately. Further, the Commission did not (1) support that the upgrades to its electrical utilities resulted in purported energy savings; (2) issue payments to its contractor in accordance with HUD's requirements; (3) ensure that its contractors complied with the buy American, Section 3, and Davis-Bacon Act requirements of the Recovery Act; and (4) file the required declaration of trust. It also did not accurately report its Recovery Act grant activities in FederalReporting.gov. As a result, HUD and the Commission lacked assurance that its Recovery Act competitive grant was administered in accordance with HUD's requirements.

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

HUD's original management decisions, dated August 8, 2014, agreed with the recommendations. On September 7, 2018, HUD submitted a revised management decision, stating that it intends to seek forgiveness for the questioned costs. On September 12, 2018, OIG concurred with the revised management decision. (Audit Report: **2014-CH-1003**)

THE HAMTRAMCK HOUSING COMMISSION, HAMTRAMCK, MI, DID NOT ADMINISTER ITS GRANT IN ACCORDANCE WITH THE RECOVERY ACT, HUD'S, AND ITS OWN REQUIREMENTS, ISSUE DATE: SEPTEMBER 30, 2013

HUD OIG audited the Hamtramck Housing Commission's Recovery Act grant. OIG found that the Commission did not administer its grant in accordance with the Recovery Act, HUD's, and its own requirements. While the Commission generally obligated and spent its Recovery Act funds in accordance with Recovery Act rules and regulations, it did not maintain adequate procurement documentation or ensure that it paid reasonable prices for Recovery Act-funded construction projects. It also failed to perform adequate independent cost estimates or prepare cost analyses of contract modifications. As a result, HUD and the Commission lacked assurance that Recovery Act grant funds were used appropriately. The Commission also did not ensure that (1) its contractors paid their employees the appropriate Federal labor standard wage rates as required by the Davis-Bacon Act, (2) eligible Section 3 participants were provided opportunities to become employed or receive employment training, and (3) it accurately reported in FederalReporting.gov the number of jobs created and retained. As a result, HUD and the Commission lacked assurance that (1) contractors' employees were paid the appropriate labor wage rate in accordance with the Davis-Bacon Act, (2) opportunities to become employed or receive employment training were provided to eligible Section 3 participants, and (3) the public had access to accurate information regarding the number of jobs created and retained with formula grant funds, and the Commission's use of formula grant funds was not transparent.

OIG recommended that HUD require the Commission to (1) provide documentation or reimburse more than \$230,000 from non-Federal funds to HUD, (2) provide support for 11 apprentices or pursue collections from applicable contractors to reimburse the appropriate employees more than \$14,000 from non-Federal funds, and (3) implement adequate procedures and controls to address the findings cited.

HUD's original management decisions, dated January 12, 2015, agreed with the recommendations. On September 7, 2018, HUD submitted a revised management decision, stating that it intends to seek forgiveness for the questioned costs. On September 12, 2018, OIG concurred with the revised management decision. (Audit Report: **2013-CH-1012**)

THE FLINT HOUSING COMMISSION, FLINT, MI, DID NOT ALWAYS ADMINISTER ITS GRANT IN ACCORDANCE WITH RECOVERY ACT, HUD'S, AND ITS OWN REQUIREMENTS, ISSUE DATE: SEPTEMBER 27, 2013

HUD OIG audited the Flint Housing Commission's Recovery Act grant. The Commission did not always comply with the Recovery Act, HUD's, and its own procurement requirements. Specifically, it did not adequately support

the cost reasonableness of its architectural services' contracts and Recovery Act-funded projects. As a result, HUD and the Commission lacked assurance that more than \$960,000 in Recovery Act formula grant funds was used appropriately. Also, the Commission did not always follow HUD's and its own contract management requirements for its Recovery Act Public Housing Capital Fund formula grant. Specifically, it did not (1) issue payments to its contractor in accordance with HUD's requirements for one project, (2) adequately manage its force account labor unit renovations project, and (3) ensure that its own employees were paid the appropriate Federal labor standard wage rates as required by the Davis-Bacon Act. As a result, HUD and the Commission lacked assurance that Recovery Act formula grant funds were used appropriately. Further, the Commission underpaid employees nearly \$22,000. OIG recommended that HUD require the Commission to (1) reimburse HUD more than \$3 million in grant funds for the inadequate procedures used in the procurement process and (2) implement adequate procedures and controls to ensure that contracts are awarded and managed in accordance with HUD's requirements and its own procurement policy.

OIG recommended that HUD require the Commission to (1) provide sufficient documentation or reimburse HUD more than \$960,000 for the unsupported cost estimates, wages, and materials and supplies and (2) reimburse its employees nearly \$22,000 for Federal labor standard wage rates not paid.

HUD's original management decisions, dated January 14, 2014, agreed with the recommendations. On September 7, 2018, HUD submitted a revised management decision, stating that HUD intends to seek forgiveness for the questioned costs. On September 12, 2018, OIG concurred with the revised management decision. (Audit Report: **2013-CH-1009**)

HUD DID NOT HAVE EFFECTIVE CONTROLS TO ENSURE THAT LENDERS REPORTED DEFAULTS ACCURATELY AND IN A TIMELY MANNER, ISSUE DATE: SEPTEMBER 10, 2013

HUD OIG audited HUD's Office of Single Family Housing to determine whether it had effective controls in place to ensure that lenders reported default information on FHA-insured loans accurately and in a timely manner. Lenders report default information to HUD's Single Family Default Monitoring System. This system collects and tracks the key significant events that occur during a default episode.

OIG determined that HUD did not have effective controls to ensure that lenders reported default information accurately and in a timely manner. HUD's controls included only minimal system error codes; basic monitoring of error code rates, nonreporting, and underreporting; and lender servicing reviews examining a sample of default information at selected lenders. HUD also did not have an adequate penalty process to deter future issues. As a result, the default data were not always accurate and timely.

OIG recommended that HUD develop and implement a data management policy, resume reviews of Default Monitoring System reporting, and implement a progressive penalty process for pursuing administrative action against lenders that fail to report, underreport, and submit inaccurate or unsupported data. HUD agreed with these recommendations and completed the corresponding actions in July 2014 and July 2015.

OIG also recommended that HUD implement additional system error checks to identify potential reporting issues. In its original management decision, HUD agreed to modify its Single Family Default Monitoring System to create additional system error checks, subject to budgetary constraints. On August 10, 2018, HUD submitted a revised management decision, stating that due to funding restraints, it had not been able to enhance the system. Instead, HUD plans to implement its 4-year roadmap plan, which includes retiring the Single Family Default Monitoring

System and replacing it with a more modern and robust system. HUD plans to submit a business case for the roadmap through the fiscal year 2020 budget process.

On August 16, 2018, OIG agreed with the revised significant management decision. (Audit report: **2013-KC-0003**)

THE FLINT HOUSING COMMISSION, FLINT, MI, DID NOT ALWAYS ADMINISTER ITS GRANTS IN ACCORDANCE WITH RECOVERY ACT, HUD'S, AND ITS OWN REQUIREMENTS, ISSUE DATE: SEPTEMBER 27, 2012

HUD OIG audited the Flint Housing Commission's Recovery Act grants. OIG found that the Commission generally complied with the requirements of the Davis-Bacon Act for all four of its Recovery Act competitive grants. However, it failed to follow HUD's and its own procurement requirements for its Recovery Act competitive grants. Specifically, it did not (1) provide an adequate rationale for using a noncompetitive procurement method for its Recovery Act contracts, (2) prepare an independent cost estimate or analysis before the solicitation of offers, and (3) obtain approval from HUD and its board before revising its plan for use of the funds. Additionally, the Commission did not (1) issue payments to its contractor in accordance with HUD's requirements and (2) ensure that its contractor included Section 3 clauses in contracts for work funded by the Recovery Act grants. As a result, the Commission hindered full and open competition, and HUD and the Commission lacked assurance that more than \$3.1 million in Recovery Act competitive grant funds was used appropriately.

OIG recommended that HUD require the Commission to (1) reimburse HUD more than \$3 million in grant funds for the inadequate procedures used in the procurement process and (2) implement adequate procedures and controls to ensure that contracts are awarded and managed in accordance with HUD's requirements and its own procurement policy.

HUD's original management decisions, dated January 24, 2013, agreed with the recommendations. On September 7, 2018, HUD submitted a revised management decision, stating that HUD intends to seek forgiveness for more than \$2.7 million of the questioned costs and enter into a repayment agreement with the Commission for the remaining \$355,007. On September 12, 2018, OIG concurred with the revised management decision. (Audit Report: **2012-CH-1013**)

PROSPECT MORTGAGE, LLC, SHERMAN OAKS, CA, DID NOT ALWAYS COMPLY WITH FEDERAL HOUSING ADMINISTRATION UNDERWRITING AND QUALITY CONTROL REQUIREMENTS, ISSUE DATE: JULY 8, 2011

HUD OIG audited FHA-insured loans underwritten by Prospect Mortgage, LLC, to assess whether Prospect complied with HUD's requirements for (1) origination and underwriting relative to cash assets, income, and creditworthiness; (2) quality controls; and (3) branch office operations. OIG reported \$550,257 in questioned costs and nearly \$1.7 million in funds to be put to better use for putting FHA's insurance fund at risk due to Prospect's failure to ensure that it implemented and complied with HUD's underwriting and quality control requirements for the underwriting of 25 of the 33 loans reviewed. Specifically, the 25 loans questioned contained deficiencies that affected the insurability of the loans, including improper documentation or assessment of borrowers' credit, income, debts, cash assets, and compensating factors. OIG also questioned Prospect's lack of quality controls over its underwriting process for a specific group of defaulted loans approved by high-default-rate underwriters at two of its branch offices. Specifically, the audit identified that the improper quality controls further placed the FHA insurance

fund at risk for losses on additional defaulted loans with mortgages of more than \$26.1 million. The audit attributed the quality control deficiencies to a failure by Prospect management to ensure that it implemented and documented quality control practices that complied with HUD's requirements.

OIG initially recommended and the Acting Deputy Assistant Secretary for Single Family Housing agreed to assess more than \$2.244 million (recommendations 1A, 1B, 1C, and 1D) questioned by the audit to require Prospect to (1) reimburse HUD \$344,326 for the actual loss sustained on 5 claim-terminated loans that were sold; (2) reimburse HUD for potential losses estimated to be \$202,655 on 3 claim-terminated loans that were not resold; (3) indemnify HUD against potential losses totaling nearly \$1.7 million on 17 defaulted loans; and (4) pay down the principal balance by \$3,276 on 4 overinsured loans, reimbursing HUD for any claims paid on these 4 loans. These recommendations were in addition to other recommendations to conduct full underwriting reviews of remaining terminated and defaulted loans, refer Prospect to the Mortgagee Review Board for not complying with HUD's requirements, and pursue civil and administrative action against Prospect.

After reaching management decisions in which HUD agreed to require repayment of more than \$2.244 million by Prospect, HUD has determined that a settlement agreement, dated June 30, 2017, between the U.S. Department of Justice on behalf of HUD and Prospect in the amount of \$4.157 million, which resulted from a separate review, was sufficient to not seek additional remedy from Prospect. As a result, Single Family revised its management decision to not seek additional remedy. Further, Single Family stated that it became aware as of April 1, 2018, that Prospect has not recertified or does it intend to recertify and remain as an active FHA lender. On April 26, 2018, OIG agreed with the revised management decisions. (Audit Report: **2011-AT-1011**)

SIGNIFICANT MANAGEMENT DECISION WITH WHICH OIG DISAGREES

During the reporting period, OIG did not disagree with any significant management decision.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT OF 1996

Section 804 of FFMIA requires OIG to report in its Semiannual Reports to Congress instances and reasons when an agency has not met the intermediate target dates established in its remediation plans required by FFMIA. Section 803(a) of FFMIA requires that each agency establish and maintain financial management systems that comply with (1) Federal financial management system requirements, (2) Federal accounting standards, and (3) the USSGL at the transaction level.

During fiscal year 2018, HUD made progress addressing a multitude of material weaknesses from OIG's fiscal year (FY) 2017 and prior financial statement audits. However, OIG noted continued noncompliance with the three section 803(a) elements of FFMIA within HUD's financial management system. HUD's continued noncompliance is due to a high volume of material weaknesses related to (1) ineffective internal controls over financial reporting, (2) multiple instances of noncompliance with GAAP, (3) information processing and the completeness and accuracy of data between the HUD OCFO environment and the ARC-FSSP environment (that is, through NCIS), and (4) longstanding issues related to legacy component and program office system weaknesses that remain unresolved.

In FY 2017, HUD took the important step of restarting FFMIA system compliance reviews and continued performing these reviews in FY 2018. However, HUD still needs to address weaknesses related to its IT governance and project management practices to remediate system noncompliance with FFMIA.

OIG noted a number of instances in which HUD has not met the intermediate target dates established in its prior-year remediation plans to address FFMIA noncompliance. HUD has struggled for more than a decade to modernize

outdated legacy financial systems. While HUD expected its FY 2016 transition to an FSSP to remediate multiple instances of FFMIA noncompliance, significant financial management and IT governance weaknesses prevented planned gains. Specifically, changes to the New Core project's scope kept remediation plans that relied on the retirement of legacy financial systems that are unable to meet current needs from being implemented. Additionally, the modified New Core Project scope delayed delivery of a longstanding need to establish a departmental managerial cost accounting capability.

