

Semiannual Report To Congress

for the period ending March 31, 2019

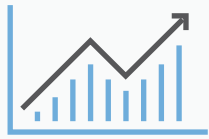


U.S. Department of Housing and Urban Development
OFFICE OF INSPECTOR GENERAL



Highlights

For the period ending March 31, 2019



\$514,134,202

Recommendations That Funds Be Put to Better Use



21

Audits Issued



\$24,040,321

Questioned Costs



166

Arrests



\$10,842,530

Collections From Audits



130

Indictments-Informations



\$7,722,322

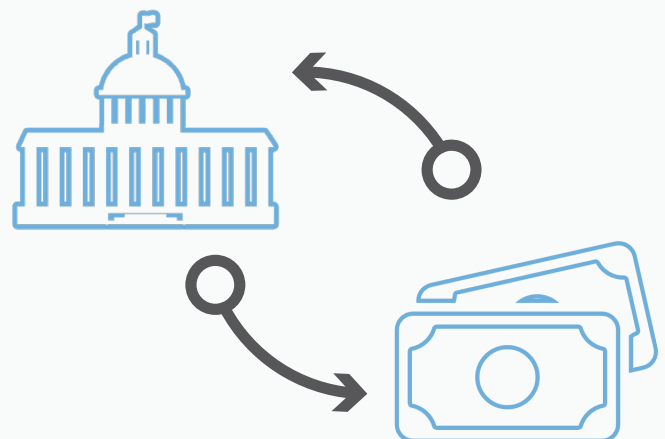
Investigative Recoveries and Receivables to HUD Programs



115

Convictions-Pleas-Pretrial Diversions

134:1
Return on Investment



Profile of Performance

Audit Results ¹	This Reporting Period
Recommendations that funds be put to better use	\$514,134,202
Recommended questioned costs	\$24,040,321
Collections from audits	\$10,842,530
Administrative sanctions	3
Civil actions	0
Subpoenas	12
Personnel actions	0

Investigation Results ¹	This Reporting Period
Total restitutions and judgments	\$36,389,057
Total recoveries and receivables to HUD programs ²	\$7,722,322
Arrests	166
Indictments and informations	130
Convictions, pleas, and pretrial diversions	115
Civil actions	22
Total administrative sanctions	110
Suspensions	20
Debarments	33
Program referrals	23
Evictions	17
Other ³	17
Systemic implication reports	1
Search warrants	40
Subpoenas	362

Joint Civil Fraud Results ¹	This Reporting Period
Total restitutions and judgments	\$13,306,741
Recoveries and receivables for other entities ⁴	\$14,393,259
Administrative agreement ⁵	\$5,710,000,000
Funds to be put to better use ⁵	\$1,460,000,000
Civil actions	2
Administrative sanctions	0

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.

⁵ As the result of a joint investigation conducted by the United States Attorney's Office for the Southern District of New York, HUD, and OIG, the New York City Housing Authority will receive these funds in accordance with an administrative agreement and executive order. The City of New York, the State of New York, and HUD agreed to provide \$5.16 billion, \$550 million, and \$1.46 billion, respectively.



As one of my first acts in my new role as Inspector General (IG), it is with pride that I submit the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) Semiannual Report to Congress. It was an honor to be confirmed as the IG of HUD in January. I have great respect for the responsibilities that come with the role, and I will do my utmost to provide thoughtful leadership throughout my tenure.

This Semiannual Report offers a snapshot of our work for the first 6-month period of fiscal year 2019, beginning with a report on the use of funds for building improvements managed by HUD's Office of Administration and ending with an audit of the State of New York's Community Development Block Grant Disaster Recovery-funded New York Rising Buyout and Acquisition program. The OIG staff has delivered strong results to improve all of HUD's programs and operations during this reporting period, and we are well positioned to continue to deliver value as we carry out our oversight duties.

We completed 21 audits during this semiannual reporting period, and the agency collected more than \$10 million as a result of our work. As highlighted further below, we issued several audit reports during this reporting period addressing single-family housing, public and Indian housing, multifamily housing, and community planning and development program areas, which questioned more than \$24 million in costs and made recommendations to the agency on how \$514 million in funds could be put to better use.

HUD OIG's investigative workload has also continued at a steady pace. During this reporting period, HUD OIG accomplished 116 arrests, 130 indictments, and 115 convictions to improve departmental operations and address program abuses, and the agency recovered more than \$7 million as a result of this work.

HUD OIG has experienced excellent operating performance, important strategic progress, and continued impact this year. Even so, HUD OIG's work will continue to evolve to ensure that HUD is best positioned to advance its mission to "create strong, sustainable, inclusive communities and quality affordable homes for all."

In my short tenure as IG, I have already seen many examples of how committed our people are to OIG's mission. Their drive and determination have brought HUD OIG to where it is today. It is critically important that we continue to strengthen our organizational capabilities – both by developing our people and by continuing to address HUD's Top Management Challenges. We look forward to doing this by maintaining our commitment to foster a diverse and inclusive culture where everyone feels valued.

In closing, I want to acknowledge the extraordinary efforts of the auditors, investigators, inspectors, evaluators, and support personnel who form the core of HUD OIG. I thank them for their dedication and service to the American taxpayer and their commitment to eliminating waste, fraud, and abuse.

A handwritten signature in black ink that reads "Rae Oliver Davis". The signature is written in a cursive, flowing style.

Rae Oliver Davis | Inspector General



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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	1 audit	\$0	\$0

INVESTIGATION

Program Results

Administrative - civil actions	39
Convictions - pleas - pretrial diversions	40
Financial recoveries	\$29,392,188

REAL ESTATE SCAM ARTISTS SENTENCED TO ALMOST 15 YEARS IN PRISON

Two real estate investors were sentenced in U.S. District Court in relation to earlier guilty pleas regarding their role in multiple mortgage schemes. The two were sentenced to a total of almost 15 years imprisonment followed by 6 years supervised release. The conspirators were also ordered to pay more than \$1.45 million in restitution to FHA, financial institutions, and victims. Over an 8-year span, the conspirators engaged in a scheme to defraud real estate investors, property owners, and lenders when they fraudulently obtained conventional and FHA-insured mortgages for borrowers who were not eligible for the loans and fraudulently collected rents, fees, and other monies associated with the purchase and sale of these properties. For a fee, the conspirators also offered to negotiate mortgage loan modifications with lenders on behalf of distressed homeowners. After failing to negotiate the mortgage modifications, the convicted real estate investors induced the homeowners to sell their properties to the conspirators through a short sale, by which the two investors profited. Eleven of the properties involved in the scheme were FHA insured, resulting in a total loss to date of nearly \$382,000. The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), the U.S. Secret Service, and the Federal Bureau of Investigation conducted this investigation. **(Providence, RI)**

MORTGAGE SERVICER TO PAY \$4.25 MILLION

An FHA-approved mortgage servicer entered into a civil settlement in which it agreed to pay the Federal Government \$4.25 million. Between November 2011 and May 2016, the servicer obtained FHA insurance payments for debenture interest (DBI) on foreclosed home equity conversion mortgages (HECM), for which they did not disclose on insurance claim forms that they were ineligible for such interest payments. As a result of the additional DBI payments, HUD incurred substantial losses across the 1,510 loans covered by the settlement. FHA received \$2.64 million from the settlement, with the remaining amount paid to other Federal entities. HUD OIG and the U.S. Attorney's Office for the Middle District of Florida conducted this investigation. **(Lansing, MI)**

REAL ESTATE APPRAISER SENTENCED FOR IDENTITY THEFT

A real estate appraiser was sentenced in U.S. District Court in relation to an earlier guilty plea to wire fraud, false statements to FHA, aggravated identity theft, and willful failure to file a tax return. The appraiser was sentenced to 34 months imprisonment followed by 5 years supervised release. He was also ordered to pay restitution of \$457,352 and forfeit \$1,800 in proceeds. The appraiser used electronic signatures of appraisers previously employed by his business to certify hundreds of appraisals for FHA HECM loans. The signatures were used without the appraisers' consent. Using others' identities as well as his own, the appraiser inflated the values of some of the properties for which he wrote and certified appraisals. One of the inflated appraisals for which the convicted appraiser used another appraiser's identity was for a HECM loan in his mother's name. The appraiser received some of the proceeds of his mother's HECM loan. Additionally, he did not file personal tax returns on the income for several years. HUD OIG and the Internal Revenue Service, Criminal Investigation Division, conducted the investigation. **(Philadelphia, PA)**

ATTORNEY SENTENCED FOR EMBEZZLING HUD HOME SALE FUNDS

The former HUD real estate-owned (REO) home closing attorney for northern and central Alabama was sentenced to 37 months in prison and 60 months supervised release. The contractor was also ordered to pay restitution of more than \$1 million, representing the total loss to HUD. Over a span of 2 months, the attorney failed to wire the sales closing proceeds for 15 HUD REO properties to HUD. The attorney used funds from a dedicated HUD trust account, meant to be used solely for HUD REO transactions, to pay for personal expenses, including paying off two personal mortgages. The attorney also emailed nine fraudulent wire transmittal sheets, claiming that he had previously wired HUD the closing proceeds when he had not. HUD OIG conducted this investigation. **(Montgomery, AL)**

JOINT CIVIL FRAUD

Program Results

Civil actions	2
Questioned costs	\$13,306,741

INVESTIGATION OF GATEWAY FUNDING DIVERSIFIED MORTGAGE SERVICES, LP

HUD OIG assisted the U.S. Department of Justice and the U.S. Attorney's Office for the Northern District of New York in a civil investigation of Gateway Funding Diversified Mortgage Services, LP, now known as Finance of America Mortgage, LLC (FAM). Gateway was an FHA-approved mortgage lender. On May 31, 2015, FAM's parent company acquired Gateway. FAM has its principal place of business in **Horsham, PA**.

On December 7, 2018, FAM entered into a settlement agreement with the Federal Government to pay \$14.5 million to avoid the delay, uncertainty, inconvenience, and expense of lengthy litigation. As part of the settlement, FAM agreed that Gateway engaged in certain conduct and omissions related to FHA-insured mortgages in connection with its origination and underwriting of single-family residential mortgage loans insured by FHA. The settlement agreement was neither an admission of liability by FAM nor a concession by the United States that its claims were not well founded.

As a result of Gateway's conduct and omissions, HUD insured loans approved by Gateway that were not eligible for FHA mortgage insurance under the direct endorsement program and that HUD would not otherwise have insured. HUD incurred substantial losses when it paid insurance claims on these loans. Of the total \$14.5 million settlement, HUD FHA received \$7.23 million, and the remaining \$7.27 million was paid to other Federal entities and the relator. (Audit Memorandum: **2019-CF-1802**)

INVESTIGATION OF UNIVERSAL AMERICAN MORTGAGE COMPANY, LLC

HUD OIG assisted the U.S. Department of Justice and the U.S. Attorney's Office for the Eastern and Western Districts of Washington in the civil investigation of Universal American Mortgage Company, LLC. The investigation was ongoing when a qui tam action was filed in the U.S. District Court for the Western District of Washington. Universal American has its principal place of business in **Miami, FL**.

On October 16, 2018, Universal American entered into a settlement agreement with the Federal Government. It agreed to pay \$13.2 million to avoid the delay, uncertainty, inconvenience, and expense of lengthy litigation. The Federal Government alleged that Universal American violated HUD requirements in its origination, underwriting, and quality control of certain mortgages between January 2006 and December 2011. The settlement was neither an admission of liability or wrongdoing by Universal American nor a concession by the United States that its claims were not well founded.

Of the \$13.2 million settlement, FHA received \$6.07 million. The remaining portion was paid to the relator and other Federal entities. (Audit Memorandum: **2019-CF-1801**)

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	4 audits	\$408,321	\$1,272,288

REVIEW OF HUD'S HOUSING CHOICE VOUCHER PROGRAM

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

The Authority did not adequately enforce HUD's housing quality standards and its own requirements. Specifically, it failed to ensure that 78 program units, including 50 that materially failed, complied with HUD's housing quality standards and its program administrative plan. As a result, more than \$153,000 in program funds was spent on units that were not decent, safe, or sanitary, and the Authority could pay more than \$1.2 million in housing assistance over the next year for units with material housing quality standards violations.

