



**AUDIT PLAN**  
**As of March 31, 2015**  
**OFFICE OF INSPECTOR GENERAL**  
**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

## ***Overview***

The U.S. Department of Housing and Urban Development's (HUD) primary mission is to create strong, sustainable, inclusive communities and quality, affordable homes for all. HUD seeks to accomplish this mission through a wide variety of housing and community development grant, subsidy, and loan programs. Additionally, HUD assists families in obtaining housing by providing Federal Housing Administration (FHA) mortgage insurance for single-family and multifamily properties. HUD relies upon many partners for the performance and integrity of a large number of diverse programs. Among these partners are cities that manage HUD's Community Development Block Grant (CDBG) funds, public housing agencies (PHA) that manage assisted housing funds, HUD-approved lenders that originate and service FHA-insured loans, Government National Mortgage Association (Ginnie Mae) mortgage-backed security issuers that provide mortgage capital, and other Federal agencies with which HUD coordinates to accomplish its goals. HUD also has a substantial responsibility for administering disaster assistance programs and is administering new mortgage assistance and grant programs in response to the Nation's financial crisis.

HUD had a \$35.6 billion budget for fiscal year (FY) 2015. This amount includes \$9.7 billion for Section 8 project-based rental assistance, \$19.3 billion for tenant-based rental assistance, \$900 million for the HOME Investment Partnerships Program (HOME), and \$3 billion for the CDBG program. The budget extends HUD's Rental Assistance Demonstration (RAD) program through 2018 and raises the cap on the number of public housing units that can participate in it from 60,000 to 185,000. Additionally, of the \$16 billion HUD received for Hurricane Sandy in FY 2013, \$13 billion had been allocated as of January 2015. HUD planned to respond aggressively to the housing crisis as well as contribute to broader national priorities on energy, sustainable growth, community revitalization, and poverty alleviation. This audit plan provides coverage of HUD's program areas and management and organizational reforms. It gives full consideration to the Office of Inspector General's (OIG) strategic plan and HUD's management challenges identified by OIG and reported to Congress annually.

### ***The HUD OIG, Office of Audit***

HUD OIG is one of the original 12 Offices of Inspector General established by the Inspector General Act of 1978. While part of HUD, OIG provides independent oversight of HUD's programs and operations.

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

The Office of Audit is responsible for conducting audits, civil fraud reviews, and investigations. This work identifies, assesses, and reports on HUD's activities and programs. The Office of Audit recommends corrective actions to HUD, as necessary, to prevent future program or operational problems. Auditors are assigned to headquarters and regional offices.

The Office of Audit conducts audits in accordance with Government Auditing Standards as defined by the Comptroller General. These audits include



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1. Financial audits, which determine whether HUD's financial statements are fairly presented, internal controls are adequate, and laws and regulations have been followed.
2. Information system audits, which determine, among other things, the adequacy of general and application controls and whether the security of information resources is adequate and complies with system development requirements.
3. Performance audits, which determine whether programs are achieving the desired results or benefits in an efficient and effective manner.

The Office of Audit also conducts civil fraud reviews to identify fraud and make referrals for civil actions and administrative sanctions against entities and individuals that commit fraud against HUD. In addition, the Joint Civil Fraud Division (consisting of the Office of Audit and the Office of Investigation) provides case support to the U.S. Department of Justice, Civil Division; United States Attorney's Offices nationwide; and HUD's Office of General Counsel to investigate and pursue civil fraud and administrative cases.

### *The Audit Planning Process*

Audit planning is a continuing process to focus resources on areas of greatest benefit to the taxpayer and HUD. The Office of Audit's broad goal in developing an audit plan is to help HUD resolve its major management challenges while maximizing results and providing responsive audits.

The process is dynamic in order to address requests and other changes throughout the year. The Office of Audit identifies audits through discussions with program officials, the public, and Congress; conducting audits; and reviewing proposed legislation, regulations, and other HUD issuances. It also conducts audits that HUD and Congress request, as well as those identified from OIG's hotline.

### *Audit Environment at HUD*

HUD's primary mission is to create strong, sustainable, inclusive communities and quality, affordable homes for all. HUD does this through a variety of housing and community development programs and insured mortgages.