As of September 30, 2018, OIG noted continuing FFMIA noncompliance within HUD's Ginnie Mae component. Ginnie Mae's continued noncompliance was due primarily to unremediated material weaknesses in internal control over financial reporting and its inability to properly account for its defaulted issuer loan portfolio. While Ginnie Mae had planned to implement a loan-level accounting system in FY 2018, delays have pushed the implementation into FY 2019.

In addition to the noncompliance at Ginnie Mae, HUD's CPD program office has been unable to address grant accounting system and process weaknesses in the timeframe initially planned. Specifically, significant issues within two CPD grant accounting systems have not been remediated in planned timeframes. CPD's decision to not adopt compliant grant accounting and related controls within the IDIS application retrospectively continues the longstanding noncompliance with Federal system requirements, GAAP, and the USSGL. CPD also missed remediation target dates established to address FY 2017 FFMIA noncompliance related to disaster grant accounting processes and the Disaster Recovery Grants Reporting system application because management underestimated and overlooked significant system and process weaknesses. As a result, CPD was unable to prevent or detect invalid disaster grant activity and substantial noncompliance with laws and regulations identified by FY 2018 OIG program audits of CPD disaster grants.

CHAPTER 9 – WHISTLEBLOWER OMBUDSMAN

Whistleblowers play a critical role in keeping our government programs honest, efficient, and accountable. The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), continues to ensure that HUD and HUD OIG employees are aware of their rights to disclose misconduct, waste, or abuse in HUD programs without reprisal and to assist HUD and HUD OIG employees in seeking redress when employees believe that they have been subject to retaliation for whistleblowing. HUD OIG also investigates complaints of whistleblower retaliation by government contractors and grantees.

HUD OIG's Whistleblower Protection Coordinator Program works with HUD and HUD OIG employees to provide information on

- employee options for disclosing misconduct, waste, or abuse in HUD programs;
- statutory protections for Federal employees who make such disclosures; and
- how to file a complaint under the Whistleblower Protection Act when an employee believes he or she has been retaliated against for making protected disclosures.

The HUD OIG Whistleblower Protection Coordinator Program continued its focus on staff training and individual assistance. The mandatory whistleblower training is presented in conjunction with the OIG annual ethics training. The 2018 training was presented on September 11, 2018. It was presented live and will be posted on HUD OIG's website for employees who could not attend in person. In addition, in October 2018, the Acting Inspector General will issue a written notice to all OIG employees, which provides information about prohibited personnel practices, avenues for making whistleblower disclosures, and employees' rights to file complaints if they are subject to retaliation.

In October 2017, Congress enacted the Dr. Chris Kirkpatrick Whistleblower Protection Act of 2017, which contains new training and performance standards for supervisors regarding the handling of whistleblowers. HUD OIG is participating with the Inspector General community to develop consistent, new training and supervisor requirements in conjunction with the Office of Special Counsel and the Office of Personnel Management. HUD OIG plans to have the new elements and training in place in fiscal year 2019.

The Whistleblower Protection Coordinator meets with HUD employees individually, upon request. Generally, HUD OIG will refer HUD employees with whistleblower retaliation complaints to the Office of Special Counsel (OSC). HUD OIG does not track these matters unless OSC requests HUD OIG assistance in investigating a complaint. During this semiannual period, HUD OIG did not substantiate any whistleblower retaliation complaints against HUD employees.

HUD OIG received a number of complaints filed under 41 U.S.C. (United States Code) Section 4712. In December 2016, Congress passed the Enhancement of Whistleblower Protection Act. It made the whistleblower protections under 41 U.S.C. 4712 permanent. Section 4712 extends whistleblower protection to employees of Federal contractors, subcontractors, grantees, and subgrantees. If the employee of a HUD grantee or contractor believes he or she has been retaliated against for whistleblowing, he or she may file a complaint with OIG, and OIG will investigate the complaint and provide findings of fact to HUD. OIG is required to complete its investigation within 180 days, unless the complainant agrees to an extension. The chart below provides further information on those complaints.

Number of complainants asserting whistleblower status¹⁴	10 (6 referred to hotline)
Complaints referred for investigation to the HUD OIG Office of Investigation (OI)	4
Complaint investigations opened by OI	2
Complaints declined by OI	2
Complaints currently under review by OI	1
Employee complaint investigations closed by OI	1

¹⁴ Not all complainants are found to be whistleblowers under Section 4712. For example, many complainants raise questions regarding treatment by public housing agencies following their alleged disclosures of wrongdoing by the same housing agency. They claim to be whistleblowers, but they are not employees of the grantee. These complaints are referred to OIG's hotline for appropriate referral and disposition.

APPENDIX 1 – PEER REVIEW REPORTING

BACKGROUND

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

OFFICE OF AUDIT

PEER REVIEW CONDUCTED ON HUD OIG BY DOT 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 the U.S. Department of Transportation (DOT) OIG on September 28, 2018. There were no recommendations included in the System Review Report. The report stated:

In our opinion, the system of quality control for the audit organization of the HUD OIG in effect for the year ended March 31, 2018, 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. 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 OIG

HUD OIG conducted an external peer review of the U.S. Department of Defense (DoD) OIG, Office of Audit, and issued a final report September 27, 2018. DoD OIG received a peer review rating of pass. A copy of the external quality control review report can be viewed at <https://media.defense.gov/2018/Oct/05/2002048826/-/1/1/TRANSMITTAL%20MEMO%20AND%20SYSTEM%20REVIEW%20REPORT.PDF>.

OFFICE OF INVESTIGATION

PEER REVIEW CONDUCTED ON HUD OIG BY DHS OIG

The U.S. Department of Homeland Security (DHS) OIG conducted a peer review of the HUD OIG, Office of Investigation, and issued a final report on July 3, 2017. DHS OIG determined that HUD OIG was in compliance with the quality standards established by the Council of the Inspectors General on Integrity and Efficiency and the Attorney General's guidelines.

PEER REVIEW CONDUCTED BY HUD OIG ON USDA OIG

HUD OIG conducted an external peer review of the U.S. Department of Agriculture (USDA) OIG, Office of Investigation, and issued a final report on October 4, 2016. HUD OIG determined that USDA OIG was in compliance with the quality standards established by the Council of the Inspectors General on Integrity and Efficiency

APPENDIX 2 – AUDIT REPORTS ISSUED

Internal Reports

AUDIT REPORTS	
CHIEF FINANCIAL OFFICER	
2018-FO-0006	HUD Did Not Comply With the Improper Payments Elimination and Recovery Act of 2010, 05/15/2018.
2018-KC-0002	HUD's Office of the Chief Financial Officer Did Not Locate or Recover Its Funds Held by State Unclaimed Property Administrators, 08/07/2018. Questioned: \$1,946,286. Unsupported: \$1,946,286. Better use: \$2,156,191.
2018-KC-0005	HUD's Travel Cards Were Used for Unauthorized, Unsupported, or Ineligible Purchases in at Least 950 Instances Totaling More Than \$95,000, 09/27/2018. Questioned: \$11,173. Unsupported: \$5,780.
COMMUNITY PLANNING AND DEVELOPMENT	
2018-AT-0001	HUD's Oversight of the Use of Community Development Block Grant (CDBG) Funds To Repay Section 108 Loans Was Adequate, 09/26/2018.
2018-FW-0001	CPD's Risk Assessment and Monitoring Program Did Not Provide Effective Oversight of Federal Funds, 06/26/2018. Better use: \$907,982,874.
2018-FW-0002	HUD's Office of Block Grant Assistance Had Not Codified the Community Development Block Grant Disaster Recovery Program, 07/23/2018.
2018-LA-0003	HUD's Technical Assistance Award Selection and Assignment Process for Continuum of Care and Homeless Programs Was Conducted in an Appropriate Manner, 08/07/2018.
2018-LA-0006	Improvements Are Needed for HUD's Code Enforcement Program, 09/25/2018.
2018-PH-0003	HUD Did Not Have Adequate Oversight of Its Community Compass Technical Assistance and Capacity Building Program, 09/28/2018. Questioned: \$858,881. Unsupported: \$845,497. Better use: \$20,536,475.
HOUSING	
2018-BO-0001	HUD's Office of Residential Care Facilities Did Not Always Have and Use Financial Information to Adequately Assess and Monitor Nursing Homes, 09/17/2018. Questioned: \$16,817,262. Unsupported: \$8,974,000. Better use: \$85,918,357.
2018-KC-0003	HUD's DASP Note Sales Generally Resulted in Lower Loss Rates Than Conveyance Claims, 09/06/2018.
2018-KC-0004	HUD Did Not Always Identify and Collect Partial Claims Out of Surplus Foreclosure Proceeds, 09/20/2018. Questioned: \$5,690,000. Better use: \$6,770,000.
2018-LA-0005	HUD Did Not Have Adequate Controls To Ensure That Partial Claim Notes for FHA Loans Were Properly Tracked for Future Collection, 09/21/2018. Questioned: \$644,767. Unsupported: \$644,767. Better use: \$5,376,761.

2018-LA-0007	HUD Paid an Estimated \$413 Million for Unnecessary Preforeclosure Claim Interest and Other Costs Due to Lender Servicing Delays, 09/27/2018. Better use: \$413,513,975.
2018-NY-0001	HUD Did Not Adequately Administer Its Housing Counseling Program, 09/24/2018. Questioned: \$1,310,719. Unsupported: \$1,310,719.
2018-PH-0001	HUD's Office of Healthcare Programs Generally Approved Section 232 FHA-Insured Loans in Accordance With HUD Requirements, 08/10/2018.
PUBLIC AND INDIAN HOUSING	
2018-CH-0002	HUD Lacked Adequate Oversight of Lead-Based Paint Reporting and Remediation in Its Public Housing and Housing Choice Voucher Programs, 06/14/2018.
2018-FW-0003	REAC Could Improve Its Inspections Processes and Controls, 08/31/2018.
2018-LA-0002	HUD Did Not Have Adequate Controls To Ensure That Grantees Submitted Accurate Tribal Enrollment Numbers for Program Funding, 05/07/2018.
2018-LA-0004	HUD Did Not Always Ensure That Grantees Maintained the Required Depository Agreements for Investing Program Funds, 08/13/2018.
2018-PH-0002	HUD Did Not Provide Adequate Oversight of Its Family Self-Sufficiency Program, 09/10/2018. Questioned: \$7,780,970. Unsupported: \$7,779,450.
AUDIT-RELATED MEMORANDUMS ¹⁵	
CHIEF FINANCIAL OFFICER	
2018-FW-0802	Interim Report - Potential Antideficiency Act and Generally Accepted Accounting Principle Violations Occurred With Disaster Relief Appropriation Act, 2013, Funds, 05/15/2018. Questioned: \$1,092,537,217. Unsupported: \$1,092,537,217.
2018-NY-0801	Risk Assessment of HUD's Grant Closeout Process, 09/27/2018.
HOUSING	
2018-CF-0802	HUD Failed To Enforce the Terms of a Settlement Agreement With Fifth Third Bank Because It Did Not Record Indemnified Loans in Its Tracking System, 09/29/2018. Questioned: \$311,699. Better use: \$47,433,895.
PUBLIC AND INDIAN HOUSING	
2018-AT-0801	HUD's Improper Approvals Resulted in Invalid Exemptions and an Ineligible Capital Funds Expenditure for the Lexington-Fayette Urban County Housing Authority, 09/28/2018. Questioned: \$1,424,202. Unsupported: \$1,385,791.
2018-LA-0801	The Office of Native American Programs Section 184 Program Continues To Operate Without Adequate Oversight 3 Years After the Prior OIG Audit, 08/27/2018.

¹⁵ The memorandum format is used to communicate the results of reviews not performed in accordance with generally accepted government auditing standards; to close out assignments with no findings and recommendations; to respond to requests for information; or to report on the results of a survey, attestation engagement, or civil actions or settlements.