The Authority did not always comply with HUD's and its own requirements for its program household files. It did not obtain and maintain required eligibility documentation or correctly calculate housing assistance and utility allowances. As a result, it lacked support for nearly \$94,000, overpaid nearly \$80, and underpaid nearly \$2,200 in housing assistance.

OIG recommended that HUD require the Authority to (1) certify that the applicable housing quality standards violations have been corrected for the 78 units cited, (2) reimburse its program from non-Federal funds for the 50 units that materially failed to meet HUD's and its own requirements and for the household files with inappropriate calculations of housing assistance, (3) support or reimburse its program for the household files with missing documentation, (4) reimburse its program households from program funds for the underpayment of housing assistance, and (5) implement adequate procedures and controls to address the findings cited. (Audit Report: **2019-CH-1001**)

INVESTIGATION

Program Results

Administrative - civil actions	41
Convictions - pleas - pretrial diversions	41
Financial recoveries	\$2,347,954

HOUSING AUTHORITY ASSISTANT EXECUTIVE DIRECTOR SENTENCED TO 3 YEARS

A former assistant executive director of a PHA was sentenced in U.S. District Court in relation to an earlier guilty plea to theft concerning Federal funds and tax evasion. The assistant executive director was sentenced to 37 months incarceration and ordered to pay more than \$835,000, more than \$633,000 of which is due to HUD. Through her role in the PHA, the assistant executive director embezzled Housing Choice Voucher Program payments by setting up fictitious accounts for which she was the signatory. After the theft, she failed to report those stolen funds on her income tax returns for the years 2013 through 2015. She used the fraudulent proceeds obtained from the program benefits for the purchase and remodeling of a residence in Michigan, vacations, cruises, a fishing boat, and other personal items. HUD OIG and the Internal Revenue Service, Criminal Investigation Division, conducted this investigation. **(South Bend, IN)**

EVALUATION

REVIEW OF DATA RELATED TO OUR REPORT: HUD'S OVERSIGHT OF THE ALEXANDER COUNTY HOUSING AUTHORITY IN CAIRO, IL

On July 24, 2018, HUD OIG issued a report on HUD's oversight of the Alexander County Housing Authority in **Cairo, IL**. The report concluded that HUD could and should have done more to oversee the decade-long deteriorating conditions at the Authority.

Due to the time between the events under review and OIG fieldwork, some HUD officials could not recall specific dates, individuals involved, and actions taken over the course of their involvement with the Authority. To bridge this information gap, OIG requested that HUD provide the contents of several officials' email accounts and storage drives. OIG's goal was to determine what these officials knew and communicated about the Authority at the time the issues occurred. OIG requested the data in November 2017, and HUD produced nearly 50 gigabytes of data in June 2018, a month before OIG's planned release of the July 2018 report.

OIG decided to continue with the release of the report without a review of the electronic data to ensure that the report's issuance was not further delayed. This memorandum conveyed the results of OIG's review of the relevant emails and documents contained in the data received.

Of the approximately 1.2 million emails received, dating from January 1, 2011, through December 31, 2017, OIG selected 142,082 for review. The contents of these emails further supported the findings and recommendations in the issued report. Specifically, HUD officials had been aware of gross mismanagement at the Authority for years, but senior officials within the Office of Public and Indian Housing (PIH) did not place it into receivership because they believed they lacked a sufficiently strong, documented administrative record of the problems there. The emails

confirmed that after the Authority violated a voluntary compliance agreement and pressure mounted in the HUD and PIH front offices, PIH senior officials considered receivership. (Evaluation Report: **2017-OE-0014a**)

JOINT CIVIL FRAUD

Program Results

Administrative - civil actions	0
Administrative agreement	\$5,710,000,000
Funds put to better use	\$1,460,000,000

THE NEW YORK CITY HOUSING AUTHORITY AND NEW YORK CITY AGREED TO CHANGES AND MORE HOUSING FUNDING

After the filing of a civil complaint in the U.S. District Court of New York, the New York City Housing Authority and New York City reached an administrative agreement with HUD to reform the Authority's operations and improve the living conditions for its residents under the supervision of a Federal monitor. The civil complaint was filed after an investigation found serious safety and sanitary issues, such as lead paint hazards, mold growth, pest infestations, lack of heat, and inadequate elevator service, present in housing units, which were left unaddressed by the Authority. In addition to previously budgeted funding, New York City must provide \$1 billion in capital funds over the next 4 years plus \$200 million in capital funds for at least the next 6 years. The agreement ensures that more than \$5.16 billion in New York City funds will be transferred to public housing funding through 2027. As a result of the investigation, the State of New York will provide up to \$550 million in additional funding for repairs to the Authority's properties under a State disaster emergency declaration. In addition to the commitment of funds from these partners, the New York City Council has voted to approve new local laws and administrative codes related to lead disclosure, identifying lead in the water supply, and revisiting standards related to lead-based paint hazards and the efforts related to childhood blood lead level screenings and poisoning prevention. The Authority's chairwoman, general manager, and two senior vice presidents resigned or were removed from their positions. HUD OIG and the United States Attorney's Office of the Southern District of New York conducted this investigation. (**Joint Civil Fraud Division and Office of Investigation, New York, NY**)

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	1 audit	\$0	\$0

REVIEW OF HUD'S MULTIFAMILY SECTION 8 PROGRAM

HUD's Office of Inspector General (OIG) audited the Section 8 project-based housing assistance payment program of Civic Towers, LLLP, and Civic Towers Senior, LLLP, in **Miami, FL**, to determine whether the owners administered the program in accordance with HUD regulations; specifically, whether (1) any duplication of benefits existed between HUD and the Federal Emergency Management Agency (FEMA) as a result of damage caused by Hurricane Irma and (2) housing assistance payments were made for eligible tenants and properly supported.

The owners generally corrected the housing assistance payments to address duplicated benefits and ensured that the payments were made to eligible tenants and supported. Although there were units from these projects that were approved for HUD housing assistance during the same period in which the tenants received FEMA assistance, the owners made adjustments to account for these periods. However, OIG identified weaknesses in the tenant relocation process. OIG also identified four instances in which the housing assistance payments were calculated incorrectly due to conflicting income information, miscalculated annual income, underreported tenant income, and an unsupported elderly deduction. Failing to address these conditions could put HUD funds at risk in the event of a future disaster, in which tenants are displaced, and could result in housing assistance payment miscalculations, unreliable data being reported to HUD, and inaccurate subsidies being paid to the owners.

OIG recommended that HUD require the owners to (1) revise policies and procedures to address weaknesses in relocation procedures, (2) conduct a review of recertification documents to determine the correct housing assistance payment calculations and repay HUD from nonproject funds for any overpayments as a result of the recalculation, and (3) provide appropriate oversight and training to staff to ensure that housing assistance payment calculations are accurate and adequately supported. (Audit Report: **2019-AT-1001**)

INVESTIGATION

Program Results

Administrative - civil actions	4
Convictions - pleas - pretrial diversions	0
Financial recoveries	\$866,034

SETTLEMENT BETWEEN HUD AND HOUSING DEVELOPMENT MANAGEMENT AND OWNERSHIP AFTER FIRE SAFETY VIOLATIONS

The owners and management company of a housing development agreed to make a \$75,000 administrative payment to HUD to resolve allegations that the owners and managers failed to maintain safe housing as required by their Section 8 contract. In addition to the settlement, the owners committed to making more than \$500,000 in improvements to the property, including greater accessibility for its elderly residents and additional fire protection measures. The settlement came after an investigation into a fire at an apartment building. The fire caused extensive damage and displaced more than 200 elderly residents. HUD OIG's investigation found that despite certifications of compliance with the terms of the Section 8 contract, the management company knew that the property's fire pump and fire sprinkler system were not operational and the property did not comply with the local fire code. HUD OIG conducted this investigation. **(Jacksonville, FL)**

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	5 audits ⁶	\$9,645,913	\$386,388

During this semiannual period, the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), audited the HOME Investment Partnerships program and the Continuum of Care program.

HOME INVESTMENT PARTNERSHIPS AND CONTINUUM OF CARE

HUD OIG audited the **Louisville-Jefferson County, KY**, Metropolitan Government's tenant-based rental assistance activity in its HOME Investment Partnerships and Continuum of Care (CoC) programs to determine whether Louisville Metro administered the activity in its HOME and CoC programs in accordance with HUD's and its own requirements for participants' recertifications and calculations of housing assistance payments.

Louisville Metro did not (1) complete its annual recertifications in a timely manner with a signed housing assistance payments contract before providing housing assistance for 12 and 41 participants of the 34 HOME and 68 CoC participants reviewed, respectively, and (2) correctly calculate housing assistance payments for 13 and 16 households of the 34 HOME and 68 CoC participants reviewed, respectively. As a result, it (1) overpaid more than \$123,000 in housing assistance for its HOME and CoC programs, (2) underpaid more than \$720 in housing assistance for HOME and CoC participants, and (3) lacked documentation to support nearly \$7,350 in CoC program funds used for housing assistance payments. In addition, Louisville Metro and HUD lacked assurance that the tenant-based rental assistance activity in the HOME and CoC programs was administered in accordance with HUD's and Louisville Metro's requirements.

OIG recommended that HUD require Louisville Metro to (1) reimburse its programs and program participants for the overpaid and underpaid housing assistance, (2) support its CoC housing assistance payments or reimburse the program from non-Federal funds, (3) enforce its policy or implement other methods to ensure that annual recertifications are completed in a timely manner before issuing housing assistance, and (4) correct its certification

⁶ The total CPD audits, questioned costs, and funds put to better use amounts include questioned costs for any disaster-related audits included in the community planning and development area (one audit). The writeup for this audit is shown separately in chapter 5 of this semiannual report.

process to ensure that nearly \$385,700 in housing assistance is provided appropriately over the next year. (Audit Report: **2019-AT-1002**)

INVESTIGATION

Program Results

Administrative - civil actions	10
Convictions - pleas - pretrial diversions	27
Financial recoveries	\$219,232

ELEVEN SENTENCED FOR BRIBERY AND GRANT FRAUD

Eleven individuals, including city employees and contractors, were sentenced in U.S. District Court to a cumulative 73 months incarceration and 276 months supervised release or probation for their roles in a bribery and Community Development Block Grant (CDBG) fraud scheme. They were ordered to pay a total of nearly \$970,000 in restitution, with more than \$502,000 of that total to be returned to HUD, and more than \$421,000 was forfeited. Over 3 years, the acting program manager of the city's Community Development office received \$65,000 in bribes in exchange for awarding contractors multiple HUD-funded CDBG rehabilitation contracts, totaling approximately \$426,000. These individuals were also involved in a bid-rigging scheme in which several contractors, including a constable, colluded and exchanged fraudulent bids. The acting program manager then awarded the HUD grant funds to these contractors, despite the fact that the director knew the bids were illegitimate and fraudulent. HUD OIG and the Federal Bureau of Investigation conducted this investigation. (**Newark, NJ**)

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 \$84.6 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 \$82.4 billion in active disaster grants, the funds have been allocated nationwide, with nearly \$60.1 billion obligated and \$41.4 billion disbursed as of March 31, 2019.

Disaster	Funds allocated	Funds disbursed	Percentage of funds disbursed	Fiscal year funds allocated
Harvey, Irma & Maria	\$35.4 billion	\$1.7 billion	5	2017 & 2018
Louisiana, Texas & West Virginia ⁷	2.5 billion	744.4 million	29	2016 & 2017
Hurricane Sandy	15.2 billion	10.8 billion	71	2013
Hurricanes Ike, Gustav & Dolly	6.1 billion	5.6 billion	92	2008
Hurricanes Katrina, Rita & Wilma	19.7 billion	19.4 billion	99	2006 & 2008
9-11	3.5 billion	3.2 billion	92	2001-2002

HUD's Office of Inspector General (OIG) continues to take steps to ensure that HUD remains diligent in assisting communities with their recovery efforts.

⁷ In addition to Louisiana, Texas, and West Virginia (LTW is the name of the grant), funding was included for North and South Carolina and Florida in fiscal year 2017, but the grant name (LTW) remained the same.

AUDIT

Strategic Initiative 3: Contribute to the strengthening of communities

Key program results		Questioned costs	Funds put to better use
Audit	1 audit ⁸	\$9,492,986	\$0

REVIEW OF NEW YORK RISING BUYOUT AND ACQUISITION PROGRAM

HUD OIG audited the **State of New York's** Community Development Block Grant Disaster Recovery-funded New York Rising Buyout and Acquisition program to determine whether the State ensured that properties purchased under the acquisition component of the program met applicable HUD, Federal, and State requirements.