While HUD is a relatively small agency in terms of staff, it relies on a large number of entities to administer its diverse programs. Among HUD's administrators are hundreds of cities and directly funded grantees that manage HUD's CDBG funds, thousands of PHAs 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 more than \$1 trillion in long-term Federal financial commitments. HUD is actively involved in foreclosure mitigation, homeownership counseling, and a myriad of efforts to curb mortgage abuse.



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HUD's public and Indian 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.

### *Audit Plan Objectives*

The audit plan has the following objectives:

- **Promoting fiscal responsibility and financial accountability,**
- **Strengthening the soundness of public and Indian housing,**
- **Improving HUD's execution of and accountability for grant funds, and**
- **Protecting the integrity of housing insurance and guarantee programs.**

### *Promoting Fiscal Responsibility and Financial Accountability*

HUD's program offices' and government corporations' programmatic and financial management focus is on

- Housing subsidies for low- and moderate-income families,
- Grants to States and communities for community development activities,
- Direct loans and capital advances for the construction and rehabilitation of housing projects for the elderly and persons with disabilities,
- Promoting and enforcing fair housing and equal housing opportunity,
- Insuring mortgages for single-family and multifamily dwellings,
- Insuring loans for home improvements and manufactured homes, and
- Facilitating financing for the purchase or refinancing of homes.

HUD accomplishes these missions through a decentralized structure of program offices and government corporations.

HUD OIG will conduct the annual financial statement audit, which includes all of HUD's components. In that audit, OIG tests HUD's compliance with accounting standards, financial management controls, financial systems, financial reporting, and financial laws and regulations. It also audits FHA and Ginnie Mae financial statements. In addition, OIG will conduct program audits of specific financial management functions to determine the effectiveness of HUD's implementation of program financial accountability requirements.



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### ***Strengthening the Soundness of Public and Indian Housing***

HUD provides housing assistance funds to PHAs under various grant and subsidy programs. These intermediaries, in turn, provide housing assistance to benefit primarily low-income households. HUD's strategic goals for promoting public and Indian housing efforts are to meet the needs for quality affordable housing, use housing as a means to improve the quality of life for participants, and build inclusive, sustainable communities free from discrimination.

The Office of Public and Indian Housing (PIH) 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 3,200 PHAs, which are to provide housing to low-income families or make assistance payments to private owners that lease their rental units to assisted families. In FY 2015, there are approximately 1.1 million public housing units occupied by tenants. These units are under the direct management of the PHAs.

The Moving to Work demonstration program gives PHAs the opportunity to design and test innovative, locally developed strategies that are designed to use Federal dollars more efficiently, help residents become self-sufficient, and increase housing choices for low-income families. The demonstration program gives PHAs exemptions from many public housing rules and more flexibility in how they use their Federal funds. OIG has issued one report on the Moving to Work demonstration program, focusing on the need for HUD to develop criteria to evaluate the success of the program. OIG will also evaluate how well HUD monitors these PHAs related to specific areas of risk, such as legal and lobbying expenses.

### ***Improving HUD's Execution of and Accountability for Grant Funds***

HUD awards grants to all levels of government and to the private sector for developing viable communities by promoting integrated approaches that provide decent housing, suitable living environments, and expanded economic opportunities for low- and moderate-income persons. OIG plans to focus on significant areas related to the lack of controls over and accountability for grant funds. In addition, OIG plans to review HUD's oversight of subrecipients as well as HUD's enforcement of returning unobligated or unexpended funds.

### ***Protecting the Integrity of Housing Insurance and Guarantee Programs***

FHA is the Federal Government's single largest program to extend home ownership to individuals and families who lack the savings, credit history, or income to qualify for a conventional mortgage. The FY 2014 independent actuary estimated that the FHA insurance fund's overall economic net worth had improved by \$6 billion, from negative \$1.3 billion to positive \$4.7 billion, while its capital ratio had improved from negative .11 percent to positive 0.41 percent. The seriously delinquent rate, an indicator of future claim costs, was down 1.07 percentage points from its level between the end of 2014 and FY 2013, as it had declined from 8.22 to 7.15 percent (seasonally adjusted). The number of claims during FY 2014 was 19 percent less than during FY 2013. This deviation is attributable to a combination of continued foreclosure, processing delays in many States, and servicing actions to promote home retention.



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At the end of October 2014, FHA had nearly 7.8 million single-family mortgages in force with an amortized balance of almost \$1.1 trillion.