External Reports

AUDIT REPORTS	
COMMUNITY PLANNING AND DEVELOPMENT	
2018-AT-1003	The North Carolina Department of Commerce, Raleigh, NC, Generally Administered Its Grant Program in Accordance With HUD Regulations, 04/16/2018.
2018-AT-1005	The City of Margate, FL, Did Not Properly Administer Its Neighborhood Stabilization Program Grants 1 and 3 in Compliance With HUD Regulations, 05/29/2018. Questioned: \$820,490. Unsupported: \$8,919.
2018-AT-1010	The Florida Department of Economic Opportunity, Tallahassee, FL, Should Strengthen Its Capacity To Administer Its Disaster Grants, 09/21/2018.
2018-AT-1011	The City of Hattiesburg, MS, Did Not Always Administer Its HOME Investment Partnerships Program in Accordance With HUD's and Its Own Requirements, 09/28/2018. Questioned: \$474,460. Unsupported: \$441,202. Better use: \$32,019.
2018-BO-1003	The City of Providence, RI, Did Not Properly Administer Its HOME Program, 06/20/2018. Questioned: \$3,350,132. Unsupported: \$1,898,573. Better use: \$1,253,596.
2018-BO-1005	The State of Connecticut Did Not Ensure That Its Grantees Properly Administered Their Housing Rehabilitation Programs, 09/19/2018. Questioned: \$2,974,484. Unsupported: \$1,348,537.
2018-CH-1008	Hamilton County, OH, and People Working Cooperatively, Inc., Did Not Always Comply With HUD's Requirements in the Use of Community Development Block Grant Funds for a Housing Repair Services Program, 09/27/2018. Questioned: \$22,860. Unsupported: \$12,741.
2018-FW-1003	The Texas General Land Office, Austin, TX, Should Strengthen Its Capacity To Administer Its Hurricane Harvey Disaster Grants, 05/07/2018.
2018-FW-1004	The City of Dallas, TX, HOME Investment Partnerships Program Was Not Always Administered in Accordance With Requirements, 05/08/2018. Questioned: \$4,289,848.
2018-FW-1007	The State of Louisiana, Baton Rouge, LA, Did Not Always Maintain Adequate Documentation or Comply With Website Reporting Requirements, 09/28/2018. Questioned: \$515,149. Unsupported: \$515,149.
2018-LA-1004	The City of Moreno Valley, CA, Did Not Administer Its Code Enforcement Program in Accordance With HUD Requirements, 04/27/2018. Questioned: \$797,222. Unsupported: \$797,222.
2018-LA-1005	The City of Modesto, CA, Did Not Use Community Development Block Grant Funds in Accordance With HUD Requirements, 07/03/2018. Questioned: \$1,944,476. Unsupported: \$1,686,739.
2018-LA-1006	The Sacramento Housing and Redevelopment Agency, Sacramento, CA, Did Not Always Use Community Development Block Grant Funds in Accordance With HUD Requirements or Its Own Policies, 07/25/2018. Questioned: \$440,897. Unsupported: \$440,614.
2018-NY-1004	The Lower Manhattan Development Corporation, New York, NY, Generally Administered Its Disaster Recovery-Funded Programs in Accordance With Applicable Requirements, 05/23/2018.

2018-NY-1007	The City of New York, NY, Did Not Always Use Disaster Recovery Funds Under Its Program for Eligible and Supported Costs, 09/27/2018. Questioned: \$597,899. Unsupported: \$596,701. Better use: \$544.
2018-PH-1008	The City of Erie, PA, Did Not Always Administer Its Code Enforcement and Community Policing Activities in Accordance With HUD and Federal Requirements, 09/26/2018. Questioned: \$1,671,838. Unsupported: \$1,671,838. Better use: \$597,801.
HOUSING	
2018-AT-1007	The Pinellas County Housing Authority, Largo, FL, Generally Administered Its Rental Assistance Demonstration Conversion but Did Not Fully Comply With HUD's Rent Reasonableness Determinations After Conversion, 07/13/2018.
2018-BO-1004	The Middlesex Health Care Center, Middletown, CT, Was Not Always Operated According to Its Regulatory Agreement and HUD Requirements, 06/29/2018. Questioned: \$1,168,000.
2018-CH-1005	Towne Mortgage Company, Troy, MI, Generally Implemented Its Loss Mitigation Program in Accordance With HUD's Requirements, 09/18/2018.
2018-CH-1009	The Owner and Management Agent for Rainbow Terrace Apartments, Cleveland, OH, Did Not Always Operate the Project in Accordance With the Regulatory Agreement and HUD's Requirements, 09/28/2018. Questioned: \$2,490,615. Unsupported: \$2,349,417.
2018-DE-1001	Meeker Housing Authority, Meeker, CO, Improperly Used Project Operating Funds for Its 221(d)(3) Multifamily Housing Insurance Program, 09/06/2018. Questioned: \$205,560. Unsupported: \$12,355.
2018-FW-1005	Eastwood Terrace Apartments, Nacogdoches, TX, Multifamily Section 8, Subsidized Questionable Tenants, Overhoused Tenants and Uninspected Units, 08/02/2018. Questioned: \$1,865,344. Unsupported: \$1,865,344.
2018-FW-1006	Louis Manor Apartments, Port Arthur, TX, Multifamily Section 8 Program, Subsidized Unsupported Tenants and Uninspected Units, 08/31/2018. Questioned: \$268,452. Unsupported: \$268,452.
2018-KC-1003	The Lender Generally Underwrote the Second and Delaware Project Loan in Accordance With HUD Rules and Regulations, 09/27/2018.
2018-PH-1004	The Owner of Diamond Park, Philadelphia, PA, Generally Managed Its HUD-Insured Property in Accordance With Applicable Requirements, 05/01/2018.
2018-PH-1006	The Owner of Luther Towers II, Wilmington, DE, Did Not Manage Its HUD-Insured Project in Accordance With Its Regulatory Agreement and HUD Requirements, 09/21/2018. Questioned: \$2,136,849. Unsupported: \$2,136,849. Better use: \$100,000.
LEAD HAZARD CONTROL	
2018-CH-1010	The City of Chicago's Department of Public Health, Chicago, IL, Did Not Administer Its Lead Hazard Reduction Demonstration Grant Program in Accordance With HUD's and Its Own Requirements, 09/30/2018. Questioned: \$634,899. Unsupported: \$512,423. Better use: \$386,182.
2018-KC-1002	The Kansas City, MO, Health Department Did Not Spend Funds in Accordance With HUD Requirements, 04/06/2018. Questioned: \$1,913,347. Unsupported: \$1,894,174.

PUBLIC AND INDIAN HOUSING

2018-AT-1004	The Greensboro Housing Authority, Greensboro, NC, Generally Administered Its Rental Assistance Demonstration Conversion in Accordance With HUD Requirements, 05/10/2018.
2018-AT-1006	The Lexington-Fayette Urban County Housing Authority, Lexington, KY, Did Not Always Comply With HUD's and Its Own Section 8 Housing Choice Voucher Program Requirements, 07/13/2018. Questioned: \$167,667.
2018-AT-1008	The Lexington-Fayette Urban County Housing Authority, Lexington, KY, Did Not Fully Comply With HUD's Program Requirements After the Completion of Its Rental Assistance Demonstration Program Conversion, 07/13/2018. Questioned: \$443,204.
2018-AT-1009	The Pell City Housing Authority, Pell City, AL, Did Not Always Administer Its and the Ragland Housing Authority, Ragland, AL's Funds in Accordance With HUD Requirements, 07/23/2018. Questioned: \$45,747. Unsupported: \$44,454.
2018-CH-1001	The Grand Rapids Housing Commission, Grand Rapids, MI, Did Not Always Correctly Calculate and Pay Housing Assistance for Units Converted Under the Rental Assistance Demonstration, 06/11/2018. Questioned: \$20,591. Unsupported: \$44. Better use: \$3,103.
2018-CH-1002	The Indianapolis Housing Agency, Indianapolis, IN, Did Not Always Comply With HUD's Regulations and Its Own Requirements Regarding the Financial Administration of Its Housing Choice Voucher Program, 08/01/2018. Questioned: \$199,604. Unsupported: \$199,604. Better use: \$1,284.
2018-CH-1003	The Housing Authority of the City of Evansville, Evansville, IN, Did Not Follow HUD's and Its Own Requirements for Units Converted Under the Rental Assistance Demonstration, 08/02/2018. Questioned: \$1,216,170. Unsupported: \$1,216,170.
2018-CH-1004	The Cuyahoga Metropolitan Housing Authority, Cleveland, OH, Generally Administered Its Public Housing Program in Accordance With HUD's and Its Own Requirements, 08/28/2018.
2018-CH-1006	The Columbus Metropolitan Housing Authority, Columbus, OH, Did Not Always Comply With HUD's Requirements Regarding the Administration of Its Public Housing Operating and Capital Fund Programs, 09/18/2018. Questioned: \$21,232,163. Unsupported: \$525,301.
2018-CH-1007	The Housing Authority of the County of Lake, Grayslake, IL, Did Not Always Comply With HUD's and Its Own Requirements Regarding the Administration of Its Housing Choice Voucher Program, 09/25/2018. Questioned: \$650,322. Unsupported: \$587,897. Better use: \$583,227.
2018-KC-1004	The Benkelman Housing Authority, Benkelman, NE, Did Not Follow HUD Rules and Regulations for Public Housing Programs Related to Procurement and Maintenance, Tenant Certifications, Laundry Machine Income, and Expenditures, 09/27/2018. Questioned: \$86,314. Unsupported: \$86,314.
2018-LA-1007	The Housing Authority of the City of Los Angeles, CA, Generally Administered Its Rental Assistance Demonstration in Accordance With HUD Requirements, 08/24/2018.
2018-LA-1008	The Housing Authority of the City of Los Angeles, Los Angeles, CA, Did Not Always Manage Its Legal Services in Compliance With HUD Requirements, 09/27/2018. Questioned: \$793,101. Unsupported: \$793,101.

2018-NY-1005	The Red Bank Housing Authority, Red Bank, NJ, Did Not Always Administer Its Operating and Capital Funds in Accordance With Requirements, 09/26/2018. Questioned: \$622,646. Unsupported: \$622,646.
2018-NY-1006	The Buffalo Municipal Housing Authority, Buffalo, NY, Did Not Administer Its Operating Funds in Accordance With Requirements, 09/26/2018. Questioned: \$1,891,017. Unsupported: \$1,808,110.
2018-NY-1008	The Newark Housing Authority, Newark, NJ, Did Not Ensure That Units Met Housing Quality Standards and That It Accurately Calculated Abatements, 09/28/2018. Questioned: \$116,110.
2018-PH-1005	The Adams County Housing Authority, Gettysburg, PA, Did Not Administer Its Housing Choice Voucher Program According to HUD Requirements, 09/19/2018. Questioned: \$272,837. Unsupported: \$272,558.
2018-PH-1007	The Crisfield Housing Authority, Crisfield, MD, Did Not Properly Administer Its Public Housing Program Operating and Capital Funds, 09/25/2018. Questioned: \$2,090,811. Unsupported: \$1,808,459. Better use: \$63,912.
2018-SE-1001	The Spokane, WA, Housing Authority Did Not Follow Permanent Relocation Requirements for Its RAD Conversion of the Parsons Apartments, 04/24/2018.

AUDIT-RELATED MEMORANDUMS¹⁶

COMMUNITY PLANNING AND DEVELOPMENT

2018-FO-1801	Independent Attestation Review: U.S. Department of Housing and Urban Development, Office of Special Needs Assistance Continuum of Care, Regarding Drug Control Accounting for Fiscal Year 2017, 05/04/2018.
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GENERAL COUNSEL

2018-FO-1802	Final Civil Action: Deloitte & Touche, LLP, Settled Allegations That It Failed To Conduct Taylor, Bean & Whitaker Mortgage Corporation's Audits in Conformance With Generally Accepted Auditing Standards, 08/27/2018. Questioned: \$115,000,000.
2018-FW-1801	Final Civil Action: BSR Trust, LLC, Settled Allegations of Making False Claims Related to Section 8 Housing Assistance Payments, 05/21/2018. Questioned: \$30,000.
2018-FW-1802	Final Civil Action: The Former Executive Director of the Housing Authority of the City of Beeville, TX, Et Al, Settled False Claims Allegations in the Housing Choice Voucher Program, 08/21/2018. Questioned: \$40,000.

¹⁶ The memorandum format is used to communicate the results of reviews not performed in accordance with generally accepted government auditing standards; to close out assignments with no findings and recommendations; to respond to requests for information; or to report on the results of a survey, an attestation engagement, or civil actions or settlements.