The State did not ensure that properties purchased under the acquisition component of its program met eligibility requirements. Specifically, it did not ensure that properties (1) were substantially damaged and (2) complied with flood hazard requirements. Further, it may have improperly purchased properties that did not comply with flood insurance requirements. As a result, the State disbursed more than \$3.5 million for ineligible properties and incentives and more than \$5.9 million for properties that it could not show met applicable requirements, and HUD did not have assurance that Disaster Recovery funds were used for their intended purpose.

OIG recommended that HUD require the State to (1) reimburse HUD for the settlement costs and incentives paid for properties that did not meet eligibility requirements or should not have received incentives; (2) provide documentation showing that 15 properties met requirements related to substantial damage, flood hazards, and flood insurance or reimburse the funds paid to purchase the properties; and (3) conduct a review of the other properties purchased under its program to ensure that the properties were eligible and reimburse the amount paid for any additional properties found to be ineligible. OIG also recommended that HUD require the State to provide documentation showing that the acquisition component of its program has ended or improve its controls to ensure that properties purchased are eligible. (Audit Report: **2019-NY-1001**)

INVESTIGATION

Program Results*

Administrative - civil actions	5
Convictions - pleas - pretrial diversions	20
Financial recoveries	\$3,442,544
*Figures included in the Offices of Public and Indian Housing and Community Planning and Development statistics	

⁸ Disaster-related audits fall under the authority of the Office of Community Planning and Development (CPD). The total disaster audits, questioned costs, and funds put to better use amounts shown above do not include questioned costs for any CPD audits that are not disaster related.

CONTRACTOR TO SERVE 10 YEARS IN PRISON FOR DISASTER FRAUD

A contractor and Landlord Repair Program (LLRP) grant recipient was sentenced in State Superior Court in connection with an earlier guilty plea to money laundering, theft by deception, distribution of a controlled substance, and conspiracy to distribute a controlled substance. The contractor was sentenced to 10 years incarceration and ordered to pay more than \$1 million in restitution, more than \$229,000 of which is due to HUD-funded programs. Between August 2013 and February 2016, the contractor was awarded \$500,000 in LLRP grant funds for a property in which he had partial ownership. Shortly after receiving the grant award, the contractor withdrew the majority of these funds using his father's name and Social Security number. No construction permits were applied for, and no work was done on the property. Additionally, a Rehabilitation, Reconstruction, Elevation, and Mitigation (RREM) grant recipient contracted with the contractor's construction company to repair a home damaged by Hurricane Sandy. The victim paid the company more than \$1 million for the work, which included \$150,000 in RREM funds. Rather than repair the home, the contractor used the money for personal expenditures. As both LLRP and RREM are HUD Community Development Block Grant Disaster Recovery-funded programs, the contractor's actions led to a total government loss of more than \$379,000. HUD OIG, the Ocean County Prosecutor's Office, and the New Jersey Division of Criminal Justice conducted this investigation. **(Toms River, NJ)**

CONSTRUCTION COMPANIES AND OWNERS SENTENCED FOR DISASTER FRAUD

The owners of two construction companies were sentenced in State Superior Court in relation to their earlier guilty pleas to theft by failure to make required disposition of property received. One owner was sentenced to 7 years in State prison, while the other was sentenced to 5 years probation. The two were ordered to pay \$620,691 in restitution to 23 victims and \$56,000 and \$53,000 in State tax restitution, respectively, and one of the owners was ordered to forfeit her Tiffany & Co engagement ring. Both construction companies received a \$250,000 antiprofitteering penalty as well as forfeiture of assets due to the fraud. The contractors also face a civil judgement of more than \$1.35 million. Finally, both owners were issued a permanent prohibition from operating a home elevation or contracting business in the State of New Jersey. Between 2013 and 2015, the two contracted with homeowners awarded the RREM grant following Hurricane Sandy and performed minimal or no work. These actions led to a loss of \$581,691 in government funds. HUD OIG and the New Jersey Division of Criminal Justice conducted this investigation. **(Toms River, NJ)**

TWO SENTENCED FOR DISASTER FRAUD

A police officer and his wife were sentenced in State Superior Court in relation to an earlier conviction regarding charges of conspiracy, theft, and false statements. The police officer was sentenced to 5 years imprisonment, while his wife was sentenced to 50 hours of community service and 3 years probation. The couple was ordered to pay full restitution of \$187,000, with more than \$79,000 of that total due to the New Jersey Department of Community Affairs, which administered HUD funds for the Homeowner Resettlement Program (RSP) and RREM. The two submitted fraudulent applications for RSP, RREM, the Sandy Homeowner and Renter Assistance Grant Program, and the Federal Emergency Management Agency's disaster relief program. On the applications, the couple stated that the home was their primary residence, when it was a vacation home and, therefore, ineligible for the disaster assistance. HUD OIG, the U.S. Department of Homeland Security OIG, the U.S. Small Business Administration OIG, the U.S. Department of Health and Human Services OIG, and the New Jersey Division of Criminal Justice, in conjunction with the New Jersey Attorney General's Office, conducted this investigation. **(Toms River, NJ)**

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	8 audits	\$0	\$512,475,026

Other Significant audits and evaluations conducted by the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), are discussed below.

AUDIT OF HUD’S FISCAL YEARS 2018 AND 2017 FINANCIAL STATEMENTS

In accordance with the Chief Financial Officers Act of 1990, as amended, OIG is required to annually audit HUD’s consolidated financial statements and the Federal Housing Administration’s (FHA) and Government National Mortgage Association’s (Ginnie Mae) stand-alone financial statements. OIG’s objective was to express an opinion on the fairness of HUD’s consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP) applicable to the Federal Government.

OIG expressed a disclaimer of opinion on HUD’s fiscal years 2018 and 2017 (restated) consolidated financial statements because of the significant effects of certain unresolved audit matters, which restricted OIG’s ability to obtain sufficient, appropriate evidence to express an opinion. These unresolved audit matters related to (1) the \$3 billion in nonpooled loan assets from Ginnie Mae’s stand-alone financial statements that OIG could not audit due to inadequate support and (2) noncompliant GAAP accounting for assets and budgetary resources. OIG identified five material weaknesses, four significant deficiencies, and five instances of noncompliance with applicable laws and regulations.

Primarily, (1) there were HUD-wide weaknesses in internal controls over financial reporting; (2) HUD accounting did not always comply with GAAP; (3) material asset balances related to nonpooled loans were not auditable, and related allowance for loan loss account balances remained unreliable; (4) HUD’s financial management system weaknesses continued; and (5) weaknesses continued in FHA’s modeling processes.

OIG recommended that HUD (1) improve internal controls over the financial reporting process, (2) properly account for all financial transactions in accordance with GAAP, (3) develop and implement policies and procedures, and (4) deobligate up to \$512.5 million in invalid or inactive HUD and FHA obligations. (Audit Reports: **2019-FO-0003** and **2019-FO-0004**)

AUDIT OF THE FEDERAL HOUSING ADMINISTRATION’S FINANCIAL STATEMENTS FOR FISCAL YEARS 2018 AND 2017

HUD OIG audited FHA’s fiscal years 2018 and 2017 (restated) financial statements, including its report on FHA’s internal control and test of compliance with selected provisions of applicable laws and regulations.

In OIG's opinion, FHA's fiscal years 2018 and 2017 financial statements were presented fairly, in all material respects, in accordance with GAAP. OIG's opinion is reported in FHA's Fiscal Year 2018 Annual Management Report.

The audit disclosed one material weakness, three significant deficiencies in internal controls, and no instances of noncompliance with applicable laws and regulations. (Audit Report: **2019-FO-0002**)

AUDIT OF THE GOVERNMENT NATIONAL MORTGAGE ASSOCIATION FISCAL YEARS 2018 AND 2017 FINANCIAL STATEMENTS

HUD OIG audited Ginnie Mae's fiscal years 2018 and 2017 financial statements, including its internal control and test of compliance with selected provisions of applicable laws and regulations.

In fiscal year 2018, for the fifth consecutive year, OIG was unable to obtain sufficient, appropriate evidence to express an opinion on the fairness of the \$3 billion (net of allowance) in nonpooled loan assets from Ginnie Mae's defaulted issuers' portfolio as of September 30, 2018. Ginnie Mae also continued to improperly account for FHA reimbursable costs as an expense instead of capitalizing them for the fifth consecutive year. The combination of these unresolved issues for a number of years was both material and pervasive because it impacted multiple financial statement line items across all of Ginnie Mae's basic financial statements. As a result of the scope limitation in its audit work and the effects of material weaknesses in internal control, OIG was not able to obtain sufficient, appropriate evidence to provide a basis for an audit opinion on Ginnie Mae's fiscal years 2018 and 2017 financial statements.

Further, OIG reported the updated status of prior-year audit findings, including four material weaknesses, one significant deficiency, and one reportable noncompliance with selected provisions of laws and regulations. (Audit Report: **2019-FO-0001**)

EVALUATION

HUD'S USE OF CONTRACTORS

HUD OIG evaluated HUD's use of contractors to improve OIG's understanding of HUD's reliance on contractors to achieve its mission and to provide information to help oversee HUD's contract workforce. OIG's objectives were to determine (1) the number of HUD contracts, (2) the dollar amount of the contracts, (3) the types of contracts used, and (4) how many full-time-equivalent contract employees work on the HUD contracts.

In fiscal year 2017, HUD awarded 2,338 contracts, modifications, and task orders valued at \$3.9 billion. Specifically, HUD awarded 1,598 contracts totaling \$3.1 billion in ultimate contract value for fiscal year 2017. For fiscal year 2017, HUD's contracts consisted of 12 types. The vast majority of the contracts – 89.7 percent – were firm fixed price. The exact number of HUD's full-time-equivalent contract employees remains unknown because HUD does not track that information. Officials from the Office of the Chief Procurement Officer (OCPO) stated that OCPO contracts for services and products and HUD pays for the contract's completion, not for a specific number of employees per contract. Because HUD does not maintain the number of full-time-equivalent contract employees, OIG surveyed the contracting officer's representatives to collect this information. However, OIG received information on only 14 percent of the contracts that HUD had in fiscal year 2017. Further, 120 responses did not provide full-time-equivalent contract employee information. Therefore, OIG does not consider the survey

results for the number of full-time-equivalent contract employees to be a complete representation of HUD's reliance on contract employees. (Evaluation Report: **2017-OE-0006**)

FEDERAL INFORMATION SECURITY MODERNIZATION ACT OF 2014 REPORT FOR FISCAL YEAR 2018

HUD OIG conducted its legislatively mandated annual evaluation of HUD's information security program and practices, making 30 recommendations for improvement to HUD. Using the fiscal year 2018 Inspectors General metrics, approved by the U.S. Office of Management and Budget (OMB) and the U.S. Department of Homeland Security, OIG assessed the effectiveness of HUD's information security program on a maturity model spectrum in accordance with Federal Information Security Modernization Act of 2014 (FISMA) requirements. The metrics consisted of eight domains aligned with the five National Institute of Standards and Technology Framework of Improving Critical Infrastructure and Cybersecurity functional areas (identify, protect, detect, respond, and recover).

HUD had prioritized and improved the governance of its information technology programs and continued to raise awareness of the need for a strong information security culture in fiscal year 2018. HUD filled the Chief Information Officer position and organizationally restructured it to report to the HUD Secretary. Additionally, HUD positioned itself to improve the effectiveness of its program, in part, by being chosen to receive \$20 million through the OMB technology modernization funding program to modernize key HUD information technology systems. However, key significant weaknesses in each of the eight domains remained, as outlined in the report. HUD remained at the same level of maturity and effectiveness as in the fiscal year 2017 report. OIG associated each of the 30 recommendations made during fiscal year 2018 to an OIG FISMA metric to allow HUD to better prioritize and work on continually maturing each component of its information security program. (Evaluation Report: **2018-OE-0003**)

SKILLED NURSING FACILITIES CURRENTLY EXEMPTED FROM REAL ESTATE ASSESSMENT CENTER INSPECTIONS

This topic brief⁹ expands upon two reports HUD OIG issued concerning residential care facility inspections. The first was an evaluation of the Office of Residential Care Facilities' (ORCF) use of Real Estate Assessment Center (REAC) scores in the inspection process. The second review, which was conducted by OIG's Joint Civil Fraud Division, examined HUD's oversight of physical conditions at residential care facilities. In the second report, OIG recommended that ORCF reimplement REAC physical condition inspections for the skilled nursing facilities that were exempted from routine physical inspections. HUD and OIG are working together to come up with an acceptable resolution to this recommendation. The objective of this topic brief is to provide additional support for OIG's earlier recommendation that HUD conduct physical inspections of all skilled nursing facilities. (Topic brief, February 22, 2019)

⁹ Topic briefs are a tool HUD OIG uses to keep officials within HUD informed of challenges so that its leadership can be better prepared to address them. OIG's Office of Evaluation and Joint Civil Fraud Division created this topic brief. They did not apply all of the generally accepted government auditing standards or the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation when performing this work.