FHA is continuing to work on improving the financial integrity of its Home Equity Conversion Mortgage (HECM), or reverse mortgage, program. In November 2014, FHA announced via mortgagee letter revised requirements and a guide for conducting HECM financial assessments and property charges. The financial assessment requirements are effective for all case numbers issued on or after March 2, 2015. In January 2015, FHA (1) defined a new type of nonborrowing spouse termed an “ineligible nonborrowing spouse”; (2) provided new model certification language that lenders must use at origination and throughout servicing when there is an ineligible nonborrowing spouse; (3) provided new model mortgage, note, and loan agreement language; (4) provided a 30-day cure to reinstate a deferral period; and (5) provided clarification and additional documentation for the “seasoning requirements for existing non-HECM liens” section of Mortgagee Letter 2014-21.

Significant changes in the single-family mortgage industry and the meltdown of the subprime market require continual emphasis on single-family lenders by OIG. OIG plans to continue its efforts in external and internal audits of HUD’s activities in the single-family mortgage industry. The economic slowdown has increased demand for loss mitigation actions, including but not limited to loan modifications and other types of mortgage assistance. The Helping Families Save Their Homes Act of 2009 expanded the authority to use FHA loss mitigation actions to assist defaulted FHA borrowers in avoiding foreclosure, to include those borrowers facing “imminent default” as defined by the HUD Secretary. FHA issued a mortgagee letter clarifying HUD’s requirements and to communicate expectations for servicers that engage in loss mitigation during foreclosure. HUD expects servicers to keep open lines of communication with borrowers so that borrowers can notify servicers of any changes in their circumstances that may qualify them for loss mitigation options. In July 2014, FHA issued a mortgagee letter with updated requirements for preforeclosure sales and deeds in lieu of foreclosure transactions. This update describes HUD’s use of the deficit income test and other criteria to allow non-arms-length preforeclosure sales transactions in addition to other items. Further, in November 2014, FHA issued a mortgagee letter extending the program, “FHA Refinance of Borrowers in Negative Equity Positions,” from December 31, 2014, to December 31, 2016. This program provides homeowners that owe more on their mortgage than the value of their homes an opportunity to maintain home ownership by refinancing into an affordable FHA loan.

The U.S. Department of the Treasury and HUD have extended the Obama Administration’s Making Home Affordable Program through December 31, 2015. The new deadline was determined in coordination with the Federal Housing Finance Agency to align with extended deadlines for the Home Affordable Refinance Program and the Streamlined Modification Initiative for homeowners with loans owned or guaranteed by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. Therefore, OIG plans to increase its efforts in external audits of servicers and internal audits of HUD’s activities in loan mitigation activities.



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Following the meaningful impact of its prior servicer reviews, OIG is working with various assistant U.S. attorneys in its reviews of the loan origination practices of large lenders to determine their compliance with FHA requirements. The Office of Audit is placing an emphasis on civil mortgage fraud and will actively seek out instances involving false claims deserving civil complaints to recover Federal funds.

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 Mortgagee Review Board, the Office of Program Enforcement, the Enforcement Center, and OIG's own Office of Investigation.

### *Significant Mandated Audits*

Congress has tasked the Office of Audit with 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 once a year.

The Disaster Relief Appropriations Act of 2013 provided \$16 billion (\$15.18 billion after sequestration) in CDBG funds for necessary expenses related to disaster relief and long-term recovery for disasters that occurred in 2011, 2012, and 2013. The Act also provided \$10 million to OIG for the necessary costs of overseeing and auditing CDBG Disaster Recovery funds. OIG has oversight responsibilities for these CDBG funds and will perform disaster reviews as part of its annual audit plan. OIG has been proactive in the oversight of Hurricane Sandy funding. It has completed six audits and has ongoing audits in the State of New Jersey, the State of New York, New York City, and the City of New Orleans.

The Improper Payments Information Act of 2002 (IPIA) required the head of each agency to annually review all programs and activities the agency administered, identify all such programs and activities that might be susceptible to significant improper payments, and report estimated improper payments for each program or activity identified as susceptible. For programs with estimated improper payments exceeding \$10 million, IPIA required agencies to report the causes of the improper payments, actions taken to correct the causes, and the results of the actions taken. The Improper Payments Elimination and Recovery Act of 2010 (IPERA) amended IPIA to decrease the frequency with which each agency was required to review all of its programs but increased Federal agencies' responsibilities and reporting requirements to eliminate and recover improper payments and required each agency inspector general to determine whether the agency complied with IPIA. OIG annually issues a report to document its findings.