APPENDIX 3 – TABLES

TABLE A

AUDIT REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AT 9/30/2018

*Significant audit reports described in previous Semiannual Reports

REPORT NUMBER AND TITLE	REASON FOR LACK OF MANAGEMENT DECISION	ISSUE DATE
* 2014-FO-0003 Additional Details To Supplement Our Report On HUD's Fiscal Years 2013 and 2012 (Restated) Financial Statements	See chapter 8, page 34	12/16/2013
* 2014-FO-0004 HUD's Fiscal Year 2013 Compliance With the Improper Payments Elimination and Recovery Act of 2010	See chapter 8, page 35	04/15/2014
* 2014-LA-0005 HUD Did Not Always Recover FHA Single-Family Indemnification Losses and Ensure That Indemnification Agreements Were Extended	See chapter 8, page 36	08/08/2014
* 2015-FO-0003 Audit of the Government National Mortgage Association's Financial Statements for Fiscal Years 2014 and 2013	See chapter 8, page 37	02/27/2015
* 2016-FO-0001 Audit of Fiscal Years 2015 and 2014 (Restated) Financial Statements	See chapter 8, page 37	11/13/2015
* 2016-FO-0003 Additional Details To Supplement Our Fiscal Years 2015 and 2014 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	See chapter 8, page 38	11/18/2015
* 2016-PH-0001 HUD Did Not Always Provide Adequate Oversight of Property Acquisition and Disposition Activities	See chapter 8, page 39	06/30/2016
* 2016-PH-0005 HUD Did Not Always Provide Accurate and Supported Certifications of State Disaster Grantee Procurement Processes	See chapter 8, page 40	09/29/2016
* 2017-FO-0001 Audit of Fiscal Years 2016 and 2015 (Restated) Financial Statements	See chapter 8, page 41	11/14/2016
* 2017-FO-0003 Additional Details To Supplement Our Fiscal Years 2016 and 2015 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	See chapter 8, page 42	11/15/2016

REPORT NUMBER AND TITLE	REASON FOR LACK OF MANAGEMENT DECISION	ISSUE DATE
* 2017-DP-0001 HUD's Transition to a Federal Shared Service Provider Failed To Meet Expectations	See chapter 8, page 42	02/01/2017
2017-FW-0001 HUD's Office of Community Planning and Development Did Not Appropriately Assess State CDBG Grantees' Risk to the Integrity of CPD Programs or Adequately Monitor Its Grantees	See chapter 8, page 43	07/10/2017
2017-CF-0801 HUD Needs To Clarify Whether Illegal-Undocumented Aliens Are Eligible for Assistance Under the Housing Opportunities for Persons With AIDS Program	See chapter 8, page 44	08/21/2017
* 2017-PH-0002 HUD Did Not Provide Sufficient Guidance and Oversight To Ensure That State Disaster Grantees Followed Proficient Procurement Processes	See chapter 8, page 45	09/22/2017
* 2017-NY-0002 HUD Could Improve Its Controls Over the Disposition of Real Properties Assisted With Community Development Block Grant Funds	See chapter 8, page 46	09/29/2017
* 2018-FO-0004 Additional Details To Supplement Our Fiscal Years 2017 and 2016 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	See chapter 8, page 47	11/15/2017

EVALUATION REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AT 9/30/2018

REPORT NUMBER AND TITLE	REASON FOR LACK OF MANAGEMENT DECISION	ISSUE DATE
2014-OE-0002 Risk-Based Enforcement Could Improve Program Effectiveness	See chapter 8, page 48	02/12/2016
2015-OE-0004 Comprehensive Strategy Needed To Address HUD Acquisition Challenges	See chapter 8, page 48	02/02/2016
2015-OE-0008 Departmentwide Approach Needed To Address HUD Contractor Employee Security Risks	See chapter 8, page 49	03/20/2016
2016-OE-0002 HUD Web Application Security Evaluation	See chapter 8, page 49	06/06/2017

REPORT NUMBER AND TITLE	REASON FOR LACK OF MANAGEMENT DECISION	ISSUE DATE
2016-OE-0004S Opportunities for Improvement Within CPD's Risk Management Process for Hurricane Sandy Grants	See chapter 8, page 50	03/29/2017

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
2005-AT-1013	Corporacion para el Fomento Economico de la Ciudad Capital, San Juan, Puerto Rico, Did Not Administer Its Independent Capital Fund in Accordance with HUD Requirements	09/15/2005	01/11/2006	Note 1
2006-CH-1021	Housing Authority of the County of Cook, Chicago, Illinois, Had Weak Controls over Its Section 8 Housing Choice Voucher Program	09/30/2006	01/26/2007	09/30/2037
2007-AT-1010	The Cathedral Foundation of Jacksonville, FL, Used More Than \$2.65 Million in Project Funds for Questioned Costs	08/14/2007	12/03/2007	Note 1
2009-NY-1012	The City of Rome Did Not Administer Its Economic Development Activity in Accordance With HUD Requirements, Rome, NY	05/20/2009	09/23/2009	01/30/2032
2009-AT-0001	HUD Lacked Adequate Controls to Ensure the Timely Commitment and Expenditure of HOME funds	09/28/2009	03/18/2011	Note 1
2010-AT-1003	The Housing Authority of Whitesburg Mismanaged Its Operations, Whitesburg, KY	04/28/2010	08/26/2010	11/29/2035
2010-CH-1008	The DuPage Housing Authority Inappropriately Administered Its Section 8 Project-Based Voucher Program, Wheaton, IL	06/15/2010	10/08/2010	10/18/2018
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 1
2011-PH-1005	The District of Columbia Did Not Administer Its HOME Program in Accordance With Federal Requirements, Washington, DC	12/23/2010	04/22/2011	Note 1
2011-CH-1006	The DuPage Housing Authority Inappropriately Administered Its Section 8 Housing Choice Voucher Program, Wheaton, IL	03/23/2011	07/28/2011	10/18/2018

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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 1
2011-FW-0002	The Office of Healthcare Programs Could Increase Its Controls To More Effectively Monitor the Section 232 Program	04/26/2011	08/17/2011	08/01/2024
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
2012-NY-1002	The City of New York Charged Questionable Expenditures to Its HPRP, New York, NY	10/18/2011	02/16/2012	Note 1
2012-PH-0001	HUD Needed To Improve Its Use of Its Integrated Disbursement and Information System To Oversee Its CDBG Program	10/31/2011	02/28/2012	Note 1
2012-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	Note 2
2012-AT-1009	The Municipality of Bayamón Did Not Always Ensure Compliance With HOME Investment Partnerships Program Requirements, Bayamon, PR	05/23/2012	09/18/2012	Note 1
2012-PH-1011	Prince George's County Generally Did Not Administer Its HOME Program in Accordance With Federal Requirements, Largo, MD	08/03/2012	11/30/2012	Note 1
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	11/29/2019
2013-PH-1001	Luzerne County Did Not Properly Evaluate, Underwrite, and Monitor a High-Risk Loan, Wilkes-Barre, PA	10/31/2012	01/31/2013	Note 1

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2013-FO-0003	Additional Details To Supplement Our Report on HUD's Fiscal Years 2012 and 2011 Financial Statements	11/15/2012	05/15/2013	Note 1
2013-LA-1003	Bay Vista Methodist Heights Violated Its Agreement With HUD When Administering Its Trust Funds, San Diego, CA	03/14/2013	05/15/2013	Note 1
2013-AT-1003	The Municipality of Arecibo Did Not Always Ensure Compliance With CDBG Program Requirements, Arecibo, PR	03/22/2013	06/14/2013	Note 1
2013-NY-1006	Nassau County Did Not Administer Its HOME Investment Partnerships Program in Accordance With HUD Requirements, Nassau County, NY	05/13/2013	09/06/2013	Note 1
2013-KC-0002	HUD Did Not Enforce the Reporting Requirements of Section 3 of the Housing and Urban Development Act of 1968 for Public Housing Authorities	06/26/2013	10/24/2013	Note 1
2013-LA-1009	The City of Hawthorne Inappropriately Used Nearly \$1.6 Million in HOME Funds for Section 8 Tenants, Hawthorne, CA	09/13/2013	01/06/2014	Note 1
2013-LA-1010	The City of Hawthorne Did Not Administer Its CDBG Program Cost Allocations in Accordance With HUD Rules and Requirements, Hawthorne, CA	09/20/2013	01/06/2014	Note 1
2013-NY-1010	The City of Auburn Did Not Always Administer Its CDBG Program in Accordance With HUD Requirements, Auburn, NY	09/26/2013	01/24/2014	Note 1
2013-CH-1009	The Flint Housing Commission Did Not Always Administer Its Grant in Accordance With Recovery Act, HUD's, and Its Own Requirements, Flint, MI	09/27/2013	01/14/2014	11/29/2019
2013-CH-1011	The Michigan State Housing Development Authority Did Not Follow HUD's Requirements Regarding the Administration of Its Program, Lansing, MI	09/30/2013	01/15/2014	07/31/2029

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2013-CH-1012	The Hamtramck Housing Commission Did Not Administer Its Grant in Accordance With Recovery Act, HUD's, and Its Own Requirements, Hamtramck, MI	09/30/2013	01/21/2014	11/29/2019
2013-DE-1005	The Jefferson County Housing Authority Did Not Properly Use Its Disposition Sales Proceeds, Wheat Ridge, CO	09/30/2013	01/24/2014	02/28/2020
2014-AT-1001	The Municipality of Arecibo Did Not Properly Administer Its HOME Program	12/03/2013	01/24/2014	Note 1
2014-FO-0001	Government National Mortgage Association Fiscal Years 2013 and 2012 Financial Statements Audit	12/06/2013	05/02/2014	Note 1
2014-FO-0003	Additional Details To Supplement Our Report On HUD's Fiscal Years 2013 and 2012 (Restated) Financial Statements	12/16/2013	07/09/2014	Note 3
2014-PH-1001	The City of Norfolk Generally Failed To Justify Its CDBG Activities, Norfolk, VA	12/17/2013	04/16/2014	11/01/2018
2014-AT-1004	The State of Mississippi Did Not Ensure That Its Subrecipient and Appraisers Complied With Requirements, and It Did Not Fully Implement Adequate Procedures for Its Disaster Infrastructure Program, Jackson, MS	12/30/2013	04/15/2014	Note 1
2014-CH-1002	The City of Detroit Lacked Adequate Controls Over Its Neighborhood Stabilization Program-Funded Demolition Activities Under the Housing and Economic Recovery Act of 2008, Detroit, MI	01/06/2014	05/05/2014	Note 1
2014-FW-0001	The Boston Office of Public Housing Did Not Provide Adequate Oversight of Environmental Reviews of Three Housing Agencies, Including Reviews Involving Recovery Act Funds	02/07/2014	03/17/2015	12/31/2018
2014-NY-0001	HUD Did Not Provide Effective Oversight of Section 202 Multifamily Project Refinances	02/19/2014	06/10/2014	Note 1
2014-AT-0001	Violations Increased the Cost of Housing's Administration of Its Bond Refund Program	03/14/2014	07/11/2014	Note 1

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2014-FO-0004	HUD's Fiscal Year 2013 Compliance With the Improper Payments Elimination and Recovery Act of 2010	04/15/2014	01/07/2015	Note 3
2014-CH-1003	The Hamtramck Housing Commission Did Not Always Administer Its Grant in Accordance With Recovery Act, HUD's, or Its Own Requirements, Hamtramck, MI	04/30/2014	08/08/2014	11/29/2019
2014-FW-0002	Improvements Are Needed Over Environmental Reviews of Public Housing and Recovery Act Funds in the Kansas City Office	05/12/2014	03/17/2015	12/31/2018
2014-AT-1005	The City of Huntsville, Community Development Department, Did Not Adequately Account for and Administer the Mirabeau Apartments Project, Huntsville, AL	05/29/2014	09/23/2014	Note 1
2014-LA-0004	HUD Could Not Support the Reasonableness of the Operating and Capital Fund Programs' Fees and Did Not Adequately Monitor Central Office Cost Centers	06/30/2014	10/20/2014	Note 2
2014-KC-0002	The Data in CAIVRS Did Not Agree With the Data in FHA's Default and Claims Systems	07/02/2014	10/27/2014	10/12/2018
2014-NY-1008	Palladia, Inc., Did Not Administer Its Supportive Housing Program in Accordance With HUD Requirements, New York, NY	07/25/2014	11/21/2014	Note 1
2014-AT-1007	The Municipality of Carolina Did Not Properly Administer Its HOME Program, Carolina, PR	08/08/2014	12/05/2014	Note 1
2014-LA-0005	HUD Did Not Always Recover FHA Single-Family Indemnification Losses and Ensure That Indemnification Agreements Were Extended	08/08/2014	12/03/2014	Note 3
2014-CH-1006	The Goshen Housing Authority Failed To Follow HUD's and Its Own Requirements Regarding the Administration of Its Program, Goshen, IN	08/14/2014	01/21/2015	12/31/2019
2014-PH-1008	The State of New Jersey Did Not Fully Comply With Federal Procurement and Cost Principle Requirements in Implementing Its Tourism Marketing Program	08/29/2014	09/02/2015	Note 1

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2014-NY-0003	Asset Repositioning Fees for Public Housing Authorities With Units Approved for Demolition or Disposition Were Not Always Accurately Calculated	09/04/2014	12/29/2014	12/31/2020
2014-AT-1010	Miami-Dade County Did Not Always Properly Administer Its HOME Program, Miami, FL	09/11/2014	12/11/2014	Note 1
2014-NY-1009	The City of Jersey City's HOME Investment Partnerships Program Administration Had Financial and Administrative Controls Weaknesses, City of Jersey City, NJ	09/18/2014	01/13/2015	Note 1
2014-FW-0005	Improvements Are Needed Over Environmental Reviews of Public Housing and Recovery Act Funds in the Detroit Office	09/24/2014	03/17/2015	12/31/2018
2014-LA-1007	The City of Los Angeles Did Not Always Ensure That CDBG-Funded Projects Met National Program Objectives, Los Angeles, CA	09/29/2014	01/27/2015	Note 1
2014-CH-0001	HUD Did Not Always Provide Adequate Oversight of Its Property-Flipping Waiver Requirements	09/30/2014	03/24/2015	Note 1
2015-FO-0001	Audit of the Federal Housing Administration's Financial Statements for Fiscal Years 2014 and 2013	11/14/2014	04/14/2015	Note 1
2015-NY-1001	The City of New York Did Not Always Disburse CDBG Disaster Recovery Assistance Funds to Its Subrecipient in Accordance With Federal Regulations, New York, NY	11/24/2014	03/23/2015	Note 1
2015-FO-0002	Interim Report on HUD's Internal Controls Over Financial Reporting	12/08/2014	09/28/2015	04/15/2019
2015-PH-1804	Final Civil Action: Court Ordered a Former Executive Director of the Philadelphia Housing Authority To Pay Civil Penalties for Violating Federal Lobbying Disclosure Requirements and Restrictions	02/19/2015	09/13/2016	Note 1
2015-CH-1001	The Chicago Housing Authority Moving to Work Housing Choice Voucher Program, Chicago, IL	02/24/2015	06/10/2015	04/30/2019