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 500 hours to reviewing 104 issuances. The draft directives consisted of 67 notices, 9 mortgagee letters, and 28 other directives. OIG provided comments on 41 (or 39 percent) of the issuances and nonconcurred on 9 (or 9 percent) but lifted 5 nonconcurrences. Of the 28 other directives, OIG reviewed one proposed rule and two final rules, taking no position on these three rules; 18 handbooks-guidebooks; one congressional report; and 6 U.S. Department of Housing and Urban Development (HUD) legislative referral memorandum reports. Below is a summary of selected reviews for this 6-month period.

NOTICES, MORTGAGEE LETTERS, AND OTHER DIRECTIVES

OFFICE OF SINGLE FAMILY HOUSING

Streamlining home warranty requirements – On December 14, 2018, the Federal Housing Administration (FHA) published a final rule (Federal Register 6029-F-01), which streamlined the home warranty requirements for FHA single-family mortgage insurance by removing the regulations that require borrowers to purchase 10-year protection plans to qualify for certain mortgages on newly constructed single-family homes. This action conformed to the changes made by the Housing and Economic Recovery Act of 2008. However, HUD retained the requirement that the Warranty of Completion of Construction (form HUD-92544) be executed by the builder and the buyer of a new construction home as a condition for FHA mortgage insurance. This final rule followed publication of a February 6, 2013, proposed rule and took into consideration the public comments received on the proposed rule. OIG provided minor comments on this final rule.

Third-party verification services – On February 15, 2019, FHA published Mortgagee Letter 2019-01, which revised its requirements for employment, income, and asset accounts to permit the use of third-party verification (TPV) services. The inclusion of TPV guidance in Single Family Housing Policy Handbook 4000.1 and the HECM [home equity conversion mortgage] Financial Assessment and Property Charge Guide was to align HUD policy with industry practice. The provisions were effective immediately. OIG commented that the mortgagee letter was not clear regarding the level of documentation the lenders are required to maintain in the loan file with respect to TPV services. FHA agreed that clarification was needed.

Removal of the Federal inspector roster – On March 12, 2019, FHA published Mortgagee Letter 2019-04 to communicate the elimination of the regulations for the FHA inspector roster. This change means that FHA has deregulated the FHA inspector roster requirements and FHA no longer keeps a roster of inspectors. It was part of FHA's efforts to streamline inspection requirements for FHA single-family mortgage insurance. This final rule became effective August 2, 2018. All policy updates were incorporated into the latest Handbook 4000.1 update, issued March 27, 2019. OIG took no position on this mortgagee letter.

OFFICE OF PUBLIC AND INDIAN HOUSING

Operations notice for the expansion of the Moving to Work Demonstration program – On October 5, 2018, HUD published a notice (Federal Register 5994-N-03), which established requirements for the implementation and continued operation of the Moving to Work Demonstration (MTW) program under the 2016 MTW Expansion Statute. This notice was originally published on January 23, 2017, and again on May 4, 2017, with technical

revisions and an extension of the comment period. The current notice incorporated feedback from the two previous publications and reflected policy decisions. The primary changes were that (1) the term of participation was set at 12 years from the year of designation in response to public comments for the term to be at least 10 years from the year of designation and (2) in response to public comments, HUD removed the general waivers and conditional waivers categories and replaced them with a singular MTW waivers category, which MTW agencies may implement without further approval from HUD. The notice also stated that MTW agencies are not scored in the Section Eight Management Assessment Program (SEMAP) but may elect to be scored if they choose to opt in. HUD is developing an MTW-specific assessment system, and once developed, all MTW agencies, including MTW agencies that opt out of SEMAP, must be assessed under the MTW-specific assessment system(s). OIG commented on the risk associated with the MTW agencies that opt out of SEMAP not currently being assessed. OIG noted that there is a potential risk that HUD cannot ensure that these MTW agencies administer the Housing Choice Voucher Program in compliance with Federal requirements before the new assessment system is implemented. HUD issued the notice without making revisions in this regard.

Family Self-Sufficiency performance measurement system (composite score) – On November 15, 2018, HUD published a notice (Federal Register 6046-N-02), which described and responded to comments on a performance measurement system that HUD plans to implement for public housing agencies (PHA) that receive HUD Family Self-Sufficiency (FSS) program coordinator grants. The notice served to notify the public regarding the criteria for evaluating FSS programs. In 2017, HUD published a notice in the Federal Register describing and requesting comments on the performance measurement system that HUD planned to implement. Through the November 2018 notice, HUD was implementing the FSS performance measurement system, as proposed in the 2017 notice. Additionally, in response to public comments, HUD was revising the methodology it uses to compute FSS performance scores under the new system. The revisions to the methodology were as follows: (1) when a family ports, each PHA (the receiving and the initial PHA) will benefit from the family’s FSS enrollment as it relates to the PHA’s participation measure; (2) in calculating the earnings performance score, HUD will exclude FSS participants who become classified as disabled at any point during their participation; (3) in selecting comparison households, HUD will match FSS families with comparison families based on the number of children under the age of 18, rather than the presence of child under age 5; (4) under certain circumstances, HUD will require that comparison households be in the same county and PHA as the FSS participants to which they are being compared; and (5) HUD will apply an adjustment factor to the earnings performance measure to account for variations in local economic conditions. OIG provided a no position response regarding this notice.

Rental Assistance Demonstration: amendment to final notice – On December 11, 2018, HUD published a notice (Federal Register 6135-N-01) announcing a change to the Rental Assistance Demonstration Program (RAD) regarding conversions to project-based rental assistance (PBRA) under RAD’s second component. According to the issuance, the purpose of the notice was to clarify that execution of a PBRA contract as a result of the conversion of rent supplemental, rental assistance payment, moderate rehabilitation, or moderate rehabilitation single room occupancy contracts through RAD after the publication of this notice does not trigger Davis-Bacon Act prevailing wage requirements. OIG’s review of the notice resulted in comments to HUD questioning its decision to apply Davis-Bacon requirements to project-based voucher conversions but not to PBRA conversions. OIG also inquired as to whether there was evidence to support that the presence of Davis-Bacon requirements diminishes the level of improvements and worsens housing conditions. HUD issued the notice without making revisions in these areas.

OFFICE OF MULTIFAMILY HOUSING PROGRAMS

Revised procedures for obtaining prepayment approval – On October 1, 2018, HUD issued Mortgagee Letter 2018-07, which provided updated guidance on the submission requirements of form HUD-9807 (Insurance Termination Request for Multifamily Mortgage) for obtaining prepayment approval. The update was to help

expedite the prepayment review and approval process for FHA-insured multifamily and Section 232 (residential care) properties. It was effective for requests submitted on or after October 1, 2018. The prepayment approval process for FHA-insured Section 236 (multifamily housing properties) mortgages and Section 242 (hospital) mortgages was not impacted by this mortgagee letter. OIG provided a no position response regarding this mortgagee letter.

Revised concentration of principal risk criteria for FHA-insured multifamily housing – On October 24, 2018, HUD issued Mortgagee Letter 2018-09, which updated past guidance related to identifying and mitigating risks posed to the FHA insurance fund associated with increasing levels of insured loan balances of entities and their identified key principals that intend to submit applications for concentrated risk review. This mortgagee letter applied to all applications for FHA multifamily mortgage insurance programs, except for refinancing under section 223(a)(7) of the National Housing Act and programs administered by the Office of Healthcare Programs. Additionally, it applied to all applications for transfer of physical assets in cases in which the ownership interest of the transferee meets the definition of an active principal in accordance with section 8.3 of the Multifamily Accelerated Processing Guide (4430.G). OIG reviewed the notice, which included a borrower risk review template as an exhibit. OIG determined that the Office of Management and Budget approval number 2502-0029 covered the criteria requirements but did not appear to cover the borrower risk review template; therefore, OIG nonconcurred with this mortgagee letter. HUD made revisions, and OIG lifted the nonconcurrency.

Guest suites in multifamily housing under the National Housing Act – On November 9, 2018, HUD issued Notice 2018-10 and related Mortgagee Letter 2018-10, which provided “best practices” guidance to determine under what circumstances guest suites are permissible in multifamily rental or cooperative projects with mortgages insured or held by HUD under the National Housing Act. HUD noted that inclusion of guest suites as an amenity may contribute to the marketability of certain multifamily projects. However, it also noted that guest suites are permissible only to the extent that their use is consistent with the National Housing Act’s prohibition against the use of FHA-insured multifamily projects for transient or hotel purposes. OIG provided comments stating that HUD needed to include a limited number of days for a tenant to reserve a guest suite as well as a limit on the number of reservations within a given period.

Guidance for foreign national participation in FHA-insured multifamily programs – On February 15, 2019, HUD issued Notice 2019-01 and related Mortgagee Letter 2019-02, which clarified and expanded the mortgage credit underwriting requirements in chapter 8 of the Multifamily Accelerated Processing Guide for active and passive principals who are foreign nationals, as well as domestic principals, to avoid creating relationships with a foreign national investor that may have disclosed or undisclosed relationships, which could be unlawful or jeopardize the interests of HUD. OIG originally nonconcurred for multiple reasons. HUD made revisions based on OIG comments, and OIG lifted the nonconcurrency.

Sections 221(d)(4) and 220 new construction and substantial rehabilitation of multifamily projects with low-income housing tax credits – On February 21, 2019, HUD issued Notice H 2019-03 and related Mortgagee Letter 2019-03, which announced a new phase to HUD’s Low-Income Housing Tax Credit Pilot program (New Pilot) for streamlining the review process for FHA mortgage insurance application processing. The New Pilot covers new construction and substantial rehabilitation projects under sections 221(d)(4) and 220 of the National Housing Act. The notice and the related mortgagee letter described how the New Pilot will be carried out for such projects, including project eligibility criteria, underwriting criteria, application requirements, and the HUD application review process. The streamlined process is intended to further align HUD’s sections 221(d)(4) and 220 platform with the programmatic requirements of the New Pilot program and further improve HUD’s responsiveness and application processing times. OIG provided a no position response regarding this notice and related mortgagee letter.

OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT

Disaster funding waiver to increase the tourism and business marketing cap (Commonwealth of Puerto Rico only) – On August 14, 2018, HUD issued docket number FR-6109-N-01, which granted the Commonwealth of Puerto Rico a waiver to create a new eligible activity to use up to \$15 million in Community Development Block Grant Disaster Recovery funds for tourism marketing activities to promote travel and attract new businesses to disaster-impacted areas, consistent with the amount allocated by the Commonwealth in the action plan submitted to HUD under the February 9, 2018, notice (docket number FR-6066-N-01). On December 7, 2018, HUD proposed a waiver to increase that amount by \$100 million. OIG nonconcurred with the notice, citing that the \$100 million could be put to better use by providing housing and crisis assistance to residents of the Commonwealth. In resolving the nonconcurrency, HUD reduced the additional amount for tourism and business marketing to \$10 million.

Community Compass Technical Assistance and Capacity Building – On July 23, 2018, OIG submitted a nonconcur response to the fiscal years 2018 and 2019 Community Compass Technical Assistance and Capacity Building program notice of funding availability (NOFA). At the time the NOFA was submitted for clearance, OIG was conducting an audit of the program. OIG’s response to the NOFA identified six activities that OIG believed should be procured through the procurement process rather than through a NOFA. OIG issued the resulting audit report on September 28, 2018.¹⁰ HUD and OIG were unable to agree on the treatment of the six activities in the NOFA, and on December 17, 2018, HUD issued the notice without OIG’s lifting its nonconcurrency.