The Charge Card Abuse Prevention Act of 2012 requires OIG to (1) conduct periodic assessments of the agency charge card programs; (2) identify and analyze the risk of illegal, improper, or erroneous purchases and payments; (3) perform analyses or audits as necessary; (4) report to the head of the executive agency concerns regarding the results of such analyses or audits; and (5) report to the Director of the Office of Management and Budget (OMB) on the implementation of recommendations made to the head of the executive agency. In accordance



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with the Charge Card Act, OIG and HUD submit a semiannual joint purchase and integrated card violation report to the Director of OMB that describes confirmed violations involving the misuse of charge cards and disciplinary actions taken.

In addition to the HUD-specific mandates issued by Congress, all OIGs must meet several governmentwide legislative mandates annually. The most significant requirement involves the audits of HUD's, FHA's, and Ginnie Mae's financial statements as required by the Chief Financial Officers Act.





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### ONGOING AND PLANNED INTERNAL AUDITS

- \* *Audit contributes to promoting fiscal responsibility and financial accountability*
- \*\* *Audit contributes to strengthening the soundness of public and Indian housing*
- \*\*\* *Audit contributes to improving HUD's execution of and accountability for grant funds*
- \*\*\*\* *Audit contributes to protecting the integrity of housing insurance and guarantee programs*
- (a) *Audit is a significant mandated audit*
- (b) *Audit contributes to initiatives legislated by the American Recovery and Reinvestment Act*

Program areas and objectives	Lead region	Start date	Final report target date
<b>Single-family housing-FHA</b>			
**** <b>HUD's oversight of the Section 203(k) Rehabilitation Loan Mortgage Insurance program (CH-13-0015):</b> To determine whether HUD had adequate oversight of its Section 203(k) Rehabilitation Loan Mortgage Insurance program.	Chicago	February 2013	April 2015
**** <b>HUD controls over FHA-HAMP partial claims (LA-14-0020):</b> To determine whether HUD had adequate oversight of its partial claims retention option of the FHA Home Affordable Modification Program (HAMP) loss mitigation program.	Los Angeles	July 2014	April 2015
**** <b>Eligibility of HECM loan borrowers participating in the project-based Section 8 program (PH-15-0002):</b> To determine whether HUD's Office of Single Family Housing had effective controls to ensure that HECM loan borrowers complied with residency requirements when concurrently receiving project-based Section 8 rental assistance.	Philadelphia	October 2014	July 2015
**** <b>HUD controls over FHA-HAMP partial claims postclaim reviews (LA-15-0015):</b> To determine whether HUD had adequate controls over its FHA-HAMP partial claims postclaim reviews.	Los Angeles	January 2015	September 2015



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Program areas and objectives	Lead region	Start date	Final report target date
<p><b>**** HUD's oversight of downpayment assistance programs and related FHA loan originations:</b> To determine whether HUD had adequate controls in place to ensure that downpayment assistance programs and their related gifts followed FHA regulations.</p>	Los Angeles	June 2015	January 2016
<p><b>**** HUD's oversight of servicers' use of loss mitigation options for single-family FHA-insured loans:</b> To determine whether HUD had adequate controls in place to ensure that servicers of single-family FHA-insured loans evaluated borrowers for loss mitigation.</p>	Los Angeles	July 2015	March 2016
<p><b>**** HUD's recovery of FHA partial claims:</b> To determine whether HUD properly recovered FHA partial claims upon satisfaction of the mortgage.</p>	Kansas City	August 2015	March 2016
<b>Community planning and development</b>			
<p><b>*** CPD's monitoring of HOME program match (KC-14-0021):</b> To determine whether the Office of Community Planning and Development (CPD) ensured that jurisdictions participating in the HOME program maintained their required match logs and the necessary support for their match contributions.</p>	Kansas City	August 2014	April 2015
<p><b>**** HUD's oversight of leases in the HOME program (CH-15-0016):</b> To determine whether HUD had adequate oversight of participating jurisdictions to ensure that leases between rental project owners and households for program-funded units did not include prohibited language.</p>	Chicago	January 2015	May 2015
<p><b>*** HUD's administration of CDBG property acquisitions and dispositions:</b> To determine whether and how HUD compared planned and accomplished CDBG grantees' acquisition and disposition activities.</p>	Philadelphia	April 2015	December 2015
<p><b>*** HUD's oversight of its CDBG program:</b> To determine whether CPD adequately oversaw the CDBG program to ensure that grantees followed HUD and other applicable Federal requirements.</p>	Philadelphia	May 2015	January 2016
<p><b>*** HUD's tracking and monitoring of CDBG program income:</b> To determine whether HUD adequately tracked and monitored program income generated by its CDBG funds.</p>	Kansas City	June 2015	November 2015



