



**AUDIT PLAN**  
**As of November 1, 2008**  
**OFFICE OF INSPECTOR GENERAL**  
**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

## OIG Audit Plan

### *Overview*

The U.S. Department of Housing and Urban Development's (HUD) primary challenge is to find ways to improve housing and expand opportunities for families seeking to better their quality of life. This audit plan provides coverage of HUD's program areas and management/organizational reforms. It gives full consideration to the Department's management challenges identified by the Office of Inspector General (OIG) and reported to Congress annually, the President's Management Agenda for improving government performance, and OIG's strategic plan.

The President's Management Agenda is designed to improve the overall efficiency and effectiveness of the federal government and to address significant management deficiencies at individual agencies. HUD has made plans and taken action in an attempt to meet the goals set by the president.

The President's Management Agenda includes government-wide and HUD-specific initiatives that are tracked and scored in terms of both baseline goal accomplishment and the adequacy of plans and progress toward achieving established goals. At HUD, these initiatives are addressing long-standing management problems that will take multiple years to resolve. According to its reporting, HUD has adequate plans and is making good progress toward achieving the president's goals for more efficient and effective management of HUD's resources. HUD's scores have improved steadily over the past few years, and HUD was the first agency to achieve a "green" score for the "Eliminating Improper Payments" initiative.

The President's Management Agenda for improving government performance includes

- Strategic management of human capital
- Competitive sourcing
- Improved financial performance
- Expanding electronic government
- Budget and performance integration
- HUD's management and performance
- Eliminating Improper Payments
- Faith-Based and Community Initiative

The President's Management Agenda basically mirrors the challenges that our office and the U.S. Government Accountability Office (GAO) have reported to Congress. Further discussion of the challenges and their relationship to planned and completed audit work is provided in the audit environment section of this plan.

## ***The HUD Office of Inspector General – Office of Audit***

HUD OIG is one of the original 12 Offices of Inspector General established by the Inspector General Act of 1978. OIG provides independent oversight of HUD's programs and operations. While organizationally located within the Department, it maintains independence to initiate and carry out audits and investigations.

The HUD OIG Office of Audit's activities are designed to promote economy, efficiency, and effectiveness in the administration of HUD programs; detect and deter fraud and abuse in HUD programs and operations; and ensure compliance with applicable laws and regulations.

Under the leadership of the Inspector General, the Assistant Inspector General for Audit, along with two Deputy Assistant Inspectors General for Audit, is responsible for managing the Office of Audit. The headquarters offices, each supervised by a director, include the Financial Audits Division, the Information Systems Audits Division, the Technical Oversight and Planning Division, and the Headquarters' Audit Division. In the field, there are nine regional offices throughout the country including a Gulf Coast Region in New Orleans, which is responsible for auditing disaster recovery funds provided to the affected areas in the wake of Hurricanes Katrina, Rita, and Wilma. Each regional office is supervised by an audit manager.

### ***The Audit Planning Process***

Audit planning at OIG is a continuing process that focuses our resources on areas of greatest current benefit to its stakeholders. Our broader goal in developing an audit plan is to help HUD resolve its major management challenges while maximizing results and providing responsive audits.

Because the process is dynamic, OIG can quickly make adjustments and address new requests throughout the year. Potential review areas are developed through our discussions with program officials, the public, and Congress; our audits in each region; the annual financial statement audits; and our reviews of proposed legislation, regulations, and other HUD issuances.

HUD management and Congress are also encouraged to provide issues and concerns for potential inclusion in the audit plan. Formal updates to the audit plan are decided during periodic conferences with OIG audit managers. Final approval of the audit plan rests with the Assistant Inspector General for Audit, who monitors the progress of each audit.

### ***Audit Environment at HUD***

The Department's primary challenge is to find ways to improve housing and expand opportunities for families seeking to better their quality of life. HUD does this through a wide variety of housing and community development programs aimed at helping American families. These programs are funded through HUD's \$35 billion annual budget. Additionally, HUD assists American families by insuring Federal Housing Administration (FHA) mortgages for single-family and multifamily properties. FHA's outstanding mortgage insurance portfolio exceeds \$400 billion and is increasing.

While HUD is a relatively small agency in terms of staff, it relies on the performance and integrity of a large group of entities to administer its many diverse programs. Among HUD's administrators are hundreds of cities and directly funded grantees that manage HUD's

Community Development Block Grant funds, thousands of public housing agencies and multifamily housing projects that provide HUD assistance, and thousands of HUD-approved lenders that originate FHA-insured loans.