¹⁰ Audit Report 2018-PH-0003, HUD Did Not Have Adequate Oversight of Its Community Compass Technical Assistance and Capacity Building Program

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.

AUDIT REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AS OF MARCH 31, 2019

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 its 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). OIG also reported that there were not sufficient internal controls over the process to ensure accurate and reliable financial reporting. Due to the weaknesses in the process, PIH failed to ensure that material financial transactions were included in HUD's consolidated financial statements and allowed public housing agencies (PHA) to continue to hold 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.

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 and timeline showing the actions PIH planned to take to implement corrective action. Further, the proposals included several contingencies, which OIG was not comfortable accepting.

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 briefed 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, since the plans were still vague, PIH did not feel comfortable entering into a management decision. 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 asked PIH about entering into a management decision because it appeared that it was making progress on addressing this recommendation, but no management decision had been submitted as of March 31, 2019. Recently, the Office of the Chief Financial Officer (OCFO) reported that PIH had received funding approval for phase 1 of the project and was working to engage a contractor to begin the project. During the course of the fiscal year 2019 audit, OIG will

encourage PIH to enter a management decision. OIG is hopeful that plans are sufficiently solid for PIH to agree to enter a management decision. (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 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. 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 OCFO's responsibility as the lead official for directing and overseeing HUD's actions to address improper payments.

OIG sent a referral memorandum to the Acting Chief Financial Officer on September 23, 2014, regarding its disagreement, along with an untimely referral memorandum for two recommendations that had not had management decisions proposed. Following OIG's memorandum, OCFO proposed 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 proposed 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, held meetings with OCFO to discuss what was needed to reach an 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 stated 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 was too vague and did not reflect how the recommendation will be addressed. Further, the evidence to provide closure is "to be determined" and is dependent on funding.

OCFO 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 rates in certain programs were not masked when reported in the AFR. Most recently, OCFO agreed with this recommendation. However, OIG has continued to disagree with the proposed management decision because it is dependent on funding and the final action target date is January 30, 2020. OCFO did not provide sufficient detail to adequately describe and justify the need for a final action target date of January 30, 2020.

Most recently, OCFO submitted management decisions for both recommendations, stating that HUD is using contractor support and that it has given the contractor 2 years to bring HUD into compliance with IPERIA. OIG rejected these management decisions because they do not provide specific information regarding how the contractor support will address the recommendations. (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. OIG identified 486 loans from January 2004 to February 2014 that had enforceable indemnification agreements and losses to HUD but 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 the final default date for billing only. 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. 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 disagree 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 Offices of General Counsel, Single Family Housing, and Finance and Budget on January 30, 2015. The meeting ended in disagreement; however, the HUD Office of General Counsel and OIG Office of Legal Counsel continued discussions.

Single Family Housing received two legal opinions from HUD’s Office of General Counsel, 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’s Offices of General Counsel, 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 March 31, 2019, was 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 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. Since that time, OIG has reached an agreement on four of nine management decisions that it previously rejected. As a result, there are now five audit recommendations without a management decision. OIG’s audit recommendations requested that HUD OCFO 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 March 31, 2019, the Deputy Secretary had not provided a decision on the five 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 its 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 March 31, 2019, 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: HUD 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 reconciliations 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 position 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 March 31, 2019, PIH had not proposed a management decision for the recommendation OIG made in 2014-FO-0003 or this recommendation regarding reconciliations.

HUD's financial management governance structure and internal controls over financial reporting: HUD 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 that the deficiencies had been addressed by the new processes implemented by the New Core Project 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 OIG accepted the new proposals. As of March 31, 2019, OIG had not received new proposed management decisions for the four remaining 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 its 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 March 31, 2019, 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 2013.¹¹

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.¹² 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 the Office of General Counsel 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 March 31, 2019, had not received a decision. (Audit Report: **2016-PH-0005**)

¹¹ Public Law 113-2, dated January 29, 2013

¹² 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 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 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 a settlement agreement. 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, this 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 the loan impairment allowance on its 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 March 31, 2019, 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 HUD's loan guarantee balances. OIG issued several referrals 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 March 31, 2019, HUD had not submitted a revised management decision. (Audit Report: **2017-FO-0003**)

HUD'S TRANSITION TO A 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 the New Core Project, 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.

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 did not receive a response or a proposed management decision related to the two recommendations. Therefore, it referred these recommendations to the Deputy Secretary on June 6, 2017. As of March 31, 2019, 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 GRANTEEES' RISK TO THE INTEGRITY OF CPD PROGRAMS OR ADEQUATELY MONITOR ITS GRANTEEES, ISSUE DATE: JULY 10, 2017

HUD OIG audited HUD's Office of Community 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 duties. In addition, the headquarters desk officer review function was administrative in focus and failed to note noncompliance. As a result, CPD could not 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 analysis; 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 in October 2017 but was unable to reach agreement.

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 again submitted proposed management decisions. However, the management decisions did not appropriately address the recommendations, and OIG could not concur. OIG has attempted to resolve the disagreement; however, as of March 31, 2019, 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 unqualified 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 conflict as to whether "housing assistance" and "homeless assistance" are synonymous. If homeless assistance grants were considered a Federal public benefit, HOPWA would not be available to illegal-undocumented aliens. However, since 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.

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 March 31, 2019, OIG was awaiting a decision from the Deputy Secretary. (Audit Memorandum: **2017-CF-0801**)

HUD DID NOT PROVIDE SUFFICIENT GUIDANCE AND OVERSIGHT TO ENSURE THAT STATE DISASTER GRANTEES 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,¹³ 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, who in turn proposed corrective actions on November 24, 2017. For two of the recommendations, the Deputy Assistant Secretary for Grant Programs stated that the matter of the applicability of the Federal procurement standards at 2 CFR 200.318 through 200.326¹⁴ (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 decision regarding resolution of recommendations from OIG's audit of New Jersey's Sandy Integrated Recovery Operations and Management System.¹⁵ In the January 10, 2017, 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 the Office of General Counsel 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 for Grant Programs also noted that the Senate Appropriations Committee report on fiscal year 2018 U.S. Department of Transportation-HUD appropriations legislation¹⁶ 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 for Grant Programs 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

¹³ 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

¹⁴ 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.

¹⁵ 2015-PH-1003, dated June 4, 2015

¹⁶ Senate Report 1115-138, dated July 27, 2017

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 the performance of cost estimates and cost analyses. 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 March 31, 2019, 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 the Integrated Disbursement and Information System (IDIS) and properly calculate and report program income from the disposition of these properties regularly. OIG stated 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, 2018, the Deputy Assistant Secretary for Grant Programs submitted a revised proposal. CPD 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.

OIG rejected HUD's March 28, 2018, proposal 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 state 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 March 31, 2019, OIG had not received 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 (IAA) 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 an agreement. These recommendations were then referred to the Deputy Secretary on May 31, 2018. OCPO did not provide additional corrective action plans for resolving the missing IAAs 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 but did not provide an updated management decision with evidence to provide closure. On October 23, 2018, OCPO resubmitted a management decision for one of the two recommendations, and OIG concurred on the proposal. As of March 31, 2019, OIG had not received a new proposed management decision for the remaining recommendation relating to maintaining adequate IAA records, and as a result, there continued to be no management decision. (Audit Report: **2018-FO-0004**)

HUD'S OFFICE OF BLOCK GRANT ASSISTANCE HAD NOT CODIFIED THE COMMUNITY DEVELOPMENT BLOCK GRANT DISASTER RECOVERY PROGRAM, ISSUE DATE: JULY 23, 2018

HUD OIG audited the HUD Office of Block Grant Assistance's (OBGA) CDBG Disaster Recovery program. OIG's analysis noted that Congress had historically provided disaster funding through supplemental appropriations, yet OBGA had not created a formal codified program. Instead, it had issued multiple requirements and waivers for each Disaster Recovery supplemental appropriation in Federal Register notices, many of which were repeated from disaster to disaster. OIG's objective was to determine whether OBGA should codify the CDBG Disaster Recovery funding as a program in the Code of Federal Regulations.

Although OBGA had managed billions in Disaster Recovery funds since 2002, it had not codified the CDBG Disaster Recovery program. 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 it 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 CPD to identify two rules to eliminate in order to create a new codified rule. OIG believes OBGA has the authority under the Housing Act of 1974 and it should codify the program. OBGA's use of multiple Federal Register notices to operate the Disaster Recovery program presented challenges to the 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. Further, codifying the CDBG Disaster Recovery program would (1) ensure that a permanent framework is in place for future disasters, (2) reduce the existing 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 the Acting Director of OBGA work with the Office of General Counsel (OGC) to codify the CDBG Disaster Recovery program.

On October 31, 2018, CPD provided a memorandum stating that it did not believe the codification of the CDBG Disaster Recovery program was necessary. OIG waited for CPD to enter this information into the automated tracking system for audit resolution so OIG could reject the proposed management decision. CPD had not entered a management decision when the government furlough started in December 2018. Shortly after the furlough ended on January 29, 2019, OIG issued a memorandum to CPD's Deputy Secretary for Grant Programs noting that OIG had been unable to reach a management decision and disagreed with CPD's management decision memorandum. Specifically, OIG disagreed with OBGA's statements that codification was not necessary and that codification had limited or no applicability for future disasters. OIG also noted that OBGA did not address that its use of multiple Federal Register notices to administer the Disaster Recovery funding presented challenges to the grantees. OIG further disagreed that language in the various Disaster Recovery statutes prohibits HUD or OBGA from issuing codified rules under the authority granted to it in the Housing and Community Development Act of 1974, as Congress provided these funds under the "Community Development Fund."

Additionally, OBGA acknowledged the report's conclusion that codification could increase the speed by which grantees could assemble an action plan. OIG agreed with OBGA that Federal Register notices would still be required. However, OIG believes the number and content volume of Federal Register notices would be reduced if OBGA codified the program. Thus, OIG believes that a management decision, which contains only an agreement to issue a consolidated guide for the issued Federal Register notices, is not sufficient to address the recommendation, which was to create a codified disaster recovery program.

As of March 31, 2019, CPD had not entered a proposed management decision into the audit resolution system. In addition, OIG did not receive a response to the referral of the disagreement to the Deputy Assistant Secretary for Grant Programs. As a result, OIG referred its disagreement on this management decision to the Principal Deputy

Assistant Secretary for Community Planning and Development on March 20, 2019. (Audit Report: **2018-FW-0002**)

EVALUATION REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AS OF MARCH 31, 2019

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 noncompliance 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 noncompliance. 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, six of which remain open. OIG has not reached an agreed-upon management decision for these six recommendations but is making progress on some of the recommendations through conversations with HUD officials. In March 2019, OGC and the Office of Housing provided documentation of corrective actions for five of the six open recommendations. OIG's analysis of the documentation received is ongoing. (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 agree 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 had developed the professionalization initiative as part of a greater reform plan, but HUD senior leadership had not implemented it. On February 7, 2019, OIG referred 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 the 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 its response to the draft report. Rather, HUD provided additional information on process improvements 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 obligation issue. HUD officials told OIG that they could not estimate when the issue would be resolved or when the handbook would be released to close the recommendation. OIG plans to refer the recommendation to the Deputy Secretary for resolution during the next reporting period. (Evaluation Report: **2015-OE-0008**)

OPPORTUNITIES FOR IMPROVEMENT WITHIN CPD'S RISK MANAGEMENT PROCESS FOR HURRICANE SANDY GRANTS, ISSUE DATE: MARCH 29, 2017

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) no clear correlation between the risk analysis and monitoring existed, (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. In fiscal year 2018, OIG attempted to meet and discuss the recommendations with the director of that office but was unsuccessful. In November 2018, OIG referred recommendations 1, 2, and 4 to CPD's Acting General Deputy Assistant Secretary. On March 11, 2019, CPD responded to OIG's referral but did

not provide proposed management decisions. OIG is continuing to attempt to work with CPD to obtain proposed management decisions. (Evaluation Report: **2016-OE-0004S**)

HUD WEB APPLICATION SECURITY EVALUATION, ISSUE DATE: JUNE 6, 2018

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. OIG assessed HUD's capability to identify and mitigate critical IT vulnerabilities in its 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 open recommendations or a required estimated completion date for providing the management decisions. On June 2, 2017, HUD concurred with all recommendations and agreed to work with OIG to assign responsibility and complete resolution. Due to key leadership changes and HUD's focus on prioritizing its management decisions for the fiscal years 2017 and 2018 Federal Information Security Modernization Act of 2014 evaluations, management decisions for this report have not been provided. (Evaluation Report: **2016-OE-0002**)

HUD IT SYSTEM MANAGEMENT AND OVERSIGHT OF THE SECTION 184 PROGRAM, ISSUE DATE: AUGUST 13, 2018

HUD OIG evaluated the IT systems supporting the Office of Native American Programs' (ONAP) Indian Home Loan Guarantee Program (Section 184 program) following concerns that HUD had not used the provided resources to address shortcomings in internal controls and the ability to deploy a reliable IT system. OIG assessed a newly developed IT system, called the Loan Origination System (LOS), and observed that (1) LOS had 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; (2) only 1 of 38 lenders was able to access and use LOS due to HUD's inability to resolve and implement a user access solution; (3) LOS had no capability to conduct loan servicing and claims, which are still conducted using Excel spreadsheets; and (4) LOS lacked critical management reporting capabilities. Despite HUD's investing \$4 million into the development of LOS, the system does not satisfy all management and oversight objectives.