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2015-FO-0003	Audit of the Government National Mortgage Association's Financial Statements for Fiscal Years 2014 and 2013	02/27/2015	06/25/2015	Note 3
2015-AT-0001	HUD's Office of Community Planning and Development Did Not Always Pursue Remedial Actions but Generally Implemented Sufficient Controls for Administering Its Neighborhood Stabilization Program	03/31/2015	08/28/2015	Note 1
2015-NY-1005	The City of Paterson, NJ's HOME Investment Partnerships Program Controls Did Not Ensure Compliance With Regulations	04/30/2015	06/03/2015	Note 1
2015-FO-0005	Compliance With the Improper Payments Elimination and Recovery Act	05/15/2015	10/02/2015	Note 2
2015-LA-1004	The Housing Authority of the County of San Bernardino, San Bernardino, CA, Used Shelter Plus Care Program Funds for Ineligible and Unsupported Participants	05/29/2015	09/16/2015	Note 2
2015-PH-1003	The State of New Jersey Did Not Comply With Federal Procurement and Cost Principle Requirements in Implementing Its Disaster Management System	06/04/2015	10/02/2015	Note 1
2015-FW-0001	HUD Did Not Adequately Implement or Provide Adequate Oversight To Ensure Compliance With Environmental Requirements	06/16/2015	10/07/2015	Note 1
2015-LA-0002	HUD Did Not Provide Adequate Oversight of the Section 184 Indian Home Loan Guarantee Program	07/06/2015	10/28/2015	10/11/2018
2015-LA-1005	NOVA Financial & Investment Corporation's FHA-Insured Loans With Downpayment Assistance Gifts Did Not Always Meet HUD Requirements	07/09/2015	09/11/2015	Note 1
2015-CH-0001	HUD Did Not Always Provide Adequate Oversight of Its Section 203(k) Rehabilitation Loan Mortgage Insurance Program	07/31/2015	11/27/2015	Note 2

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2015-KC-0002	The Office of Community Planning and Development's Reviews of Matching Contributions Were Ineffective and Its Application of Match Reductions Was Not Always Correct	08/11/2015	12/09/2015	Note 1
2015-AT-0002	HUD's Office of Multifamily Asset Management and Portfolio Oversight Did Not Comply With Its Requirements For Monitoring Management Agents' Costs	08/21/2015	12/16/2015	Note 1
2015-NY-1010	New York State Did Not Always Administer Its Rising Home Enhanced Buyout Program in Accordance With Federal and State Regulations	09/17/2015	03/01/2016	Note 1
2015-NY-1011	Program Control Weaknesses Lessened Assurance That New York Rising Housing Recovery Program Funds Were Always Disbursed for Eligible Costs	09/17/2015	03/18/2016	Note 1
2015-LA-1802	Veterans First Did Not Administer or Spend Its Supportive Housing Program Grants in Accordance With HUD Requirements	09/24/2015	10/29/2015	02/01/2019
2015-CH-1009	The State of Illinois' Administrator Lacked Adequate Controls Over the State's Community Development Block Grant Disaster Recovery Program-Funded Projects	09/30/2015	01/28/2016	06/28/2021
2015-LA-1009	loanDepot's FHA-Insured Loans With Downpayment Assistance Funds Did Not Always Meet HUD Requirements	09/30/2015	01/12/2016	Note 1
2015-LA-1010	loanDepot's FHA-Insured Loans With Golden State Finance Authority Downpayment Assistance Gifts Did Not Always Meet HUD Requirements	09/30/2015	01/12/2016	Note 1
2015-LA-1803	The City of Richmond, CA, Did Not Adequately Support Its Use of HUD-Funded Expenses for Its Filbert Phase 1 and Filbert Phase 2 Activities	09/30/2015	01/08/2016	12/31/2018
2016-FO-0001	Audit of Fiscal Years 2015 and 2014 (Restated) Financial Statements	11/13/2015	03/24/2016	Note 3

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2016-FO-0002	Fiscal Years 2015 and 2014 Financial Statements Audit	11/16/2015	03/16/2016	Note 1
2016-FO-0003	Additional Details To Supplement Our Fiscal Years 2015 and 2014 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	11/18/2015	03/22/2016	Note 3
2016-DP-0801	Review of Information System Controls Over the Government National Mortgage Association	11/30/2015	03/30/2016	Note 1
2016-AT-1002	The Municipality of Toa Alta, PR, Did Not Properly Administer Its Section 108 Loan Guarantee Program	12/17/2015	04/12/2016	Note 1
2016-DP-0002	Single Family Insurance System and Single Family Insurance Claims Subsystem	12/21/2015	03/31/2016	Note 1
2016-NY-1003	The City of Rochester, NY, Did Not Always Administer Its Community Development Block Grant Program in Accordance With HUD Requirements	02/05/2016	06/17/2016	Note 1
2016-CH-0001	HUD Lacked Adequate Oversight of Public Housing Agencies' Compliance With Its Declaration of Trust Requirements	02/26/2016	06/20/2016	10/01/2019
2016-SE-1001	Homewood Terrace, Auburn, WA, Did Not Always Conduct Timely Reexaminations, Properly Request Assistance Payments, or Verify Income Information	03/09/2016	07/06/2016	Note 1
2016-NY-1006	New York State Did Not Always Disburse Community Development Block Grant Disaster Recovery Funds in Accordance With Federal and State Regulations	03/29/2016	07/27/2016	Note 2
2016-NY-1007	The City of Jersey City, NJ's Community Development Block Grant Program Had Administrative and Financial Control Weaknesses	03/30/2016	06/08/2016	Note 1
2016-FO-0005	Compliance With the Improper Payments Elimination and Recovery Act	05/13/2016	10/04/2016	Note 2
2016-AT-0001	HUD Did Not Enforce and Sufficiently Revise Its Underwriting Requirements for Multifamily Accelerated Processing Loans	05/20/2016	09/16/2016	Note 1

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2016-LA-1006	The Richmond Housing Authority, Richmond, CA, Mismanaged Its Financial Operations	06/03/2016	09/21/2016	12/01/2018
2016-AT-1006	The City of Miami Beach Did Not Always Properly Administer Its HOME Program	06/17/2016	10/05/2016	Note 2
2016-BO-1003	The State of Connecticut Did Not Always Administer Its Neighborhood Stabilization Program in Compliance With HUD Regulations	06/28/2016	10/25/2016	Note 2
2016-PH-0001	HUD Did Not Always Provide Adequate Oversight of Property Acquisition and Disposition Activities	06/30/2016	02/16/2017	Note 3
2016-CH-1005	The Jefferson Metropolitan Housing Authority, Steubenville, OH, Failed To Manage Its Procurements and Contracts in Accordance With HUD's and Its Own Requirements	08/03/2016	11/17/2016	08/31/2019
2016-AT-1010	The Mobile Housing Board, Mobile, AL, Did Not Disclose an Apparent Conflict of Interest and Occupy One-Third of Its Public Housing Units	08/04/2016	11/18/2016	11/30/2018
2016-PH-1005	The Richmond Redevelopment and Housing Authority, Richmond, VA, Did Not Always Charge Eligible and Reasonable Central Office Cost Center Fees	08/17/2016	12/13/2016	11/01/2075
2016-FO-0802	Independent Attestation Review: U.S. Department of Housing and Urban Development, DATA Act Implementation Efforts	08/26/2016	03/29/2018	12/31/2018
2016-LA-1008	The Dolores Frances Affordable Housing Project, Los Angeles, CA, Was Not Administered in Accordance With Its Regulatory Agreement and HUD Requirements	08/26/2016	12/12/2016	12/31/2018
2016-LA-1009	The City and County of Honolulu, HI, Did Not Administer Its Community Development Block Grant in Accordance With Requirements	08/26/2016	12/12/2016	10/01/2018

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2016-AT-1012	The Municipality of Bayamon, PR, Did Not Always Ensure Compliance With HUD Program Requirements	08/29/2016	12/15/2016	Note 2
2016-DP-0003	Additional Review of Information System Controls Over FHA Information Systems	08/31/2016	12/22/2016	Note 2
2016-FW-1006	The State of Louisiana's Subrecipient Did Not Always Comply With Its Agreement and HUD Requirements When Administering Its Disaster Assistance Programs	08/31/2016	12/16/2016	Note 2
2016-NY-0001	Operating Fund Calculations Were Not Always Adequately Verified	09/12/2016	12/22/2016	10/31/2018
2016-DP-0004	HUD Rushed the Implementation of Phase 1 Release 3 of the New Core Project	09/20/2016	01/10/2017	Note 2
2016-NY-1010	Folts, Inc., Herkimer, NY, Did Not Administer the Folts Adult Home and Folts Home Projects in Accordance With Their Regulatory Agreements	09/29/2016	03/28/2017	12/31/2018
2016-CH-1009	The Condominium Association and Management Agent Lacked Adequate Controls Over the Operation of West Park Place Condominium, Chicago, IL	09/30/2016	01/25/2017	Note 2
2016-FW-1010	The State of Oklahoma Did Not Obligate and Spend Its Community Development Block Grant Disaster Recovery Funds in Accordance With Requirements	09/30/2016	01/17/2017	03/31/2019
2016-PH-1009	The State of New Jersey Did Not Disburse Disaster Funds to Its Contractor in Accordance With HUD, Federal, and Other Applicable Requirements	09/30/2016	01/27/2017	12/31/2018
2017-BO-1001	The State of Connecticut Did Not Always Comply With CDBG Disaster Recovery Assistance Requirements	10/12/2016	02/01/2017	Note 2
2017-KC-0001	FHA Paid Claims for an Estimated 239,000 Properties That Servicers Did Not Foreclose Upon or Convey on Time	10/14/2016	02/28/2017	02/24/2019

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2017-BO-1002	The City of Springfield, MA, Needs To Improve Its Compliance With Federal Regulations for Its CDBG Disaster Recovery Assistance Grant	10/17/2016	01/04/2017	01/11/2019
2017-NY-1001	The City of New York, NY, Implemented Policies That Did Not Always Ensure That CDBG Disaster Recovery Funds Were Disbursed in Accordance With Its Action Plan and Federal Requirements	11/02/2016	05/08/2017	Note 2
2017-FO-0001	Audit of Fiscal Years 2016 and 2015 (Restated) Financial Statements	11/14/2016	04/06/2017	Note 3
2017-FO-0002	Audit of the Federal Housing Administration's Financial Statements for Fiscal Years 2016 and 2015 (Restated)	11/14/2016	07/13/2017	Note 2
2017-FO-0003	Additional Details To Supplement Our Fiscal Years 2016 and 2015 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	11/15/2016	09/13/2017	Note 3
2017-KC-1001	Majestic Management, LLC, a Multifamily Housing Management Agent in St. Louis, MO, Did Not Always Comply With HUD's Requirements When Disbursing Project Funds	12/16/2016	04/14/2017	Note 2
2017-NY-1004	The City of New York, NY, Lacked Adequate Controls To Ensure That the Use of CDBG-DR Funds Was Always Consistent With the Action Plan and Applicable Federal and State Requirements	12/21/2016	04/17/2017	Note 2
2017-PH-1801	Final Civil Action: Borrower Settled Alleged Violations of Home Equity Conversion Mortgage Program	01/06/2017	01/06/2017	Note 2
2017-NY-1005	Union County, NJ's HOME Investment Partnerships Program Was Not Always Administered in Compliance With Program Requirements	01/13/2017	05/11/2017	05/07/2019
2017-KC-0002	The U.S. Department of Housing and Urban Development Did Not Always Prevent Program Participants From Receiving Multiple Subsidies	01/20/2017	05/09/2017	12/31/2018

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2017-LA-0002	HUD Failed To Follow Departmental Clearance Protocols for FHA Programs, Policies, and Operations	01/25/2017	09/22/2017	Note 2
2017-DP-0001	HUD's Transition to a Federal Shared Service Provider Failed To Meet Expectations	02/01/2017	05/25/2017	Note 3
2017-DP-0002	Review of Information Systems Controls Over FHA's Single Family Premiums Collection Subsystem – Periodic and the Single Family Acquired Asset Management System	02/09/2017	06/12/2017	Note 2
2017-KC-1801	Final Action Memorandum: Purchaser of HUD-Insured Single-Family Property Settled Allegations of Causing the Submission of a False Claim	02/23/2017	02/23/2017	06/15/2021
2017-FO-0801	Independent Attestation Review: U.S. Department of Housing and Urban Development, DATA Act Implementation Efforts	03/02/2017	06/19/2017	12/31/2018
2017-LA-0003	HUD Failed To Adequately Oversee FHA-Insured Loans With Borrower-Financed Downpayment Assistance	03/03/2017	06/22/2017	06/15/2019
2017-NY-1008	The Irvington, NJ, Housing Authority Did Not Always Administer Its Public Housing Program in Accordance With Program Requirements	03/10/2017	07/07/2017	10/31/2018
2017-BO-0001	HUD's OCPO Did Not Always Comply With Acquisition Requirements When Planning and Monitoring Major Service Contracts	03/22/2017	06/28/2017	02/28/2019
2017-PH-1001	The City of Pittsburgh, PA, Did Not Always Administer Its CDBG Program in Accordance With HUD and Federal Requirements	03/22/2017	07/19/2017	Note 2
2017-CF-1803	United Shore Financial Services, LLC, Settled Allegations of Failing To Comply With HUD's Federal Housing Administration Loan Requirements	03/29/2017	03/29/2017	03/27/2022