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Program areas and objectives	Lead region	Start date	Final report target date
<p><b>*** Review of HUD controls over direct home-ownership assistance using CPD funding:</b> To determine whether HUD had implemented sufficient controls to oversee CPD funding for direct home-ownership assistance activities.</p>	Philadelphia	September 2015	May 2016
<b>Public and Indian housing</b>			
<p><b>*** HUD's oversight of environmental requirements (FW-12-0018):</b> To determine whether HUD's oversight of PIH environmental reviews ensured that (1) the required reviews were performed by the responsible entity and (2) all required documents were submitted before HUD released funds.</p>	Fort Worth	April 2012	May 2015
<p><b>** HUD's administration of its enhanced vouchers (PH-12-0021):</b> To assess the adequacy of HUD's oversight of its enhanced vouchers.</p>	Philadelphia	August 2012	May 2015
<p><b>*** HUD's oversight of PHAs' expenditures for outside legal services (PH-13-0001):</b> To determine whether HUD needs to develop and implement controls to monitor PHAs' expenditures for outside legal services to ensure that the services are reasonable, necessary, and procured according to applicable requirements (non-Recovery Act funds).</p>	Philadelphia	October 2012	July 2015
<p><b>** Review of HUD's policies regarding overincome residents in public housing (PH-14-0011):</b> To determine whether HUD needs to update its policies and regulations regarding overincome residents in public housing.</p>	Philadelphia	August 2014	April 2015
<p><b>** HUD's oversight of the Section 184 Indian Home Loan Guarantee Program (LA-14-0021):</b> To determine whether HUD had adequate controls in place to provide adequate oversight of the Section 184 Indian Home Loan Guarantee Program.</p>	Los Angeles	August 2014	June 2015
<p><b>** Administration of RAD - public housing component (AT-15-0007):</b> To determine whether HUD (1) selected public housing units for conversion in accordance with the criteria, (2) monitored PHAs for compliance regarding the eligible use of funds and meeting milestones and revoked RAD designations for noncompliance, (3) monitored PHAs for compliance regarding developer fee eligibility and limitations, and (4) developed an adequate method for evaluating the impact of RAD.</p>	Atlanta	October 2014	May 2015



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Program areas and objectives	Lead region	Start date	Final report target date
<b>** HUD's oversight of PHAs (rollup) (FW-15-0013):</b> To determine whether HUD provided sufficient oversight of small PHAs.	<b>Fort Worth</b>	<b>November 2014</b>	<b>June 2015</b>
<b>** HUD's oversight of PHAs' declarations of trust filings (CH-15-0017):</b> To determine whether HUD ensured that PHAs recorded and maintained the required declarations of trust against HUD-assisted properties to protect the interest and investment of HUD.	<b>Chicago</b>	<b>February 2015</b>	<b>September 2015</b>
<b>** Registered sex offenders in Section 8 and public housing:</b> To determine whether HUD subsidized housing occupied by registered sex offenders.	<b>Kansas City</b>	<b>April 2015</b>	<b>November 2015</b>
<b>** HUD's oversight of the Chicago Housing Authority exception payment standards under the Moving to Work program (CH-15-0020):</b> To determine whether HUD provided adequate review and oversight of the Chicago Housing Authority's exception payment standards under its Moving to Work program.	<b>Chicago</b>	<b>March 2015</b>	<b>December 2015</b>
<b>*** Evaluation of HOPE VI grant program accomplishments and compliance with program and contractual requirements:</b> To determine whether HUD had adequate controls to ensure compliance with contractual and program requirements and conducted management overrides of HOPE VI grant agreement requirements that adversely impacted the program.	<b>New York</b>	<b>May 2015</b>	<b>December 2015</b>
<b>*** Single grant numbering system for IHBG:</b> To determine whether the Office of Native American Programs' use of a single grant numbering system for all Indian Housing Block Grant (IHBG) years allowed for adequate accountability of grant funds.	<b>Los Angeles</b>	<b>August 2015</b>	<b>April 2016</b>
<b>Multifamily housing-FHA</b>			
<b>**** HUD's evaluation of the reasonableness of management agents' front-line costs and direct costs (AT-15-0009):</b> To determine whether HUD's controls were sufficient to ensure that front-line costs, direct costs, and management fees were not excessive across the portfolio.	<b>Atlanta</b>	<b>November 2014</b>	<b>May 2015</b>