OIG made five recommendations, which remain open. HUD and ONAP concurred with all five recommendations in August 2018 with a suspense of November 26, 2018, to provide OIG with management decisions. However, due to the LOS contract lapse in September 2018 and the inability to let a new contract, HUD and ONAP have been unable to provide management decisions for the five recommendations. ONAP has been in regular contact with OIG and states that a new contract for maintaining LOS must be in place to coordinate with HUD on the management decisions. The LOS solicitation was released in March 2019 with proposals expected to be provided to HUD for review in April 2019. (Evaluation Report: **2018-OE-0004**)

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 three significantly revised management decisions.

THE CITY OF DALLAS, TX, HOME INVESTMENT PARTNERSHIPS PROGRAM WAS NOT ALWAYS ADMINISTERED IN ACCORDANCE WITH REQUIREMENTS, ISSUE DATE: MAY 8, 2018

HUD OIG audited the City of Dallas' HOME Investment Partnerships program, specifically, its reconstruction program. 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 correctly calculate participant income. These conditions occurred because City staff did not have adequate training or direction on environmental requirements and the City hastily reprogrammed \$1.02 million to its reconstruction program without proper planning because it believed the money would be recaptured by HUD. As a result, the City rushed projects without ensuring that it followed HOME regulations or its own policies. Therefore, it 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. This condition occurred because the City did not believe it had to meet HOME requirements as the properties receiving match contributions were not HOME funded. As a result, it claimed more than \$2.9 million in ineligible match contributions.

OIG recommended that the Director of the Fort Worth Office of Community Planning and Development require the City to (1) repay HUD more than \$1.3 million that it misspent reconstructing homes, (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 more than \$2.9 million in match contributions, and (7) ensure that its employees understand and comply with the HOME participant income requirements.

HUD's original management decision, dated August 6, 2018, agreed with the recommendations. On December 11, 2018, HUD submitted a revised management decision, stating it had identified additional match contributions of more than \$4.8 million that did not meet all HOME requirements, and requested that OIG increase the questioned costs to a total of more than \$7.7 million. OIG concurred with the revised management decision on December 18, 2018. (Audit Report: **2018-FW-1004**)

HUD SUBSIDIZED 10,119 UNITS FOR TENANTS WHO WERE UNDERCHARGED FLAT RENTS, ISSUE DATE: SEPTEMBER 12, 2017

HUD OIG audited PHA compliance with HUD's flat rent requirements based on multiple external audits conducted by OIG showing that PHAs were unaware of or did not properly implement the flat rent requirements. The objective was to determine whether PHAs complied with HUD's flat rent requirements. OIG determined that PHAs did not properly implement HUD's flat rent requirements for more than half of the flat rent tenants reviewed. They undercharged a projected total of 10,119 flat rent tenants by an estimated \$527,052 nationwide during December

2016, equating to annually undercharging flat rent tenants by approximately \$6.3 million if HUD does not correct the problem.

Among other things, OIG recommended that HUD finalize and implement monitoring procedures to ensure that more than \$6.3 million in flat rents was appropriately charged to tenants over the following year. In its original management decision, HUD agreed to provide an updated Risk Assessment Questionnaire and Compliance Monitoring Guidance as evidence to close the recommendation. On December 18, 2018, HUD submitted a revised management decision, explaining that it was changing the risk model and key risk indicators and would no longer use the current Compliance Guidance Checklist. HUD stated that it would use new three-tier monitoring procedures, which would include flat rent monitoring, and planned to complete the new monitoring procedures in late fiscal year 2019. HUD agreed to provide the new three-tier monitoring procedures as evidence to close the recommendation by December 31, 2019.

On December 21, 2018, OIG agreed with the revised management decision. (Audit Report: **2017-KC-0007**)

HUD COULD NOT SUPPORT THE REASONABLENESS OF THE OPERATING AND CAPITAL FUND PROGRAMS' FEES AND DID NOT ADEQUATELY MONITOR CENTRAL OFFICE COST CENTERS, ISSUE DATE: JUNE 30, 2014

HUD OIG audited HUD's methodology and monitoring regarding the Office of Public Housing's asset management fees and central office cost centers (COCC). OIG found that HUD could not adequately support the reasonableness of the Public Housing Operating Fund management, bookkeeping, and asset management fees and Public Housing Capital Fund management fee limits. In addition, HUD lacked adequate justification for allowing PHAs to charge an asset management fee, resulting in more than \$81 million in operating funds being unnecessarily defederalized annually. HUD also did not adequately monitor PHAs' COCC fee charges. Since COCC funds are considered non-Federal funds and no longer subject to HUD requirements, there is a greater potential for fraud, waste, and abuse.

OIG recommended that HUD (1) revise its asset management fee policy to refederalize the Operating and Capital Fund programs' fee revenue, (2) eliminate the asset management fee, and (5) establish and implement policies and procedures for the assessment and monitoring of the fees.

HUD's revised management decisions, effective February 25, 2016, agreed to refederalize the COCC fee revenue. Rather than eliminating the asset management fee as recommended, the associated funds would also be subject to Federal restrictions. In August 2018, HUD began discussions with OIG on revisions to the management decisions. Due to concerns with the potential impact on PHAs, HUD proposed that rather than refederalizing the COCC fee revenue, it would not refederalize the funds but, instead, place additional restrictions on the funds. OIG has estimated in total that PHAs with COCCs could earn a maximum of \$81 million annually, which would be subject to the restrictions noted above. OIG agreed with the revised management decisions on December 14, 2018. (Audit report: **2014-LA-0004**)

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 United States Standard General Ledger at the transaction level.

During fiscal year 2018, HUD made progress in addressing a multitude of material weaknesses from OIG's fiscal year 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 and OCFO environment and the ARC and FSSP environment (that is, through NCIS), and (4) longstanding issues related to legacy component and program office system weaknesses that remain unresolved.

In fiscal year 2017, HUD took the important step of restarting FFMIA system compliance reviews and continued performing these reviews in fiscal year 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 fiscal year 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, which 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 departmental managerial cost accounting capability, which had been a longstanding need.

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 controls over financial reporting and its inability to properly account for its defaulted issuer loan portfolio. As of March 31, 2018, Ginnie Mae had implemented a new module to its financial management system, the Ginnie Mae Financial Accounting System. OIG's assessment of whether this module addresses Ginnie Mae's material weaknesses and FFMIA noncompliance is underway.

In addition to the noncompliance at Ginnie Mae, HUD CPD 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 United States Standard General Ledger. CPD also missed remediation target dates established to address fiscal year 2017 FFMIA noncompliance related to disaster grant accounting processes and the Disaster Recovery Grant Reporting 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 fiscal year 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 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 is posted on HUD OIG's website for employees who could not attend in person. In addition, in October 2018, the Acting Inspector General issued 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 working to incorporate guidance and resources, recently issued by the Office of Special Counsel (OSC) and the Office of Personnel Management, to update training and supervisor performance requirements. 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 OSC. HUD OIG does not track these matters unless OSC requests HUD OIG assistance in investigating a complaint. During this semiannual reporting period, HUD OIG did not substantiate any whistleblower retaliation complaints against HUD employees.

HUD OIG did receive a number of complaints filed under 41 U.S.C. (United States Code) 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. HUD OIG is required to complete each 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 status¹⁷	14 (5 referred to hotline)
Complaints referred for investigation to the HUD OIG Office of Investigation (OI)	9
Complaint investigations opened by OI	6
Complaints declined by OI	3
Complaints currently under review by OI	6
Employee complaint investigations closed by OI	0

¹⁷ 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/-1/1/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 AND EVALUATION REPORTS ISSUED

Internal Reports

AUDIT REPORTS	
CHIEF FINANCIAL OFFICER	
2019-DP-0002	Review of Selected Controls of the GrantSolutions and OneStream Applications, 02/28/2019.
2019-FO-0003	Additional Details To Supplement Our Fiscal Years 2018 and 2017 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit, 11/15/2018. Better use: \$113,384,299.
2019-FO-0004	HUD’s Fiscal Years 2018 and 2017 (Restated) Consolidated Financial Statements Audit, 11/15/2018.
CHIEF INFORMATION OFFICER	
2019-DP-0004	Fiscal Year 2018 Review of Information Systems Controls in Support of the Financial Statements Audit, 03/27/2019.
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	
2019-DP-0001	Information System Control Over Integrated Pool Management System, 12/21/2018.
2019-FO-0001	Audit of the Government National Mortgage Association’s Financial Statements for Fiscal Years 2018 and 2017, 11/13/2018.
HOUSING	
2019-DP-0003	Federal Housing Administration, Washington, DC, Review of Information System Controls Over FHA, 03/20/2019.
2019-FO-0002	Audit of the Federal Housing Administration’s Financial Statements for Fiscal Years 2018 and 2017 (Restated), 11/14/2018. Better use: \$399,090,727.
AUDIT-RELATED MEMORANDUMS ¹⁸	
OFFICE OF ADMINISTRATION	
2019-PH-0801	HUD Used Funds for Building Improvements in Accordance With Its Plans and the Approval of the House and Senate Committees on Appropriations, 11/07/2018.

¹⁸ 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.

External Reports

AUDIT REPORTS	
COMMUNITY PLANNING AND DEVELOPMENT	
2019-AT-1002	Louisville Metro, Louisville, KY, Did Not Always Administer the TBRA Activity in Its HOME and CoC Programs in Accordance With Program Requirements, 03/18/2019. Questioned: \$130,525. Unsupported: \$7,309. Better use: \$386,388.
2019-LA-1001	American Family Housing, Midway City, CA, Administered Its Special Needs Assistance Program in Accordance With HUD Requirements, 12/03/2018.
2019-LA-1003	The City of San Bernardino, CA, Did Not Fully Administer Its HOME Investment Partnerships Program in Accordance With HUD Requirements, 02/20/2019. Questioned: \$22,402.
2019-NY-1001	The State of New York Did Not Ensure That Properties Purchased Under the Acquisition Component of Its Program Were Eligible, 03/29/2019. Questioned: \$9,492,986. Unsupported: \$5,930,788.
HOUSING	
2019-AT-1001	The Owners of Civic Towers and Civic Towers Senior in Miami, FL, Generally Corrected Section Eight Housing Assistance Payments To Address Duplicate Benefits and Ensured That the Payments Were Eligible and Supported, 12/14/2018.
PUBLIC AND INDIAN HOUSING	
2019-CH-1001	The Housing Authority of the City of North Chicago, North Chicago, IL, Did Not Always Comply With HUD's Requirements and Its Own Policies Regarding the Administration of Its Housing Choice Voucher Program, 12/20/2018. Questioned: \$272,615. Unsupported: \$93,651. Better use: \$1,238,193.
2019-CH-1002	The Detroit Housing Commission, Detroit, MI, Did Not Always Administer Its Moderate Rehabilitation Program in Accordance With HUD's and Its Own Requirements, 02/06/2019. Questioned: \$132,731. Unsupported: \$85,489. Better use: \$34,595.
2019-LA-1002	The Housing Authority of the County of Alameda, Hayward, CA, Generally Administered Its Rental Assistance Demonstration in Accordance With HUD Requirements, 12/11/2018.
2019-SE-1001	The Tacoma, WA, Housing Authority Generally Satisfied RAD Requirements but Did Not Follow Its Moving to Work Policy by Conducting Annual Tenant Reexaminations for Its RAD Converted Units, 12/21/2018. Questioned: \$2,975. Unsupported: \$1,071.