HUD's housing finance and subsidy programs represent hundreds of billions of dollars in long-term federal financial commitments. Its public housing and community development programs impact the lives of millions of low-income households and the condition of most American communities. A shrinking HUD staff has led to an ever-growing reliance on outside program partners and contractors to perform many critical program functions.

HUD has made significant financial and management reforms over the years. These reforms resulted in HUD's removal, in January 2007, from GAO's "high risk" list for the first time in 13 years. OIG recognizes HUD's efforts to address its long-standing problems and continues to work with the Department. As noted by GAO, it will be important for HUD to place a high priority on efficient and effective management of its single-family mortgage insurance and rental housing assistance programs as proposed program changes could introduce new risks and oversight challenges.

Goal #1 of HUD OIG's strategic plan is to help HUD resolve its major management challenges by being a relevant and problem-solving advisor to the Department. A new major challenge to HUD is addressing disaster relief in response to natural disasters. Pursuant to this goal, the strategic plan lays out four objectives:

- *Contribute to improving the integrity of single-family insurance programs*
- *Contribute to a reduction in erroneous payments in rental assistance programs*
- *Contribute to improving HUD's execution and accountability of fiscal responsibilities*
- *Contribute to resolving significant issues raised or confronted by HUD and OIG's stakeholders*

### ***Improving the Integrity of Single-Family Insurance Programs***

FHA is the federal government's single largest program to extend access to homeownership to individuals and families who lack the savings, credit history, or income to qualify for a conventional mortgage. At the end of fiscal year 2008, FHA had more than \$350 billion in outstanding single-family mortgages, an increase from 2007.

Significant changes in the single-family mortgage industry and the meltdown of the subprime market require a new emphasis on single-family lenders by OIG. HUD received \$3.92 billion for the Neighborhood Stabilization Program and is also implementing the Hope for Homeowners program. Both programs target various aspects of the single-family mortgage industry. Therefore, OIG plans to increase its efforts in external and internal audits of HUD's activities in the single-family mortgage industry. OIG plans to increase its goal for single-family audits. It is still formulating the goals and will revise the plan once they are established.

Lenders are targeted for audit through the use of data-mining techniques, along with prioritizing audit requests from outside sources. All appropriate enforcement actions will be pursued against lenders through referrals to the Mortgage Review Board, the Enforcement

Center, and our own Office of Investigation.

### ***Reducing Erroneous Payments in Rental Assistance Programs***

HUD provides housing assistance funds under various grant and subsidy programs to multifamily project owners (both nonprofit and for profit) and public housing agencies. These intermediaries, in turn, provide housing assistance to benefit primarily low-income households.

The Office of Public and Indian Housing provides funding for rent subsidies through its public housing operating subsidies and tenant-based Section 8 rental assistance programs. These programs are administered by about 3,500 public housing agencies, which are to provide housing to low-income families or make assistance payments to private owners who lease their rental units to assisted families. In fiscal year (FY) 2009, HUD anticipates that there will be approximately 1.2 million public housing units occupied by tenants. These units are under the direct management of the public housing agencies.

The Office of Housing administers a variety of assisted housing programs including parts of the Section 8 program and the Sections 202 and 811 programs. The subsidies provided through these programs are called “project-based” subsidies because they are tied to particular properties; therefore, tenants who move from such properties may lose their rental assistance. Project-based rental assistance under Section 8 exceeds \$5 billion.

HUD has made significant improvements in the area of erroneous payments. To reduce improper rental assistance payments, HUD’s Office of Public and Indian Housing and Office of Housing worked with their housing industry partners and tenant advocacy groups to improve program guidance, training, and automated systems support. HUD developed and implemented the Enterprise Income Verification System (EIV)—a Web-based, state-of-the-art system—to share income data in other federal databases with public housing authorities to improve their income verification process. According to HUD, these collective actions led to a 60 percent decline in gross improper payments between 2001 and 2005.

OIG will continue to focus on this program area. Our plan calls for the same number of audits as last year. Our reports continue to target significant issues related to this program area.

### ***Improving HUD’s Execution and Accountability of Fiscal Responsibilities***

HUD has moved forward over the past two years to enhance and stabilize its existing financial management systems operating environment to better support the Department and produce auditable financial statements in a timely manner. HUD’s efforts resulted in HUD programs being removed from GAO’s high-risk list in January 2007.