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2017-CH-1801	Final Civil Action: Judgment Imposed on the Former President and Founder of MDR Mortgage Corporation Regarding Allegations of Failing To Comply With HUD's Federal Housing Administration Requirements	03/31/2017	08/31/2017	Note 2
2017-AT-0001	HUD's Oversight of Section 108 Loans Was Not Adequate To Ensure Compliance With Program Requirements	04/27/2017	10/06/2017	Note 2
2017-FO-0006	HUD Did Not Comply With the Improper Payments Elimination and Recovery Act of 2010	05/11/2017	03/27/2018	01/15/2019
2017-NY-0001	HUD PIH's Required Conversion Program Was Not Adequately Implemented	05/18/2017	09/15/2017	10/20/2018
2017-KC-0003	HUD Did Not Ensure That Lenders Properly Processed Voluntary Terminations of Insurance Coverage on FHA Loans and Disclosed All Implications of the Terminations to the Borrowers	05/22/2017	09/19/2017	11/01/2019
2017-PH-1003	The Yorkville Cooperative, Fairfax, VA, Did Not Administer Its HUD-Insured Property and Housing Assistance Contract According to Applicable Requirements	05/22/2017	09/19/2017	Note 2
2017-AT-1006	The Housing Authority of DeKalb County, Decatur, GA, Generally Administered RAD Appropriately but Did Not Accurately Report on Its Capital Fund Program	06/09/2017	10/05/2017	12/07/2018
2017-KC-0005	Owners of Cooperative Housing Properties Generally Charged More for Their Section 8 Units Than for Their Non-Section 8 Units	06/12/2017	10/06/2017	Note 2
2017-LA-1004	Cypress Meadows Assisted Living, Antioch, CA, Was Not Administered in Accordance With Its Regulatory Agreement and HUD Requirements	06/13/2017	09/29/2017	Note 2
2017-LA-1005	The City of Huntington Park, CA, Did Not Administer Its Community Development Block Grant Program in Accordance With Requirements	06/16/2017	10/17/2017	10/13/2018

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2017-FW-1009	Beverly Place Apartments, Groves, TX, Subsidized Nonexistent Tenants, Unqualified Tenants, and Tenants With Questionable Qualifications	06/29/2017	10/20/2017	10/18/2018
2017-CH-1002	The Youngstown Metropolitan Housing Authority, Youngstown, OH, Did Not Always Comply With HUD's and Its Own Requirements Regarding the Administration of Its Housing Choice Voucher Program	07/07/2017	11/03/2017	11/03/2018
2017-KC-0006	HUD Did Not Conduct Rulemaking or Develop Formal Procedures for Its Single-Family Note Sales Program	07/14/2017	10/19/2017	09/30/2019
2017-AT-1010	The Louisville Metro Housing Authority, Louisville, KY, Did Not Comply With HUD's and Its Own Section 8 Housing Choice Voucher Program Requirements	08/04/2017	12/01/2017	11/30/2018
2017-LA-1006	The City of Fresno, CA, Did Not Administer Its Community Development Block Grant in Accordance With HUD Requirements	08/09/2017	11/21/2017	11/21/2018
2017-PH-1005	The State of New Jersey Did Not Always Disburse Disaster Funds for Its Sandy Homebuyer Assistance Program To Assist Eligible Home Buyers	08/14/2017	11/15/2017	Note 2
2017-FW-1010	The City of Albuquerque, NM, Did Not Administer Its Community Development Block Grant Program in Accordance With Requirements	08/16/2017	11/14/2017	02/28/2019
2017-BO-1006	The West Warwick Housing Authority, West Warwick, RI, Needs To Improve Its Compliance With Federal Regulations for Its Housing Choice Voucher and Public Housing Programs	08/18/2017	12/15/2017	12/31/2018
2017-AT-1011	The Lexington Housing Authority, Lexington, NC, Did Not Administer Its RAD Conversion in Accordance With HUD Requirements	08/21/2017	12/11/2017	12/10/2018
2017-AT-1801	Final Civil Action: Prospect Mortgage, LLC, Settled Alleged Violations of Federal Housing Administration Loan Requirements	08/21/2017	08/21/2017	Note 2

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2017-LA-1007	The Chukchansi Indian Housing Authority, Oakhurst, CA, Did Not Always Follow HUD's Requirements for Its Indian Housing Block Grant Program	08/24/2017	11/15/2017	10/15/2018
2017-FW-1011	BLM Companies LLC Failed To Ensure That It Protected and Preserved HUD Properties Under Its Field Service Manager Contract for Area 1D	08/29/2017	12/26/2017	11/30/2018
2017-CH-1006	The Cooperative and Management Agent Lacked Adequate Controls Over the Operation of Lakeview East Cooperative	09/05/2017	12/19/2017	12/19/2018
2017-FW-1012	The City of New Orleans, New Orleans, LA, Did Not Always Properly Administer Its HOME Program	09/06/2017	12/19/2017	11/30/2018
2017-KC-0007	HUD Subsidized 10,119 Units for Tenants Who Were Undercharged Flat Rents	09/12/2017	12/01/2017	12/31/2018
2017-LA-0004	HUD Did Not Have Adequate Controls To Ensure That Servicers Properly Engaged in Loss Mitigation	09/14/2017	01/11/2018	12/14/2018
2017-NY-1010	The State of New York Did Not Show That Disaster Recovery Funds Under Its Non-Federal Share Match Program Were Used for Eligible and Supported Costs	09/15/2017	01/12/2018	Note 2
2017-BO-1007	The Housing Authority of the City of Hartford, CT, Did Not Always Comply With Procurement Requirements	09/21/2017	12/19/2017	12/07/2018
2017-KC-0008	Ginnie Mae Did Not Adequately Respond to Changes in Its Issuer Base	09/21/2017	01/18/2018	01/02/2019
2017-LA-0005	HUD Did Not Always Follow Applicable Requirements When Forgiving Debts and Terminating Debt Collections	09/21/2017	01/17/2018	Note 2
2017-LA-0006	HUD Did Not Administer Economic Development Initiative – Special Project and Neighborhood Initiative Congressional Grants in Accordance With Program Requirements	09/21/2017	01/18/2018	01/03/2019

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2017-PH-1006	The Owner of Schwenckfeld Manor, Lansdale, PA, Did Not Always Manage Its HUD-Insured Property in Accordance With Applicable HUD Requirements	09/25/2017	01/23/2018	01/23/2019
2017-KC-1003	Majestic Management, LLC, St. Louis, MO, a Management Agent for the East St. Louis Housing Authority, Mismanaged Its Public Housing Program	09/26/2017	01/12/2018	01/12/2019
2017-CF-1806	Final Civil Action: PHH Corporation Settled Allegations of Failing To Comply With HUD's Federal Housing Administration Loan Requirements	09/28/2017	09/28/2017	Note 2
2017-CF-1807	Residential Home Funding Corp. Settled Allegations of Failing To Comply With HUD's Federal Housing Administration Loan Requirements	09/28/2017	09/28/2017	09/30/2021
2017-CH-1007	The Menard County Housing Authority, Petersburg, IL, Did Not Comply With HUD's and Its Own Requirements Regarding the Administration of Its Housing Choice Voucher Program	09/28/2017	01/25/2018	01/24/2019
2017-CH-1008	Travelers Aid Society of Metropolitan Detroit, Detroit, MI, Did Not Always Administer Its Continuum of Care Program in Accordance With Federal Regulations	09/28/2017	02/15/2018	10/05/2018
2017-DP-0003	New Core Project: Although Transaction Processing Had Improved Weaknesses Remained	09/28/2017	01/25/2018	01/09/2019
2017-LA-1803	RMS & Associates, Las Vegas, NV, Improperly Originated FHA-Insured Loans With Restrictive Covenants	09/28/2017	01/05/2018	12/28/2018
2017-NY-1013	The New Brunswick Housing Authority, NJ, Did Not Always Administer Its Operating and Capital Funds in Accordance With HUD Requirements	09/28/2017	01/26/2018	12/28/2018
2017-NY-0002	HUD Could Improve Its Controls Over the Disposition of Real Properties Assisted With Community Development Block Grant Funds	09/29/2017	01/26/2018	Note 3

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2017-PH-0003	HUD Did Not Provide Sufficient Guidance and Oversight To Ensure That FHA-Insured Properties Nationwide Had Safe Water	09/29/2017	01/26/2018	07/19/2019
2017-CH-1009	The Owner and Management Agents Lacked Adequate Controls Over the Operation of Mary Scott Nursing Center, Dayton, OH	09/30/2017	01/26/2018	06/30/2019
2017-CH-1011	BLM Companies LLC, Hurricane, UT, Did Not Provide Property Preservation and Protection Services in Accordance With Its Contract With HUD and Its Own Requirements	09/30/2017	01/25/2018	01/10/2019

SIGNIFICANT AUDIT REPORTS ISSUED WITHIN THE PAST 12 MONTHS THAT WERE DESCRIBED IN PREVIOUS SEMIANNUAL REPORTS FOR WHICH FINAL ACTION HAD NOT BEEN COMPLETED AS OF 09/30/2018

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2018-FO-0001	HUD's Office of the Chief Financial Officer Did Not Comply With the Digital Accountability and Transparency Act of 2014	11/03/2017	03/20/2018	09/30/2019
2018-FW-0801	HUD's Office of Public Housing Did Not Clearly Define or Provide Guidance for Public Housing Agency Certifications	11/06/2017	02/27/2018	12/31/2018
2018-BO-1001	The Riverside Health and Rehabilitation Center, East Hartford, CT, Was Not Operated Under the Required Controlling Documents of the Section 232 Program	11/13/2017	09/30/2018	01/30/2019
2018-FO-0002	Audit of the Government National Mortgage Association's Financial Statements for Fiscal Years 2017 and 2016 (Restated)	11/14/2017	03/19/2018	Note 2
2018-FO-0003	Fiscal Years 2017 and 2016 (Restated) Financial Statements Audit	11/15/2017	04/03/2018	Note 2
2018-FO-0004	Additional Details To Supplement Our Fiscal Years 2017 and 2016 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	11/15/2017	07/02/2018	Note 3

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2018-CH-0001	HUD Needs To Improve Its Oversight of Grants Funded Through Its Resident Home-Ownership Program	12/22/2017	02/14/2018	12/01/2018
2018-AT-1802	Yabucoa Housing Project, Yabucoa Volunteers of America Elderly Housing, Inc., Yabucoa, PR, Section 202 Supportive Housing for the Elderly Program	12/29/2017	04/20/2018	04/19/2019
2018-CF-0801	Management Alert: HUD Did Not Provide Acceptable Oversight of the Physical Condition of Residential Care Facilities	01/05/2018	08/14/2018	12/31/2019
2018-NY-1002	Glen Cove Housing Authority, Glen Cove, NY, Did Not Always Use Property Disposition Proceeds in Accordance With Requirements	01/19/2018	05/11/2018	01/30/2019
2018-FW-1001	Jefferson Parish, Jefferson, LA, Did Not Always Properly Administer Its Rehabilitation Program	01/29/2018	05/22/2018	05/13/2019
2018-FW-1002	Villa Main Apartments, Port Arthur, TX, Subsidized Nonexistent Tenants, Unsupported Tenants, and Uninspected Units	01/31/2018	05/23/2018	11/01/2018
2018-NY-1003	The Housing Authority of the City of Asbury Park, NJ, Did Not Always Administer Its Operating and Capital Funds in Accordance With Requirements	02/08/2018	06/07/2018	02/22/2019
2018-PH-1001	The Fairmont-Morgantown Housing Authority, Fairmont, WV, Did Not Always Administer Its Housing Choice Voucher Program in Accordance With Applicable Program Requirements	02/12/2018	06/11/2018	06/11/2019
2018-DP-0002	Review of Selected FHA Information Systems and Credit Reform Estimation and Reestimation Process Applications	02/13/2018	05/07/2018	01/31/2019
2018-PH-1002	The Fairmont-Morgantown Housing Authority, Fairmont, WV, Did Not Always Ensure That Its Program Units Met Housing Quality Standards and That It Accurately Calculated Housing Assistance Payment Abatements	02/16/2018	06/12/2018	06/12/2019

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2018-KC-1001	CitiMortgage, Inc., O'Fallon, MO, Improperly Filed for FHA-HAMP Partial Claims Before Completing the Loan Modifications and Reinstating the Loans	03/05/2018	06/13/2018	05/31/2019
2018-DP-0003	Fiscal Year 2017 Review of Information Systems Controls in Support of the Financial Statements Audit	03/09/2018	06/07/2018	12/31/2018
2018-KC-0802	Limited Review of HUD Multifamily Waiting List Administration	03/22/2018	07/25/2018	02/28/2019
2018-CF-1801	MetLife Home Loans, LLC, and a Borrower's Son Settled Allegations of Failing To Comply With HUD's Federal Housing Administration HECM Loan Requirements	03/23/2018	08/09/2018	12/31/2018
2018-KC-0001	FHA Insured \$1.9 Billion in Loans to Borrowers Barred by Federal Requirements	03/26/2018	07/11/2018	01/31/2020
2018-LA-1003	The City of South Gate, CA, Did Not Administer Its Community Development Block Grant Program in Accordance With HUD Requirements	03/29/2018	07/25/2018	07/24/2019

Audits excluded:

85 audits under repayment plans

34 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 more than 1 year old.