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Program areas and objectives	Lead region	Start date	Final report target date
<p>**** <b>Accuracy of data displayed in iREMS:</b> To determine whether HUD’s Integrated Real Estate Management System (iREMS) (1) displayed the correct data from each source multifamily database to assist HUD project managers in monitoring projects in their portfolio and (2) promptly notified HUD project managers of mortgage delinquencies or defaults and required action.</p>	Chicago	May 2015	December 2015
<p>**** <b>HUD’s implementation of use agreement:</b> To determine whether HUD provided sufficient guidance to owners and management agents to ensure implementation of use agreement restrictions for affordable set-aside units.</p>	Los Angeles	October 2015	June 2016
<b>Information systems (IS) audits</b>			
<p>* <b>Review of the New Core Project (DP-15-0003):</b> To assess the current status of the project, identify areas warranting additional review, and obtain information for use in planning and performing the detailed audit work to follow.</p>	IS Audit	January 2015	No final target date We plan to issue multiple reports
<p>* <b>Review of information system controls over Ginnie Mae (DP-15-0002):</b> To evaluate general and application controls for Ginnie Mae systems’ compliance with HUD information technology policies and Federal information system security and financial management requirements.</p>	IS Audit	February 2015	September 2015
<p>* <b>Review of OCFO financial management system functionality (DP-15-0005):</b> To assess general and application controls for selected Office of the Chief Financial Officer (OCFO) financial systems for compliance with HUD information technology policies and Federal information system security and financial management requirements.</p>	IS Audit	February 2015	September 2015
<p>* <b>Review of information system controls over FHA (DP-15-0004):</b> To evaluate general and application controls for FHA systems’ compliance with HUD information technology policies and Federal information system security and financial management requirements.</p>	IS Audit	February 2015	September 2015
<p>(a) <b>Federal information system controls audit manual review (DP-15-0006):</b> To assess management controls over HUD’s computing environment as part of the internal control assessments required for the FY 2015 consolidated financial statement audit under the Chief Financial Officers Act of 1990.</p>	IS Audit	March 2015	October 2015



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Program areas and objectives	Lead region	Start date	Final report target date
<b>Administrative-other</b>			
<b>(a) Government charge card program (FO-14-0301):</b> To determine whether HUD had sufficient controls to prevent and identify violations in the purchase card program.	<b>Financial Audit</b>	<b>May 2014</b>	<b>April 2015</b>
<b>(a) Compliance with IPERA (FO-15-0303):</b> To (1) determine HUD's compliance with reporting and improper payments reduction requirements, (2) evaluate the accuracy and completeness of HUD's reporting of improper payments data, and (3) evaluate the agency's assessment of the level of risk associated with the high-priority programs.	<b>Financial Audit</b>	<b>January 2015</b>	<b>May 2015</b>
<b>* Review of HUD's Intergovernmental Personnel Act agreements, assignments, and processes (FW-15-0016):</b> To determine whether HUD used the program as intended and administered its agreements in accordance with requirements.	<b>Fort Worth</b>	<b>February 2015</b>	<b>August 2015</b>
<b>(a) FY 2015 consolidated financial statement audit (FO-15-0002):</b> To perform the annual consolidated financial statement audit as required by the Chief Financial Officers Act as amended.	<b>Financial Audit</b>	<b>February 2015</b>	<b>November 2015</b>
<b>(a) FHA financial statement audit (FO-15-0100):</b> To express an opinion on FHA's FY 2014 financial statements.	<b>Financial Audit</b>	<b>March 2015</b>	<b>November 2015</b>
<b>* Review of HUD public relations expenses (PH-15-0008):</b> To determine the extent of HUD's costs for public relations and the benefits received from these services.	<b>Philadelphia</b>	<b>March 2015</b>	<b>October 2015</b>
<b>(a) Ginnie Mae financial statement audit (FO-15-0200):</b> To express an opinion on Ginnie Mae's principal financial statements.	<b>Financial Audit</b>	<b>April 2015</b>	<b>November 2015</b>
<b>* Review of HUD's procurement of major service contracts:</b> To determine whether HUD had adequate procedures in place to plan and monitor major service contracts to prevent waste and abuse.	<b>New York</b>	<b>September 2015</b>	<b>March 2016</b>