HUD is focused on HUD-specific information technology (IT) management improvements. It continues its efforts to improve the IT capital planning process, convert to performance-based IT service contracts, strengthen IT project management to better assure results, extend the data quality improvement program, and improve systems security on all platforms and applications.

HUD developed a new budget process with a focus on collecting and using quality performance information, using full cost accounting principles, and emphasizing program

evaluations and research to inform decision makers. Staffing and other resources are intended to align with strategic goals, objectives, and accomplishments.

As in the past, OIG will review a variety of HUD programs with the objective of improving efficiency and effectiveness. One area of particular emphasis will be community planning and development, in which OIG plans to perform at least 20 reviews of various functions and entities.

### ***Resolving Significant Issues Raised or Confronted by HUD and OIG's Stakeholders***

Congress has increasingly tasked the Office of Audit with unfunded legislated audit work. For example, the Appropriations Committee tasked OIG with audit responsibility for the \$3.5 billion in disaster recovery assistance funding provided to New York City as a result of the September 11, 2001, terrorist attacks. The task involves reporting every six months. OIG continues to perform these audits.

Congress also provided HUD with \$3.92 billion for the Neighborhood Stabilization Program. HUD awarded these funds to more than 300 grantees but awarded no additional funds to either HUD or OIG for oversight of the grantees.

In addition to the HUD-specific mandates issued by Congress, all OIGs must meet several government-wide legislative mandates annually. The two most significant requirements are the financial audits required by the Chief Financial Officers Act and the review of information security policies required by the Federal Information Security Management Act (FISMA).

More recently, the Office of Audit has been tasked to review HUD's activities related to Gulf Coast hurricane disaster relief efforts. This effort has resulted in the establishment of a Gulf Coast Region to be the focal point for all audits in the coming years relating to HUD's relief efforts and to coordinate with other agencies' OIGs that are involved in the overall effort.

**ONGOING AND PLANNED INTERNAL AUDITS**

- \* *Audit contributes to improving the integrity of single-family insurance programs*
- \*\* *Audit contributes to a reduction in erroneous payments in rental assistance programs*
- \*\*\* *Audit contributes to improving HUD's execution and accountability of fiscal responsibilities*
- \*\*\*\* *Contributes to resolving significant issues raised or confronted by HUD and OIG's Stakeholders*

<b>Program areas/objectives</b>	<b>Lead region</b>	<b>Start date</b>	<b>Final report target date</b>
<b>Single Family Housing/FHA</b>			
* <b>FHA single-family homes in flood zones (CH 07 0031):</b> To determine whether FHA had adequate oversight of the underwriting of FHA loans for new construction properties located in the Federal Emergency Management Agency's designated flood hazard areas	<b>Chicago</b>	<b>Sept. 2007</b>	<b>Issued 2008-CH-0002 09/29/08</b>
* <b>HUD's controls over the FHA single-family insurance program's appraisal process (LA 08 0008):</b> To determine whether HUD's controls over the appraisal review process are adequate to identify and correct significant deficiencies and to assess the effectiveness of HUD's appraisal review process	<b>Los Angeles</b>	<b>Feb. 2008</b>	<b>Issued 2008-LA-0003 09/04/08</b>
* <b>Review of the 602 Program [a.k.a. Asset Control Area (ACA) Program] (NY 08 0007):</b> To determine whether ACA objectives of increasing homeownership for low- and moderate-income borrowers and contributing to the revitalization of blighted communities are being met	<b>New York</b>	<b>Oct. 2008</b>	<b>July 2009</b>
* <b>Reverse mortgages' exposure to borrower and HUD (CH 08 0014):</b> To assess elements of HUD's oversight of the home equity conversion mortgage program	<b>Chicago</b>	<b>Mar. 2008</b>	<b>Issued 2008-CH-0001 09/29/08</b>
* <b>FHA's single-family controls and performance environment (KC 08 0001):</b> To evaluate the Office of Single Family Housing's management controls and its performance measurement and reporting system	<b>Kansas City</b>	<b>Nov. 2007</b>	<b>Issued 2008-KC-0004 06/24/08 2008-KC-0006 09/08/08</b>