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

3 No management decision

SIGNIFICANT EVALUATION 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
2013-ITED-0001	FY 2013 Federal Information Security Management Act (FY13 FISMA)	11/29/2013	11/29/2013	Note 1
2014-ITED-0001	HUD Cybersecurity Privacy Programs (Privacy)	04/30/2014	04/30/2014	Note 1
2014-OE-0003	FY 2014 Federal Information Security Modernization Act (FY14 FISMA)	11/15/2014	11/15/2014	Note 1
2015-OE-0001	FY 2015 Federal Information Security Modernization Act (FY15 FISMA)	11/15/2015	11/15/2015	Note 1
2015-OE-0002	HUD IT Modernization	09/28/2015	09/25/2015	Note 1
2016-OE-0001	Records Management in the Office of Hospital Facilities Needs Improvement	09/23/2016	11/03/2016	10/01/2018
2016-OE-0006	FY 16 Federal Information Security Modernization Act of 2014 (FY16 FISMA)	11/10/2016	11/10/2016	Note 1

SIGNIFICANT EVALUATION REPORTS ISSUED WITHIN THE PAST 12 MONTHS THAT WERE DESCRIBED IN PREVIOUS SEMIANNUAL REPORTS FOR WHICH FINAL ACTION HAD NOT BEEN COMPLETED AS OF 09/30/2018

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2017-OE-0007	FY 17 Federal Information Security Modernization Act of 2014 (FY17 FISMA)	10/31/2017	Unavailable	12/31/2023

Notes:

- 1 Management did not meet the target date. Target date is more than 1 year old.
- 2 Management did not meet the target date. Target date is less than 1 year old.

TABLE C

INSPECTOR GENERAL-ISSUED REPORTS WITH QUESTIONED AND UNSUPPORTED COSTS AT 9/30/2018 (IN THOUSANDS)

AUDIT REPORTS		NUMBER OF AUDIT REPORTS	QUESTIONED COSTS	UNSUPPORTED COSTS
A1	For which no management decision had been made by the beginning of the reporting period	18	\$68,054	\$27,347
A2	For which litigation, legislation, or investigation was pending at the beginning of the reporting period	3	25,110	2,946
A3	For which additional costs were added to reports in beginning inventory	-	22,051	80
A4	For which costs were added to noncost reports	0	0	0
B1	Which were issued during the reporting period	49	1,302,834	1,141,851
B2	Which were reopened during the reporting period	0	0	0
Subtotals (A+B)		70	1,418,049	1,172,224
C	For which a management decision was made during the reporting period	27 ¹⁷	169,181	22,123
	(1) Dollar value of disallowed costs:	11 ¹⁸	142,927	4,797
	Due HUD	19	26,254	17,326
	Due program participants			
	(2) Dollar value of costs not disallowed	0	0	0
D	For which a management decision had been made not to determine costs until completion of litigation, legislation, or investigation	2	24,559	2,744
E	For which no management decision had made by the end of the reporting period	41 <120> ¹⁹	1,224,309 <95,971> ¹⁹	1,147,357 <41,533> ¹⁹

¹⁷ Eleven audit reports also contain recommendations with funds to be put to better use.

¹⁸ Three audit reports also contain recommendations with funds due program participants.

¹⁹ The figures in brackets represent data at the recommendation level as compared to the report level. See Explanations of Tables C and D below table D.

TABLE D

INSPECTOR GENERAL-ISSUED REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE AT 9/30/2018 (IN THOUSANDS)

AUDIT REPORTS		NUMBER OF AUDIT REPORTS	DOLLAR VALUE
A1	For which no management decision had been made by the beginning of the reporting period	16	10,777,938
A2	For which litigation, legislation, or investigation was pending at the beginning of the reporting period	1	1,694
A3	For which additional costs were added to reports in beginning inventory	-	46,244
A4	For which costs were added to noncost reports	0	0
B1	Which were issued during the reporting period	18	1,492,711
B2	Which were reopened during the reporting period	0	0
Subtotals (A+B)		35	12,318,587
C	For which a management decision was made during the reporting period	13 ²⁰	2,200,281
	(1) Dollar value of recommendations that were agreed to by management:		
	Due HUD	5	288,552
	Due program participants	8	1,911,729
	(2) Dollar value of recommendations that were not agreed to by management	0	0
D	For which a management decision had been made not to determine costs until completion of litigation, legislation, or investigation	0	0
E	For which no management decision had made by the end of the reporting period	22 <36> ²¹	10,118,306 <6,609,371> ²¹

²⁰ Eleven audit reports also contain recommendations with questioned costs.

²¹ 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 these 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.

APPENDIX 4 – INSPECTOR GENERAL EMPOWERMENT ACT

The Inspector General Empowerment Act (Public Law 114-317) (IGEA), enacted in December 2016, contains several reporting requirements in the Offices of Inspector General’s (OIG) Semiannual Reports to Congress (SAR). Below are the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), statutory requirements as stipulated in the IGEA, with hyperlinks to the detailed information located on its website at www.hudoig.gov.

Summary of Reports With No Establishment Comment

The IGEA requires OIGs to report on each audit and evaluation report for which the Department did not return comments within 60 days of HUD OIG’s providing the report to the Department.

On March 23, 2018, HUD OIG’s Office of Investigation (OI) delivered Systemic Implication Report [SIR] FY [fiscal year] 17-002, Systemic Implication Report Pertaining to Lead-Based Paint Hazards in Housing, to HUD’s Office of Public and Indian Housing. Specifically, the SIR recommended that HUD strengthen its testing requirements as they pertain to lead-based paint. It was suggested that all initial headquarters inspections of pre-1978 units, in which the age of the occupants is 6 years or less, should incorporate the use of wipe samples or x ray fluorescence spectrum analyzers when determining the presence of lead-based paint. Likewise, HUD OIG recommended that soil samples be analyzed for lead contamination in pre-1978 units and drinking water be analyzed for lead contamination regardless of the units’ construction date. This SIR did not recommend abatement of the hazard, only that more comprehensive testing occur. The Department did not respond within the requisite 60 days, and HUD OIG has still not received a response.

On January 29, 2018, HUD OIG OI delivered Systemic Implication Report FY17-001, Systemic Implication Report Pertaining to the Lump-Sum/Upfront Payment Option With Regard to the Relocation Housing Payment, to HUD’s Office of Community Planning and Development. Specifically, the SIR recommended that HUD amend the regulation, modifying the Uniform Relocation Act to require monthly payment assistance only and remove the lump-sum, upfront payment option with regard to the relocation housing payment (RHP). In addition, the SIR recommended that the RHP payer be notified to end the RHP assistance payments when a person, who is currently receiving RHP benefits, begins to receive housing assistance payment benefits. Finally, it was recommended that the regulation include a requirement that RHP benefits be used solely toward housing payments and that the displaced tenants be required to sign an acknowledgment certifying such. The Department did not respond within the requisite 60 days, and HUD OIG has still not received a response.

Summary of Reports With Open Recommendations

The IGEA requires OIGs to report on each audit and evaluation report for which there are any outstanding unimplemented recommendations, including the combined potential cost savings of these recommendations. Summaries for the Office of Audit and Office of Evaluation are presented below.

The details of each open recommendation can be found on OIG’s website at <https://www.hudoig.gov/open-recommendations>.

AUDIT

The Department currently has 2,117 outstanding (open) unimplemented recommendations with a combined potential cost savings of more than \$19 billion. The following table and charts reflect the reasons why they remain unimplemented:

- 1,692 recommendations have active corrective action plans in place or valid repayment plans, but HUD has not yet finished implementing the recommendation.
- 425 recommendations are currently without management decisions (agreement between the Department and OIG); 47 are beyond the 180-day statutory requirements due to disagreement and were reported in table A of the SAR. The remainder are within the 180-day limit, during which time management and OIG can arrive at an agreed-upon corrective action plan.
- 418 open recommendations have management decisions in place but are currently under investigative, legislative, or judicial action or under a valid repayment plan and are, therefore, suspended pending resolution.

OFFICE OF AUDIT OPEN RECOMMENDATIONS		
Calendar year	Number of open recommendations	Cumulative estimated cost savings from open recommendations
Pre-2001	6	\$3,992,169
2001	1	280,000
2002	8	1,382,626
2003	14	1,813,658
2004	8	8,303,357
2005	5	3,006,373
2006	32	14,299,086
2007	27	6,227,340
2008	38	72,607,328
2009	31	80,040,545
2010	33	51,674,541
2011	47	100,086,158
2012	47	22,775,518
2013	116	429,751,829
2014	205	2,050,371,280
2015	195	1,267,002,728
2016	301	8,840,262,135
2017	457	1,947,404,944
2018	547	4,601,620,434
Total	2,117	19,502,902,049

EVALUATION

The following table summarizes Office of Evaluation (OE) reports with open recommendations:

OFFICE OF EVALUATION OPEN RECOMMENDATIONS	
Reporting period	Number of open recommendations
Pre-2013	0
2013	11
2014	24
2015	25
2016	29
2017	18
2018	35
Total	142

OE conducts evaluations focused on improving departmental process and programs. As of the writing of this SAR, OE's recommendations have not focused on producing direct cost savings but, rather, improving program effectiveness and reducing the likelihood of negative outcomes. For example, during this reporting period, some of OE's recommendations addressed HUD's oversight of public housing agencies (PHA) and its impact on PHA residents and the safety of workers and other occupants of HUD headquarters.

Statistical Table Showing Investigative Report Metrics

The IGEA requires the SAR to include statistical tables and metrics for investigative cases.

For the information below, the data used in this statistical table were extracted from HUD OIG's Case Management System (CMS). CMS and its underlying infrastructure allow for data input and maintain data integrity during the complete investigative case cycle, while ensuring data privacy and confidentiality. The system was developed in .Net 4.5.1, and the database is SQL 2012. HUD OIG develops queries to extract data from CMS to meet business requirements, such as the information used to create this statistical table. The table below provides additional guidance pertaining to each requested category of information. HUD OIG's CMS is not currently configured to quantify persons referred for prosecution or differentiate whether a case or person was referred for Federal prosecution or State or local prosecution. HUD OIG is developing a solution to the system configuration to allow a query to quantify persons referred for State and Federal prosecution.

Office of Investigation IGEA Statistical Table	
Requirement	Total
A. Total number of investigative reports issued during the reporting period. ²³	223
B. Total number of persons referred to the U.S. Department of Justice for criminal prosecution during the reporting period. ²⁴	122*
C. Total number of persons referred to State and local prosecuting authorities for criminal prosecution during the reporting period.	64*
D. Total number of indictments and criminal informations during the reporting period that resulted from any prior referral to prosecuting authorities.	117

* The data used in this statistical table were extracted from HUD OIG's CMS. CMS and its underlying infrastructure allow for data input and maintain data integrity during the complete investigative case cycle, while ensuring data privacy and confidentiality. The system was developed in .Net 4.5.1, and the database is SQL 2012. HUD OIG develops queries to extract data from CMS to meet business requirements, such as the information used to create this statistical table. The footnotes referenced in the table provide additional guidance pertaining to each requested category of information.

Investigations of Senior Government Employees

The IGEA requires OIG to summarize in the SAR each investigation involving a senior government employee when allegations of misconduct were substantiated. Listed below are the cases for this reporting period:

- It was alleged that senior HUD officials violated the HUD nepotism policy when they advocated for the hiring of their children under the Pathways Student Temporary Employment Program. HUD OIG referred this case to the United States Attorney's Office; however, the matter was declined for prosecution. Disciplinary action was taken against the HUD officials for nepotism.
- It was alleged that a senior HUD official submitted false official documentation by claiming "travel compensation" in lieu of compensation time or overtime as a way to circumvent the pay cap. HUD OIG referred this case to the United States Attorney's Office; however, the matter was declined for prosecution. Disciplinary action was taken against the HUD officials for submitting false documentation.
- It was alleged that a senior HUD official engaged in retaliatory actions as a result of one of her employees' submitting a resignation. HUD OIG did not refer this case to the United States Attorney's Office as no criminal violations occurred. Disciplinary action was taken against the HUD official for retaliation.
- It was alleged that a HUD official was provided preferential treatment and may have been committing time and attendance fraud while working remotely for an extended amount of time from another State while caring for a family member. The investigation revealed that the HUD manager was authorized to work remotely out of State to care for a family member. However, the investigation identified other instances in which the HUD employee failed to accurately record telework on time and

²³ Includes approved reports of investigations

²⁴ Includes all charging documents reported: criminal complaints, indictments, informations, and superseding indictments

attendance submissions. Disciplinary action was taken against the HUD employee for failure to accurately report telework time on time and attendance records.