AUDIT-RELATED MEMORANDUMS¹⁹

COMMUNITY PLANNING AND DEVELOPMENT

2019-NY-1801	Independent Attestation Review: U.S. Department of Housing and Urban Development, Office of Special Needs, Continuum of Care Homeless Assistance Grants Program, Regarding Drug Control Accounting for Fiscal Year 2018, 03/04/2019.
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GENERAL COUNSEL

2019-CF-1801	Universal American Mortgage Company, LLC, Settled Allegations of Failing To Comply With HUD's Federal Housing Administration Loan Requirements, 12/21/2018. Questioned: \$6,076,741.
2019-CF-1802	Gateway Funding Diversified Mortgage Services, LP, Now Known as Finance of America Mortgage, LLC, Settled Allegations of Failing To Comply With HUD's Federal Housing Administration Loan Requirements, 03/19/2019. Questioned: \$7,230,000.

Internal Reports

EVALUATION REPORTS

CHIEF INFORMATION OFFICER

2018-OE-0003	Federal Information Security Modernization Act of 2014 (FISMA) Report for Fiscal Year 2018, 10/31/2018.
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CHIEF PROCURMENT OFFICER

2017-OE-0006	HUD's Use of Contractors, 12/20/18.
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PUBLIC AND INDIAN HOUSING

2017-OE-0014a	Review of Data Related to Our Report: HUD's Oversight of the Alexander County Housing Authority in Cairo, IL, 12/17/2018.
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EVALUATION-RELATED MEMORANDUMS²⁰

OFFICE OF HEALTHCARE PROGRAMS

Not applicable	Skilled Nursing Facilities Currently Exempted From Real Estate Assessment Center Inspections, 2/22/2019.
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¹⁹ 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.

²⁰ The memorandum format is used to communicate the results of reviews not performed in accordance with the Council of the Inspectors General on Integrity and Efficiency's Quality Standards for Inspection and Evaluation to close out assignments or report on informational products.

APPENDIX 3 – TABLES

TABLE A

AUDIT REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AT 03/31/2019

*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 21	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 22	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 23	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 24	02/27/2015
* 2016-FO-0001 Audit of Fiscal Years 2015 and 2014 (Restated) Financial Statements	See chapter 8, page 25	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 25	11/18/2015
* 2016-PH-0001 HUD Did Not Always Provide Adequate Oversight of Property Acquisition and Disposition Activities	See chapter 8, page 26	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 27	09/29/2016
* 2017-FO-0001 Audit of Fiscal Years 2016 and 2015 (Restated) Financial Statements	See chapter 8, page 28	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 29	11/15/2016
* 2017-DP-0001 HUD's Transition to a Federal Shared Service Provider Failed To Meet Expectations	See chapter 8, page 29	02/01/2017

REPORT NUMBER AND TITLE	REASON FOR LACK OF MANAGEMENT DECISION	ISSUE DATE
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 30	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 31	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 32	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 33	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 34	11/15/2017
* 2018-FW-0002 HUD's Office of Block Grant Assistance Had Not Codified the Community Development Block Grant Disaster Recovery Program	See chapter 8, page 35	07/23/2018
* 2018-DE-1001 Meeker Housing Authority, Meeker, CO, Improperly Used Project Operating Funds for Its 221(d)(3) Multifamily Housing Insurance Program ²¹		09/06/2018
* 2018-KC-0004 HUD Did Not Always Identify and Collect Partial Claims Out of Surplus Foreclosure Proceeds ²¹		09/20/2018
* 2018-LA-0007 HUD Paid an Estimated \$413 Million for Unnecessary Preforeclosure Claim Interest and Other Costs Due to Lender Servicing Delays ²¹		09/27/2018
* 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 ²¹		09/28/2018

²¹ Based on an opinion of the Counsel to the Inspector General, it was determined that it was appropriate to grant a request from the Department to toll-extend the 180-day period for management decision regarding audit finding disagreement equal to the 35-day shutdown. As a result, a writeup for the audits impacted was not presented in the Report Resolution chapter.

EVALUATION REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AT 03/31/2019

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 36	02/12/2016
2015-OE-0004 Comprehensive Strategy Needed To Address HUD Acquisition Challenges	See chapter 8, page 36	02/02/2016
2015-OE-0008 Departmentwide Approach Needed To Address HUD Contractor Employee Security Risks	See chapter 8, page 37	03/30/2016
2016-OE-0004S Opportunities for Improvement Within CPD's Risk Management Process for Hurricane Sandy Grants	See chapter 8, page 37	03/29/2017
2016-OE-0002 HUD Web Application Security Evaluation	See chapter 8, page 38	06/06/2017
2018-OE-0004 HUD IT System Management and Oversight of the Section 184 Program	See chapter 8, page 38	08/13/2018

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	07/31/2019
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	07/31/2019
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

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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	05/29/2020
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
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

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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
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

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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	Note 2
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	05/31/2019
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
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	05/31/2019
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

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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	05/29/2020
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	Note 2
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
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	05/01/2019
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	05/31/2019
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

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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-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	07/30/2023
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

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2015-LA-0002	HUD Did Not Provide Adequate Oversight of the Section 184 Indian Home Loan Guarantee Program	07/06/2015	10/28/2015	12/31/2021
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 1
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-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	Note 2

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2016-FO-0001	Audit of Fiscal Years 2015 and 2014 (Restated) Financial Statements	11/13/2015	03/24/2016	Note 3
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

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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
2016-AT-1006	The City of Miami Beach Did Not Always Properly Administer Its HOME Program	06/17/2016	10/05/2016	Note 1
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 1
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-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-AT-1012	The Municipality of Bayamon, PR, Did Not Always Ensure Compliance With HUD Program Requirements	08/29/2016	12/15/2016	Note 1
2016-DP-0003	Additional Review of Information System Controls Over FHA Information Systems	08/31/2016	12/22/2016	Note 1
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 1
2016-NY-0001	Operating Fund Calculations Were Not Always Adequately Verified	09/12/2016	12/22/2016	Note 2
2016-DP-0004	HUD Rushed the Implementation of Phase 1 Release 3 of the New Core Project	09/20/2016	01/10/2017	Note 1
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	10/01/2019

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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	Note 2
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	Note 2
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	Note 2
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	04/01/2019
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 1
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

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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 1
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-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-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	04/30/2019
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	Note 2
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-FO-0006	HUD Did Not Comply With the Improper Payments Elimination and Recovery Act of 2010	05/11/2017	03/27/2018	Note 2
2017-NY-0001	HUD PIH's Required Conversion Program Was Not Adequately Implemented	05/18/2017	09/15/2017	Note 2
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-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	Note 2
2017-FW-1009	Beverly Place Apartments, Groves, TX, Subsidized Nonexistent Tenants, Unqualified Tenants, and Tenants With Questionable Qualifications	06/29/2017	10/20/2017	Note 2
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	11/02/2019
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

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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	Note 2
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-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	Note 2
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	Note 2
2017-CH-1006	The Cooperative and Management Agent Lacked Adequate Controls Over the Operation of Lakeview East Cooperative	09/05/2017	12/19/2017	Note 2
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	06/28/2019
2017-KC-0007	HUD Subsidized 10,119 Units for Tenants Who Were Undercharged Flat Rents	09/12/2017	12/01/2017	12/31/2019
2017-LA-0004	HUD Did Not Have Adequate Controls To Ensure That Servicers Properly Engaged in Loss Mitigation	09/14/2017	01/11/2018	Note 2
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-KC-0008	Ginnie Mae Did Not Adequately Respond to Changes in Its Issuer Base	09/21/2017	01/18/2018	Note 2
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	04/28/2019
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	07/01/2019
2017-DP-0003	New Core Project: Although Transaction Processing Had Improved Weaknesses Remained	09/28/2017	01/25/2018	Note 2
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	04/30/2019
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
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	Note 2
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	Note 2
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

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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
2018-CH-0001	HUD Needs To Improve Its Oversight of Grants Funded Through Its Resident Home-Ownership Program	12/22/2017	02/14/2018	Note 2
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	05/10/2019
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	Note 2
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	06/05/2019
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	06/08/2019
2018-DP-0002	Review of Selected FHA Information Systems and Credit Reform Estimation and Reestimation Process Applications	02/13/2018	05/07/2018	04/20/2019

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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
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	06/07/2019
2018-KC-0802	Limited Review of HUD Multifamily Waiting List Administration	03/22/2018	07/25/2018	Note 2
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	Note 2
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

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 03/31/2019

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2018-KC-1002	The Kansas City, MO, Health Department Did Not Spend Funds in Accordance With HUD Requirements	04/06/2018	08/02/2018	07/18/2019
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	05/15/2018	05/15/2019

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2018-FW-1003	The Texas General Land Office, Austin, TX, Should Strengthen Its Capacity To Administer Its Hurricane Harvey Disaster Grants	05/07/2018	08/16/2018	08/15/2019
2018-LA-0002	HUD Did Not Have Adequate Controls To Ensure That Grantees Submitted Accurate Tribal Enrollment Numbers for Program Funding	05/07/2018	08/23/2018	12/31/2020
2018-FW-1004	The City of Dallas, TX, HOME Investment Partnerships Program Was Not Always Administered in Accordance With Requirements	05/08/2018	08/30/2018	09/01/2019
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	09/12/2018	08/30/2019
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	12/06/2018	12/31/2021
2018-BO-1003	The City of Providence, RI, Did Not Properly Administer Its HOME Program	06/20/2018	09/28/2018	06/01/2019
2018-FW-0001	CPD's Risk Assessment and Monitoring Program Did Not Provide Effective Oversight of Federal Funds	06/26/2018	10/16/2018	04/01/2019
2018-LA-1005	The City of Modesto, CA, Did Not Use Community Development Block Grant Funds in Accordance With HUD Requirements	07/03/2018	10/23/2018	05/10/2019
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	11/09/2018	02/28/2020
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	11/09/2018	02/28/2020
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	10/23/2018	09/10/2019

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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	09/12/2018	06/28/2019
2018-FW-1005	Eastwood Terrace Apartments, Nacogdoches, TX, Multifamily Section 8, Subsidized Questionable Tenants, Overhoused Tenants, and Uninspected Units	08/02/2018	11/26/2018	09/09/2019
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	08/07/2018	06/30/2019
2018-LA-0004	HUD Did Not Always Ensure That Grantees Maintained the Required Depository Agreements for Investing Program Funds	08/13/2018	11/26/2018	08/13/2019
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	08/21/2018	12/31/2022
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	12/21/2018	12/31/2021
2018-FW-0003	REAC Could Improve Its Inspections Processes and Controls	08/31/2018	11/14/2018	08/31/2019
2018-FW-1006	Louis Manor Apartments, Port Arthur, TX, Multifamily Section 8 Program, Subsidized Unsupported Tenants and Uninspected Units	08/31/2018	02/27/2019	01/31/2020
2018-PH-0002	HUD Did Not Provide Adequate Oversight of Its Family Self-Sufficiency Program	09/10/2018	02/04/2019	12/31/2019
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	03/07/2019	09/17/2019

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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	12/20/2018	12/31/2019
2018-BO-1005	The State of Connecticut Did Not Ensure That Its Grantees Properly Administered Their Housing Rehabilitation Programs	09/19/2018	03/27/2019	02/15/2020
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	03/08/2019	12/31/2019
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	02/22/2019	02/22/2020
2018-NY-0001	HUD Did Not Adequately Administer Its Housing Counseling Program	09/24/2018	02/26/2019	03/31/2021
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	12/20/2018	12/20/2019
2018-LA-0006	Improvements Are Needed for HUD's Code Enforcement Program	09/25/2018	03/06/2019	09/30/2019
2018-PH-1007	The Crisfield Housing Authority, Crisfield, MD, Did Not Properly Administer Its Public Housing Program Operating and Capital Funds	09/25/2018	03/01/2019	03/01/2020
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	02/28/2019	08/30/2019
2018-NY-1006	The Buffalo Municipal Housing Authority, Buffalo, NY, Did Not Administer Its Operating Funds in Accordance With Requirements	09/26/2018	02/26/2019	01/24/2020
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	03/07/2019	09/26/2019