Program areas/objectives	Lead region	Start date	Final report target date
**** <b>Ginnie Mae controls over securitized loans (DP 08 0011):</b> To perform a limited review to assess the weaknesses identified with the annual match to terminated process and the inadequacies of the documentation for the annual match	IS Audit	Feb. 2008	Dec. 2008
*** <b>Review of single-family partial claims collection process (DP 08 0012):</b> To determine whether the Single Family Loss Mitigation Program is operating effectively and efficiently to minimize costs to the insurance fund and collect amounts due in a timely manner	IS Audit	Mar. 2008	Nov. 2008
* <b>FHA's single-family lender insurance (LA 08 00XX):</b> To determine the effectiveness of Office of Single Family Housing's review process for the lender insurance program	Los Angeles	Jan. 2009	Nov. 2009
**** <b>Ginnie Mae controls over securitized loans (FO 08 0001):</b> To determine if Ginnie Mae is providing appropriate notice to the public about program changes and requirements	IS Audit	Feb. 2008	Dec. 2008
* <b>Underwriting of reverse mortgages (CH 09 0004):</b> To determine if HUD has adequate oversight of the underwriting of Federal Housing Administration-insured Home Equity Conversion Mortgages (HECM).	Chicago	Oct. 2008	
* <b>FHASecure (KC 09 00XX):</b> To determine whether HUD has appropriately implemented the FHASecure refinancing program	Kansas City	Jan. 2009	
<b>Community Planning and Development</b>			
*** <b>Supportive Housing Program (SHP) grant award process (LA 09 00XX):</b> To determine whether the SHP grants application and award process is efficient and effective	Los Angeles	Jun. 2009	
*** <b>HUD's Monitoring of Community Development Block Grant program recipients in Region III (PH 08 0013):</b> To determine whether the HUD field offices in Region III adequately monitor their Community Development Block Grant program recipients	Philadelphia	Sept. 2008	June 2009
*** <b>HUD's oversight of the Colonias program (FW 07 0024):</b> To determine whether HUD ensured that the states of Texas, New Mexico, Arizona, and California have expended Colonia funds in compliance with Section 916 requirements	Fort Worth	Sept. 2007	Issued 2008-FW-0001 09/27/08



Program areas/objectives	Lead region	Start date	Final report target date
*** CPD HOME Investment Partnerships Program Income (CH 09 00XX): To determine whether the program participants are using program income before drawing down HUD funding	Chicago	Jan. 2009	
*** CPD HOME Investment Partnerships Program's commitment of funds (AT 09 00XX): To determine whether HUD's instruction for commitment of funds is consistent with the program regulations	Atlanta	Mar. 2009	
*** CPD Section 108 loans (NY 09 00XX): To determine whether HUD ensures that grantees make every effort to collect for outstanding loans from recipients	New York	Jan. 2009	
<b>Public and Indian Housing</b>			
** Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) program income from 1937 Act housing units (LA 07 0016): To determine whether HUD's Office of Native American Programs' guidance on calculating program income for NAHASDA-assisted 1937 Act housing projects complies with NAHASDA	Los Angeles	Mar. 2008	Dec. 2008
** HUD oversight of Section 8 project-based vouchers (CH 09 00002): To determine the effectiveness of HUD's oversight of the Section 8 project-based vouchers	Chicago	Oct. 2008	
**** Office of Public and Indian Housing (PIH) Family Self-Sufficiency (FSS) program (NY 09 00XX): To determine whether HUD is monitoring the FSS program sufficiently to ensure that it is reaching its goal for reducing participants in assisted housing	New York	Jan. 2009	
**** HUD's oversight of Section 8 rent reasonableness (LA 09 00XX): To determine the effectiveness of PIH's Quality Assurance Division's review of rent reasonableness	Los Angeles	Apr. 2009	
**** HUD's implementation of asset management (FW 09 00XX): To determine the effectiveness of PIH's implementation of asset management	Fort Worth	Jan. 2009	
HUD's oversight of excessive Section 8 funding held by Housing Authorities (LA 09 00XX): To determine whether the housing authorities are appropriately holding and reporting unused Section 8 housing choice vouchers funds	Los Angeles	Jan 2009	