Instances of Whistleblower Retaliation

The IGEA requires OIG to include in the SAR a detailed description of any instance of whistleblower retaliation, including information about the official found to have engaged in retaliation and what, if any, consequences the establishment imposed to hold that official accountable.

INVESTIGATION

A former employee with a local PHA filed a whistleblower retaliation complaint after claims that the employee was harassed, reprimanded, and eventually dismissed for filing a previous complaint to HUD OIG. The previous HUD OIG complaint allegations involved a conflict of interest relating to a PHA board member as well as gross mismanagement on the part of the PHA's executive director. The complainant was an employee of the local PHA, a grantee receiving Federal funds from HUD. The employee filed a complaint disclosing possible violations of law, rules, or regulations and possibly gross mismanagement. The timeframe of personnel actions implemented against the complainant occurred in a timeframe that allows a presumption that the disclosures contributed to the personnel actions. HUD OIG reviewed emails, conducted interviews, analyzed evidence, and completed a report of findings. The report of findings was delivered to the HUD Secretary's Office. HUD's Office of General Counsel responded to the report, denying any relief to the complainant. HUD's Office of General Counsel did not provide a basis for its decision.

OIG Independence

The IGEA requires OIG to include in the SAR a detailed description of any attempt by the establishment to interfere with the independence of OIG, including incidents in which the establishment has resisted or objected to oversight activities or restricted or significantly delayed access to information.

There are no instances to report this period.

Reports That Were Closed During the Period That Were Not Disclosed to the Public

Section 5(a)(22) of the IGEA, as amended, requires that OIG report on each audit conducted by the office that is closed during the reporting period and was not disclosed to the public. During the current reporting period, OIG had one report that was closed but not disclosed to the public.

AUDIT

AUDIT REPORT 2015-DP-0001, SINGLE FAMILY HOUSING ENTERPRISE DATA WAREHOUSE, ISSUED ON OCTOBER 21, 2014, AND CLOSED ON JULY 3, 2018

This was a **LIMITED DISTRIBUTION** audit report. OIG reviewed the general and application controls over the Federal Housing Administration's (FHA) Single Family Housing Enterprise Data Warehouse as part of the internal control assessments of FHA's principal financial statements for fiscal year 2014. OIG's objective was to determine the effectiveness of general and application controls over the data warehouse for compliance with HUD information technology policies and Federal information system security and financial management requirements. OIG found that (1) access to some privacy information was not sufficiently restricted to individuals as necessary to perform

their duties, (2) reconciliations of data from source systems that interface with the data warehouse were not sufficient, (3) passwords for a majority of data warehouse user accounts were not changed every 90 days, and (4) the web server software in use was not kept up to date. OIG made recommendations that FHA (1) ensure that system users can access only the data necessary to perform their assigned duties, (2) improve the interface reconciliation process for business-critical system interfaces, (3) ensure that system user account passwords are changed every 90 days, and (4) update the web server software to the current release or use an alternative application environment software that remains current to a supported release.

INVESTIGATION

During the current reporting period, OIG has seven investigative reports that were closed but not disclosed to the public. The allegations include the following:

- A senior HUD official granted two separate time-off incentive awards in an attempt to obtain concessions. This case was not referred to the United States Attorney's Office, nor was disciplinary action taken against the HUD OIG official because this allegation was unsubstantiated.
- It was alleged that senior HUD officials violated the HUD nepotism policy when they advocated for the hiring of their children under the Pathways Student Temporary Employment Program. HUD OIG referred this case to the United States Attorney's Office; however, the matter was declined for prosecution. Disciplinary action was taken against the HUD officials for nepotism.
- It was alleged that a senior HUD official submitted false official documentation by claiming "travel compensation" in lieu of compensation time or overtime as a way to circumvent the pay cap. HUD OIG referred this case to the United States Attorney's Office; however, the matter was declined for prosecution. Disciplinary action was taken against the HUD official for submitting false documentation.
- It was alleged that a senior HUD official engaged in retaliatory actions as a result of one of her employees' submitting a resignation. HUD OIG did not refer this case to the United States Attorney's Office as no criminal violations occurred. Disciplinary action was taken against the HUD official for retaliation.
- It was alleged that a HUD official was provided preferential treatment and may have been committing time and attendance fraud while working remotely for an extended amount of time from another State while caring for a family member. The investigation revealed that the HUD manager was authorized to work remotely out of State to care for a family member. However, the investigation identified other instances in which the HUD employee failed to accurately record telework on time and attendance submissions. Disciplinary action was taken against the HUD employee for failure to accurately report telework time on time and attendance records.

OIG TELEPHONE DIRECTORY

OFFICE OF AUDIT

HEADQUARTERS OFFICE	Washington, DC	202-708-0364
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REGION 1	Boston, MA	617-994-8380
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	Hartford, CT	860-240-9739
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REGION 2	New York, NY	212-264-4174
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	Buffalo, NY	716-551-5755
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	Newark, NJ	973-622-7900
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REGION 3	Philadelphia, PA	215-656-0500
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	Baltimore, MD	410-962-2520
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	Pittsburgh, PA	412-644-6372
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	Richmond, VA	804-771-2100
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REGION 4	Atlanta, GA	404-331-3369
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	Greensboro, NC	336-547-4001
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	Miami, FL	305-536-5387
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	San Juan, PR	787-766-5540
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REGION 5	Chicago, IL	312-913-8499
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	Columbus, OH	614-280-6138
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	Detroit, MI	313-226-6190
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REGION 6	Fort Worth, TX	817-978-9309
	Baton Rouge, LA	225-448-3975
	Houston, TX	713-718-3199
	New Orleans, LA	504-671-3000
	Albuquerque, NM	505-346-6463
	Oklahoma City, OK	405-609-8606
	San Antonio, TX	210-475-6800

REGION 7-8-10	Kansas City, KS	913-551-5870
	St. Louis, MO	314-539-6339
	Denver, CO	303-672-5452
	Seattle, WA	206-220-5360

REGION 9	Los Angeles, CA	213-894-8016
	Las Vegas, NV	702-366-2100
	Phoenix, AZ	602-379-7250
	San Francisco, CA	415-489-6400

OFFICE OF EVALUATION

HEADQUARTERS	Washington, DC	202-708-0430
	Denver, CO	202-708-0430

OFFICE OF INVESTIGATION

HEADQUARTERS	Washington, DC	202-708-5998
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REGION 1-2	New York, NY	212-264-8062
	Boston, MA	617-994-8450
	Hartford, CT	860-240-4800
	Manchester, NH	603-666-7988
	Newark, NJ	973-776-7347
REGION 3	Philadelphia, PA	215-430-6756
	Baltimore, MD	410-209-6695
	Pittsburgh, PA	412-644-2668
	Richmond, VA	804-822-4890
REGION 4	Atlanta, GA	404-331-5001
	Greensboro, NC	336-547-4000
	Miami, FL	305-536-3087
	San Juan, PR	787-766-5868
REGION 5	Chicago, IL	312-353-4196
	Cleveland, OH	216-357-7800
	Columbus, OH	614-469-5737
	Detroit, MI	313-226-6280
	Indianapolis, IN	317-957-7377
	Minneapolis-St. Paul, MN	612-370-3130
REGION 6	Fort Worth, TX	817-978-5440
	Baton Rouge, LA	225-448-3941
	Houston, TX	713-718-3220
	Little Rock, AR	501-918-5792
	New Orleans, LA	504-671-3700
	Oklahoma City, OK	405-609-8601
	San Antonio, TX	210-475-6822

REGION 7-8-10

Denver, CO	303-672-5350
Billings, MT	406-247-4080
Kansas City, KS	913-551-5566
Salt Lake City, UT	801-524-6091
St. Louis, MO	314-539-6559
Seattle, WA	206-220-5380

REGION 9

Los Angeles, CA	213-534-2496
Las Vegas, NV	702-366-2144
Phoenix, AZ	602-379-7252
Sacramento, CA	916-930-5693
San Francisco, CA	415-489-6685

JOINT CIVIL FRAUD

Audit	Kansas City, KS	913-551-5566
Investigation	Kansas City, KS	913-551-5566

ACRONYMS AND ABBREVIATIONS LIST

ACD	Accelerated Claims Disposition program
ADA	Antideficiency Act
AFR	agency financial report
ARC	Administrative Resource Center
ASC	Accounting Standards Codification
CAIVRS	Credit Alert Verification Reporting System
CDBG	Community Development Block Grant
CDBG-DR	Community Development Block Grant Disaster Recovery
CFO	chief financial officer
CFR	Code of Federal Regulations
CIGIE	Counsel of the Inspectors General on Integrity and Efficiency
CPD	Office of Community Planning and Development
CMS	Case Management System
CWCOT	Claims Without Conveyance of Title program
DATA Act	Digital Accountability and Transparency Act of 2014
DEC	Departmental Enforcement Center
DHS	U.S. Department of Homeland Security
DoD	U.S. Department of Defense
DOT	U.S. Department of Transportation
EIBLL	environmental intervention blood lead level
FFMIA	Federal Financial Management Improvement Act of 1996
FHA	Federal Housing Administration
FHFA	Federal Housing Finance Agency
FISMA	Federal Information Security Modernization Act
FSS	Family Self-Sufficiency program
FSSP	Federal shared service provider
FTB	First Third Bank
FY	fiscal year

ACRONYMS AND ABBREVIATIONS LIST (CONTINUED)

GAAP	generally accepted accounting principles
Ginnie Mae	Government National Mortgage Association
HECM	home equity conversion mortgage
HOPWA	Housing Opportunities for Persons With AIDS
HUD	U.S. Department of Housing and Urban Development
IDIS	Integrated Disbursement and Information System
IGEA	Inspector General Empowerment Act
IPERA	Improper Payments Elimination and Recovery Act of 2010
IT	information technology
LOCCS	Line of Credit Control System
LOS	Loan Origination System
MDD	major disaster declaration
MHI	mortgage held for investment
MRB	Mortgagee Review Board
MSS	master servicer
MTW	Moving to Work Demonstration program
NAHA	Cranston-Gonzales National Affordable Housing Act of 1990
NCIS	New Core Interface Solution
OA	Office of Audit
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OCPO	Office of the Chief Procurement Officer
OE	Office of Evaluation
OGC	Office of General Counsel
OI	Office of Investigation
OIG	Office of Inspector General
ORCF	Office of Residential Care Facilities
OSC	Office of Special Counsel

ACRONYMS AND ABBREVIATIONS LIST (CONTINUED)

PHA	public housing agency
PIC	Office of Public and Indian Housing Information Center
PIH	Office of Public and Indian Housing
PII	personally identifiable information
PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act of 1996
RAD	Rental Assistance Demonstration Program
REAC	Real Estate Assessment Center
SAR	Semiannual Report to Congress
SMART	Single Family Mortgage Asset Recovery Technology system
TBW	Taylor, Bean & Whitaker Mortgage Corporation
U.S.C.	United States Code
USDA	U.S. Department of Agriculture
USPIS	United States Postal Inspection Service
USSGL	United States Standard General Ledger
VASH	U.S. Department of Veterans Affairs Supportive Housing program

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.	5
Section 5(a)(1)-description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of the Department.	1-24, 58-59
Section 5(a)(2)-description of recommendations for corrective action with respect to significant problems, abuses, and deficiencies.	30-59
Section 5(a)(3) ²⁵ -identification of each significant recommendation described in previous Semiannual Report on which corrective action has not been completed.	Appendix 3, Table B, 70
Section 5(a)(4)-summary of matters referred to prosecutive authorities and the prosecutions and convictions that have resulted.	1-24
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, 61
Section 5(a)(7)-summary of each particularly significant report.	1-24
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, 92
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, 93
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, 67
Section 5(a)(11)-a description and explanation of the reasons for any significant revised management decisions made during the reporting period.	Appendix 4, 95
Section 5(a)(12)-information concerning any significant management decision with which the Inspector General is in disagreement.	50
Section 5(a)(13)-the information described under section 05(b) of the Federal Financial Management Improvement Act of 1996.	56

²⁵ Unsupported costs are a subset of questioned costs that the Inspector General Act requires be identified separately from the cumulative questioned costs identified.

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 (OIG), 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 website may appear to be a real government agency, but the website 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 HUD OIG.

Diversity and Equal Opportunity

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



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

Faxing the OIG hotline: 202-708-4829

Emailing the OIG hotline: hotline@hudoig.gov

Sending written information to

Department of Housing and Urban Development

Inspector General Hotline (GFI)

451 7th Street SW

Washington, DC 20410

Internet

<https://www.hudoig.gov/report-fraud>

ALL INFORMATION IS CONFIDENTIAL, AND

YOU MAY REMAIN ANONYMOUS.



U.S. DEPARTMENT
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