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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	03/26/2019	03/31/2020
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	03/07/2019	04/02/2020
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	01/31/2019	09/30/2019
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	02/28/2019	05/01/2019
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	03/18/2019	03/01/2020
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	02/13/2019	Note 3
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	03/25/2019	02/21/2020
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	03/29/2019	06/28/2019
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	03/04/2019	09/30/2019

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2018-PH-0003	HUD Did Not Have Adequate Oversight of Its Community Compass Technical Assistance and Capacity Building Program	09/28/2018	02/22/2019	01/31/2020
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	12/21/2018	11/19/2019
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	03/14/2019	02/28/2020

Audits excluded:

88 audits under repayment plans

39 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-0006	FY 16 Federal Information Security Modernization Act of 2014 (FY16 FISMA)	11/10/2016	11/10/2016	Note 1
2017-OE-0007	FY 2017 Federal Information Security Modernization Act (FY17 FISMA)	10/31/2017	08/16/2018	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 03/31/2019

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2018-OE-0002	Fire Safety Planning for the Weaver Building Needs Improvement	06/12/2018	11/29/2018	09/30/2019
2017-OE-0014	HUD's Oversight of the Alexander County Housing Authority	07/24/2018	09/13/2018	07/19/2019
2018-OE-0004	HUD IT System Management and Oversight of the Section 184 Program	08/13/2018	N/A	Note 3
2018-OE-0001	HUD 2018 Privacy Program Evaluation	09/13/2018	11/27/2018	09/30/2021

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

TABLE C

INSPECTOR GENERAL-ISSUED REPORTS WITH QUESTIONED AND UNSUPPORTED COSTS AT 03/31/2019 (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	41	\$1,224,309	\$1,147,357
A2	For which litigation, legislation, or investigation was pending at the beginning of the reporting period	2	24,559	2,744
A3	For which additional costs were added to reports in beginning inventory	-	13,986	20
A4	For which costs were added to noncost reports	0	0	0
B1	Which were issued during the reporting period	8	23,361	6,118
B2	Which were reopened during the reporting period	0	0	0
Subtotals (A+B)		51	1,286,215	1,156,239
C	For which a management decision was made during the reporting period	39 ²²	1,194,609	1,133,751
	(1) Dollar value of disallowed costs:			
	Due HUD	16 ²³	1,136,638	1,106,478
	Due program participants	26	55,604	25,001
	(2) Dollar value of costs not disallowed	4 ²⁴	2,367	2,272
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	10 <23> ²⁵	67,047 <30,772> ²⁵	19,744 <6,036> ²⁵

²² Twelve audit reports also contain recommendations with funds to be put to better use.

²³ Four audit reports also contain recommendations with funds due program participants.

²⁴ Three audit reports also contain recommendations with funds agreed to by management.

²⁵ 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 03/31/2019 (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	22	\$10,118,306
A2	For which litigation, legislation, or investigation was pending at the beginning of the reporting period	0	0
A3	For which additional costs were added to reports in beginning inventory	-	0
A4	For which costs were added to noncost reports	0	0
B1	Which were issued during the reporting period	5	514,134
B2	Which were reopened during the reporting period	0	0
Subtotals (A+B)		27	10,632,440
C	For which a management decision was made during the reporting period	13 ²⁶	1,070,219
	(1) Dollar value of recommendations that were agreed to by management:		
	Due HUD	5	115,168
	Due program participants	9	955,051
	(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	14 <14> ²⁷	9,562,221 <5,541,602> ²⁷

²⁶ Twelve audit reports also contain recommendations with questioned costs.

²⁷ 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 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 housing quality standards 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.

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 1,993 outstanding (open) unimplemented recommendations with a combined potential cost savings of nearly \$20 billion. The following table and charts reflect the reasons why they remain unimplemented:

- 1,890 recommendations have active corrective action plans in place or valid repayment plans, but HUD has not finished implementing the recommendation.
- 160 recommendations are currently without management decisions (agreement between the Department and OIG); 63 are beyond the 180-day statutory requirement due to disagreement and were reported in table A of the SAR. Of those 63 recommendations, 21 were impacted by the

government shutdown. The remainder are within the 180-day limit, during which time management and OIG can arrive at an agreed-upon corrective action plan.

- 436 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	\$3,989,683
2001	1	280,000
2002	7	1,382,626
2003	14	1,813,658
2004	8	8,303,357
2005	5	3,006,373
2006	32	18,700,191
2007	27	6,227,340
2008	38	72,607,328
2009	31	80,040,545
2010	29	51,431,541
2011	46	100,086,158
2012	42	22,304,101
2013	108	429,409,070
2014	190	2,047,325,908
2015	175	1,242,275,817
2016	281	8,839,776,099
2017	329	1,846,926,976
2018	566	5,105,078,819
2019	58	\$10,199,627
Total	1,993	19,891,165,217

EVALUATION

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

OFFICE OF EVALUATION OPEN RECOMMENDATIONS	
Reporting period	Number of open recommendations
2013	11
2014	24
2015	25
2016	15
2017	27
2018	63
Total	165

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, OE associated each of its 30 recommendations from the fiscal year 2018 Federal Information Security Modernization Act (FISMA) evaluation to the U.S. Department of Homeland Security FISMA metrics to enable HUD to better prioritize and work on continually maturing each component of its information security program.

Statistical Table Showing Investigative Report Metrics

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

OFFICE OF INVESTIGATION IGEA STATISTICAL TABLE	
Requirement	Total
A. Total number of investigative reports issued during the reporting period. ²⁸	185
B. Total number of persons referred to the U.S. Department of Justice for criminal prosecution during the reporting period. ²⁹	237*
C. Total number of persons referred to State and local prosecuting authorities for criminal prosecution during the reporting period.	91*
D. Total number of indictments and criminal informations during the reporting period that resulted from any prior referral to prosecuting authorities.	130

* The data used in this statistical table were extracted from HUD OIG's Case Management System. The Case Management System 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 the Case Management System 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 a senior HUD official was involved with a conflict of interest while detailed to HUD on an intergovernmental personnel agreement. HUD OIG referred this case to the United States Attorney's Office; however, this matter was declined for prosecution. Disciplinary action was taken against the HUD official for the conflict of interest.
- It was alleged that senior HUD officials preselected individuals for employment positions, claiming that those individuals were subject-matter experts. It was also alleged that HUD officials awarded a noncompete contract to a contractor who employed a family member. An additional allegation involved HUD officials engaging in contract fixing and illegal contract negotiations. HUD OIG referred this case to the United States Attorney's Office; however, the matter was declined for prosecution. Disciplinary action was taken against one HUD official for giving preferential treatment to an outside entity, committing prohibited personnel practices, failing to disclose outside employment on his annual financial disclosure form, and using his contracted executive assistant to perform personal tasks.

²⁸ Includes approved reports of investigations

²⁹ Includes all charging documents reported: criminal complaints, indictments, informations, and superseding indictments

- It was alleged that a senior HUD official engaged in prohibited personnel practices, violated the Hatch Act, and committed contract and procurement fraud. No criminal violations were found regarding the senior HUD official; therefore, HUD OIG did not refer this case to the United States Attorney's Office. However, the investigation revealed that a HUD employee falsified his time and attendance by certifying that he worked 9-hour days, when he worked 8-hour days. It was also determined that a supervisor provided a false statement when he certified the employee's timesheets, knowing that the employee did not work 9-hour days according to his work schedule. 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 employee for falsifying his timesheet, and the supervisor resigned while under investigation.
- It was alleged that a senior HUD employee was having an inappropriate relationship with a contractor that could have resulted in a conflict of interest. Further, it was alleged that the HUD employee was not working his assigned hours. HUD OIG referred this case to the United States Attorney's Office; however, the matter was declined for prosecution. The HUD employee resigned during the course of this investigation.
- It was alleged that a HUD OIG manager had inappropriate contact with a subordinate employee. 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 OIG manager for inappropriate behavior by a supervisor.

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.

There are no instances of whistleblower retaliation to report this SAR period.

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 of establishment attempts to interfere with OIG independence to report this SAR 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.

INVESTIGATION

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

- It was alleged that HUD officials were engaged in a conflict of interest while serving as board members for a nonprofit organization. It was further alleged that one of the HUD officials had a familial relationship with an employee of the nonprofit organization. HUD OIG did not refer this case 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 a senior HUD OIG official committed prohibited personnel practices by preselecting an individual for promotion within HUD OIG. HUD OIG did not refer this case to the United States Attorney's Office, nor was disciplinary action taken against the HUD OIG official because this allegation was unsubstantiated.

OIG TELEPHONE DIRECTORY

OFFICE OF AUDIT

HEADQUARTERS OFFICE

Washington, DC 202-708-0364

REGION 1

Boston, MA 617-994-8380

Hartford, CT 860-240-9739

REGION 2

New York, NY 212-264-4174

Buffalo, NY 716-551-5755

Newark, NJ 973-622-7900

REGION 3

Philadelphia, PA 215-656-0500

Baltimore, MD 410-962-2520

Pittsburgh, PA 412-644-6372

Richmond, VA 804-771-2100

REGION 4

Atlanta, GA 404-331-3369

Greensboro, NC 336-547-4001

Miami, FL 305-536-5387

San Juan, PR 787-766-5540

REGION 5

Chicago, IL 312-913-8499

Columbus, OH 614-280-6138

Detroit, MI 313-226-6190

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
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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
AFR	agency financial report
ARC	Administrative Resource Center
ASC	Accounting Standards Codification
CDBG	Community Development Block Grant
CoC	Continuum of Care
COCC	central office cost center
CPD	Office of Community Planning and Development
CWCOT	Claims Without Conveyance of Title program
DBI	debenture interest
DEC	Departmental Enforcement Center
DHS	U.S. Department of Homeland Security
DoD	U.S. Department of Defense
DOT	U.S. Department of Transportation
FAM	Finance of America Mortgage
FEMA	Federal Emergency Management Agency
FFMIA	Federal Financial Management Improvement Act of 1996
FHA	Federal Housing Administration
FISMA	Federal Information Security Modernization Act
FSS	Family Self-Sufficiency program
FSSP	Federal shared service provider
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
IAA	interagency agreement
IDIS	Integrated Disbursement and Information System

ACRONYMS AND ABBREVIATIONS LIST (CONTINUED)

IGEA	Inspector General Empowerment Act
IPERA	Improper Payments Elimination and Recovery Act of 2010
LLRP	Landlord Repair Program
LOS	Loan Origination System
MHI	mortgage held for investment
MSS	master servicer
MTW	Moving to Work Demonstration program
NCIS	New Core Interface Solution
NOFA	notice of funding availability
OBGA	Office of Block Grant Assistance
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
OMB	Office of Management and Budget
ONAP	Office of Native American Programs
ORCF	Office of Residential Care Facilities
OSC	Office of Special Counsel
PHA	public housing agency
PIH	Office of Public and Indian Housing
PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act of 1996
REAC	Real Estate Assessment Center
REO	real estate owned
RREM	Rehabilitation, Reconstruction, Elevation, and Mitigation

ACRONYMS AND ABBREVIATIONS LIST (CONTINUED)

RSP	Homeowner Resettlement Program
SAR	Semiannual Report to Congress
SEMAP	Section Eight Management Assessment Program
SIR	Systemic Implication Report
TPV	third-party verification
USDA	U.S. Department of Agriculture

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.	17
Section 5(a)(1)-description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of the Department.	1-13, 42-43
Section 5(a)(2)-description of recommendations for corrective action with respect to significant problems, abuses, and deficiencies.	21-41
Section 5(a)(3) ³⁰ -identification of each significant recommendation described in previous Semiannual Report on which corrective action has not been completed.	Appendix 3, table B, 51-72
Section 5(a)(4)-summary of matters referred to prosecutive authorities and the prosecutions and convictions that have resulted.	1-16
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, 45-47
Section 5(a)(7)-summary of each particularly significant report.	1-16
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, 73
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, 74
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, 48-50
Section 5(a)(11)-a description and explanation of the reasons for any significant revised management decisions made during the reporting period.	39-40
Section 5(a)(12)-information concerning any significant management decision with which the Inspector General is in disagreement.	40
Section 5(a)(13)-the information described under section 05(b) of the Federal Financial Management Improvement Act of 1996.	41

³⁰ 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.



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