Program areas/objectives	Lead region	Start date	Final report target date
<p><b>**** HUD's oversight of enhanced vouchers (PH 09 00XX):</b> To determine whether funds associated with enhanced vouchers were paid to families housed in appropriate-size units and whether the rents were reasonable</p>	Philadelphia	Jan. 2009	
<b>Multifamily Housing/FHA</b>			
<p><b>*** Residual receipts used in lieu of reserve for replacement funds (KC 08 0009):</b> To determine whether project managers followed HUD requirements when they approved using residual receipts in lieu of reserve for replacement funds for new regulation Section 8 projects</p>	Kansas City	Feb. 2008	<p>Issued 2008-KC-0007 10/08/08</p>
<p><b>*** Philadelphia Office of Multifamily Housing's oversight of its Section 202 program participants (PH 07 0016):</b> To determine whether the field office oversees its Section 202 program participants to ensure that the program and related HUD funds are administered in accordance with applicable requirements</p>	Philadelphia	Oct. 2007	Dec. 2008
<p><b>*** HUD's monitoring of New York State Performance-Based Contract Administration (PBCA). (NY 08 0003):</b> To determine whether HUD is (1) complying with its monitoring and evaluation procedures and (2) properly paying administrative fees and housing assistance based on the PBCA's performance.</p>	New York	Oct. 2007	<p>Issued 2009-NY-0001 10/16/08</p>
<p><b>*** Cost effectiveness of HUD's PBCA contacts program (LA 08 0032):</b> To determine the cost effectiveness and efficiency of HUD's PBCA contracts</p>	Los Angeles	Sept. 2008	Jun. 2009
<p><b>*** HUD's oversight of projects opting out of the Section 8 program (KC 08 0003):</b> To determine whether HUD ensures that owners comply with requirements when opting out of the Section 8 program</p>	Kansas City	Feb. 2008	<p>Issued 2008-KC-0005 07/15/08</p>
<p><b>*** HUD's oversight of projects with commercial rents (KC 09 00XX):</b> To determine whether HUD ensures that rental receipts from commercial space go to the project</p>	Kansas City	Feb. 2009	
<b>Information Systems (IS) audits</b>			
<p><b>*** HUD's oversight and monitoring of FHA's major applications (DP 07 0016):</b> To review HUD's oversight of selected FHA major applications, general controls, application controls including funds control, and related interfaces</p>	IS Audit	June 2007	<p>Issued 2008-DP-0004 06/12/08</p>

Program areas/objectives	Lead region	Start date	Final report target date
*** HUD's controls over removal of local and remote access (DP 08 0007): To evaluate HUD's controls for revoking or removing local and remote user access when an employee/contractor leaves the agency	IS Audit	Nov. 2007	Issued 2008-DP-0005 07/21/08
*** HUD's controls over security of databases (DP 08 0009): To evaluate HUD's controls over security of major databases	IS Audit	Nov. 2007	Issued 2008-DP-0007 09/11/08
**** Registered sex offenders in HUD's assisted Housing (KC 08 0017): To determine the extent of registered sex offenders in HUD assisted housing	Kansas City IS Audit	Sept. 2008	
*** Annual review of HUD's information security program (DP 08 0010): To determine the level of compliance of the Department's current security program with FISMA requirements	IS Audit	Dec. 2007	Issued 2008-DP-0006 07/23/08
*** Review of implementation of security controls over HUD's business partners (DP 08 0013): To determine the extent to which operational controls are in place to ensure adequate protection of HUD data and resources at its business partners' sites and external entities that remotely access or physically process and maintain HUD data outside the agency's secured physical perimeter	IS Audit	May 2008	Jan. 2009
*** Review of the Centralized HUD Account Management Process (CHAMP) (DP 08 0014): To determine whether HUD is efficiently and effectively managing its information system user access accounts in accordance with federal security requirements	IS Audit	May 2008	Jan. 2009
*** FY 2008 Federal Information System Controls Audit Manual (FISCAM) (DP 08 0015): To assess computer-related controls over the integrity, confidentiality, and availability of computerized data, particularly financial data, for the FY 2008 Consolidated Financial Statement Audit in accordance with FISCAM	IS Audit	Mar. 2008	Feb. 2009
*** FY 2008 FISMA (DP 08 0016): FISMA requires Executive Branch OIGs to perform an annual evaluation of their department's IT security management program and report to the Office of Management and Budget in a prescribed questionnaire	IS Audit	June 2008	Issued 2008-DP-0802 09/30/08