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## 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, none of which can be predicted. The planning of external audits, therefore, is intended to be flexible to enable OIG to perform the highest priority work at 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. 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 on the following areas.

**Single-family lenders:** Single-family lender origination reviews continue to be a priority for FY 2015 due to the abuses being experienced in single-family programs. A specialized audit program has been developed for the purpose of targeting lenders, considering a number of high-risk indicators. In addition to its being a goal in HUD OIG's strategic plan, there continues to be congressional interest in OIG's audits of single-family programs. In addition, OIG plans to perform audits of mortgage companies' underwriting procedures and servicers performing loss mitigation actions.

**Community planning and development:** In an effort to continue its emphasis on improving efficiency and effectiveness, OIG is continuing to emphasize this program area. Congress has taken an interest in improving the efficiency of the HOME program. HUD OIG has longstanding concerns regarding the financial management controls over community planning and development formula grant programs and will continue to focus on audits of HOME grantees and HUD's monitoring of the grantees as well as oversight of CDBG Disaster Recovery funds.

OIG's external audit work of grantees commonly finds a lack of adequate controls, including issues with subgrantee activities, resale and recapture provisions to enforce HUD's affordability requirements, incorrect reporting of program accomplishments, and ineligible expenses. There is also a repetitive thread of not always meeting the objectives of the program to provide affordable housing or not always meeting local building code requirements. Our audits have found that in some instances, little or no monitoring occurred, particularly at the subgrantee level. HUD focuses its monitoring activities at the grantee level through its field offices. Grantees, in turn, are responsible for monitoring their subgrantees. OIG has concerns regarding the capacity of subgrantees receiving funding from HUD programs, including grantees receiving CDBG Disaster Recovery funds; therefore, audits of grantees and their subgrantee activities will continue to be given emphasis this fiscal year.

**Public and Indian housing:** The low-income program serves approximately 1.2 million households. The Section 8 Housing Choice Voucher program serves more than 2 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 as well as PHA development activities carried out by affiliated



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nonprofit entities are other areas of emphasis that will be addressed as resources permit. OIG will take a close look at various PHAs to ensure that they sufficiently administer HUD's programs in accordance with regulations and guidance.

**Multifamily and insured health care project audits:** In fiscal year 2014, demand for FHA's multifamily and health care programs remained strong. FHA endorsed 1,016 multifamily apartment loans totaling nearly \$9.9 billion and 50 risk-sharing loans totaling more than \$606 million. In the face of an unprecedented rental affordability crisis, this activity not only created additional units, but also helped many multifamily owners refinance into more sustainable loans, thereby preserving existing units across the country. This activity is occurring as HUD is restructuring its multifamily offices through the Multifamily for Tomorrow transformation initiative. The initiative was created to improve customer service; however, OIG has not reviewed the new implementation of job sharing and targeted reviews.

OIG will continue to focus on multifamily programs to ensure that HUD's risk is limited as volume increases. It will also continue to focus on the misuse of project operating funds, also known as equity skimming.

In fiscal year 2014, FHA endorsed nearly \$8.8 billion in insurance for hospitals and residential care facilities, which increased access to quality health care in many communities. OIG will evaluate lenders and focus on equity skimming in health care programs as volume continues to increase in this area, and regulations have been strengthened to ensure that operators are held to tighter standards regarding cash distributions. Lastly, OIG will look at hospitals as a growing number of loans are being insured by FHA and due to the risk caused by the high dollar amount of each loan.