Program areas/objectives	Lead region	Start date	Final report target date
<b>Administrative/Other</b>			
<p><b>**** The Office of Fair Housing and Equal Opportunity's Fair Housing and Fair Housing Organization Initiative (NY 08 0006):</b> To determine the merits of a complaint and identify any issues warranting future audit</p>	<b>New York</b>	<b>Feb. 2008</b>	<p><b>Issued</b>  <b>2008-NY-0002</b>  <b>08/27/08</b></p>
<p><b>**** Ginnie Mae controls over securitized loans (FO 08 0001):</b> To determine whether the Ginnie Mae documents sufficiently protect the (1) government from losses and (2) investors in mortgage-backed securities and (3) facilitate prima facie law enforcement against the entity officials in the event of issuer noncompliance or fraud when Ginnie Mae defaults the issuer</p>	<b>Financial Audit</b>	<b>Feb. 2008</b>	<b>Sept. 2008</b>
<p><b>**** Evaluate HUD Chief Financial Officer's (CFO) oversight of internal controls (KC 09 00XX):</b> To determine whether the CFO ensures HUD's compliance with GAO internal control standards and HUD's established standards</p>	<b>Kansas City</b>	<b>Jan. 2009</b>	
<p><b>*** Evaluate HUD's accounting for court settlements (FO 07 0003):</b> To determine whether HUD was (1) properly accounting for accounts receivable from court judgments and (2) enforcing collections for associated delinquent accounts</p>	<b>Financial Audit</b>	<b>Mar. 2006</b>	<p><b>Issued</b>  <b>2008-FO-0005 CM</b>  <b>07/11/08</b></p>
<p><b>**** Evaluate HUD's management of human resources (CH 08 0008):</b> To determine (1) the adequacy of HUD's staffing resources in meeting its program objectives and (2) whether HUD's offices are using the Resource Estimation and Allocation Process studies when they have the ability to hire</p>	<b>Chicago</b>	<b>Oct. 2007</b>	<p><b>Issued</b>  <b>2008-CH-0003</b>  <b>09/30/08</b></p>
<p><b>**** Evaluate HUD's management of human resources (CH 09 0003):</b> To determine whether HUD has implemented a process and methodology to determine when to contract out for services or keep the services in house</p>	<b>Chicago</b>	<b>Oct. 2008</b>	

## EXTERNAL AUDITS

Planning for external audits is subject to a number of factors, such as complaints, requests from HUD and congressional staff, and media attention, all of which cannot be predicted or anticipated. The planning of external audits, therefore, is intended to be flexible to enable OIG to perform the highest priority work on hand. Depending on the volume and nature of audit requests, OIG intends to selectively target high-risk programs and jurisdictions. Priorities have been determined based on the HUD OIG strategic plan and areas of interest to OIG's stakeholders, particularly Congress. Of particular interest this year are disaster relief efforts. With this in mind, the following types of external audits have been identified as priority areas during this planning cycle. As the opportunity permits, OIG audit managers will focus their audit resources in the following areas.

**Single-family and lender audits:** Single-family lender audits continue to be a priority for FY 2009 due to the abuses being experienced in single-family programs. A specialized audit program has been developed for the purpose of targeting lenders for audit, considering a number of high-risk indicators. In addition to being a part of goal #1 in HUD OIG's strategic plan, there continues to be congressional interest in OIG's audits of the single-family program. OIG plans to perform audits of mortgage companies using FHA's home equity conversion mortgages, FHASecure loans, and the Hope for Homeowners program. We also plan additional audits of Ginnie Mae participants.

**Community planning and development:** In an effort to continue emphasis on improving efficiency and effectiveness, OIG is increasing its emphasis on this program area. In addition, hurricane recovery funding is being provided primarily through Community Development Block Grants. Congress continues to take interest in the use of hurricane funds to ensure that they are reaching those who need them. OIG plans to perform audits of grantees receiving funding from the \$3.92 billion Neighborhood Stabilization Program.

**Public and Indian housing:** The low-income program serves approximately 1.2 million households. The Section 8 Housing Choice Voucher program serves more than two million households. As part of an overall OIG initiative, tenant eligibility and accuracy of rental assistance payments will also be an area of audit focus. The quality of housing and the cost of administering these programs continue to be concerns that will be addressed as workload permits. Public housing agency development activities carried out by affiliated nonprofit entities is another area of emphasis that will be addressed as resources permit.

**Multifamily project audits:** Audits of multifamily project operations continue to be an area of interest in FY 2009. The focus of these audits will be on the misuse of project operating funds, also known as equity skimming.

**Nonprofit grantees:** Continued concerns over the capacity of nonprofit entities receiving funding from HUD programs require that audits of such activities be given priority. HUD's emphasis on the Faith-Based and Community initiative will increase the level of funding to organizations that have traditionally not participated in federal programs and may lack the capacity to comply with all grant requirements. Of particular concern are several Office of Community Planning and Development programs including Entitlement and Supportive Housing grants. Based on referrals from HUD program staff, we will give priority attention to auditing nonprofits. For those selected, we will evaluate the control systems in place, especially for

subrecipients of HUD grant funds, to determine whether these controls provide the review and oversight necessary to ensure that funds are spent on eligible activities and put to good use.