



**AUDIT PLAN**  
**As of July 9, 2013**  
**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, increase in foreclosures, and declining home values.

HUD had a \$42.4 billion budget for fiscal year (FY) 2013 based on adjustments for the sequestration cuts. In addition, HUD received an additional \$16 billion for Hurricane Sandy and other disaster relief purposes. The Department 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 the Department's management challenges identified by OIG and reported to Congress annually.

### ***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. While part of the Department, 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, inspections, and evaluations. This work identifies, assesses, and reports on the Department's activities and programs. We recommend corrective actions to the Department, as necessary, for the purpose of preventing future program or operational problems. Auditors are assigned to headquarters and regional offices. The Office of Audit initiates its work based on information obtained from program officials, program research, complaints, congressional requests, and risk assessments.

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

1. Financial audits, which determine whether HUD's financial statements are fairly



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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 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 inspections and evaluations in accordance with the Quality Standards for Inspection and Evaluation developed by the Council of the Inspectors General on Integrity and Efficiency. Inspections and evaluations are assessments of the design, implementation, or results of HUD's operations, programs, or policies. They can be used to provide factual and analytical information or share best practices or promising approaches in administering HUD programs.

The Office of Audit also conducts civil fraud reviews and investigations 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 the Department. Our 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. We identify audits through discussions with program officials, the public, and Congress; conducting audits; and reviewing proposed legislation, regulations, and other HUD issuances. We also conduct audits that HUD and Congress request, as well as those identified from our hotline.

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

The Department'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



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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, home-ownership counseling, and a myriad of efforts to curb mortgage abuse.

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**
- **Protecting the integrity of housing insurance and guarantee programs**

### *Promoting Fiscal Responsibility and Financial Accountability*

HUD's government corporations' and its program offices' 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.



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

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

HUD provides housing assistance funds under various grant and subsidy programs to PHAs. These intermediaries, in turn, provide housing assistance to benefit primarily low-income households.

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 who lease their rental units to assisted families. In FY 2013, there are approximately 1.2 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 existing public housing rules and more flexibility in how they use their Federal funds.

OIG will focus on this program area. Our reports will target significant issues related to gaining compliance from PHAs in this program area and developing quantifiable and outcome-oriented guidance. Evaluation of the program is essential in determining the success of the demonstration program. We will also evaluate how efficiently and effectively PHAs perform their duties to ensure that tenants receive quality housing.

### ***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, we plan to review HUD's oversight and the capacity 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. At the end of January 2013, FHA had nearly 7.8 million single-family



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mortgages in force with an amortized balance of almost \$1.1 trillion. FHA's dollar volume share of the one- to four-family mortgage market was 13.8 percent in the fourth quarter of 2012, up 2.4 percentage points from the third quarter of 2012 and up 3.6 percentage points from the fourth quarter of 2011. In an effort to further strengthen its capital reserves and manage its risk, FHA is implementing a series of changes in the areas of reverse mortgage product options, premiums, downpayment requirements, and the underwriting of loans. Specifically, the Home Equity Conversion Mortgage Fixed Rate Saver is the only initial mortgage insurance premium pricing option available to borrowers who seek a fixed interest rate mortgage, as this will limit the borrowers' upfront costs and payout from the Mutual Mortgage Insurance Fund. FHA has raised its annual mortgage insurance premiums by .10 percent and .05 percent for most mortgages and jumbo loans, respectively. Also, for case numbers assigned on or after June 3, 2013, FHA will once again collect annual premiums based upon the unpaid principal balance for the entire period in which FHA is entitled to retain significant revenue. For borrowers with decision credit scores below 620 and a total debt-to-income ratio greater than 43 percent, FHA will now require those loans to be manually underwritten. Additionally, it plans to require increased downpayment requirements from 3.5 to 5 percent for mortgages with an original principal balance above \$625,500.

Significant changes in the single-family mortgage industry and the meltdown of the subprime market require continual emphasis on single-family lenders by OIG. For example, the Helping Families Save Their Homes Act of 2009 provides limitations on those eligible to participate in FHA programs, places additional requirements on FHA-approved lenders, and expands FHA's authority to pursue civil money penalties for violations of program requirements. Further, HUD received \$4 billion for the Neighborhood Stabilization Program (NSP1) in 2008 and another \$2 billion in 2009 (NSP2, which is part of the Recovery and Reinvestment Act of 2009). The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 provided an additional \$1 billion in funding, which is referred to as NSP3. The program aids localities in dealing with neighborhoods adversely affected by foreclosures. OIG plans to continue its efforts in external and internal audits of HUD's activities in the single-family mortgage industry and NSP.

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 Home 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. Therefore, OIG plans to increase efforts in external audits of servicers and internal audits of HUD's activities in loan modifications.

Further, as millions of homeowners struggle with foreclosures, evidence has surfaced suggesting that banks have employed "robosigners" to sign documents, thereby facilitating the foreclosure process without having actual knowledge of the individual cases. In response to allegations regarding robosigning, in October 2010, HUD OIG initiated a review of the foreclosure practices of five of the largest FHA lenders to determine whether the selected FHA servicers complied with applicable foreclosure procedures for signing and notarizing judgment affidavits when processing foreclosures on FHA-insured loans. The analyses and results of our



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reviews were provided to the U.S. Department of Justice for possible civil action. On February 9, 2012, the U.S. Department of Justice and 49 State attorneys general announced a settlement of \$25 billion with 5 mortgage servicers for their reported violations of foreclosure requirements. On March 12, 2012, the Federal Government and State attorneys general filed consent judgments with the five mortgage servicers to resolve violations of State and Federal law as a result of our analyses and reviews. The consent judgments included more than \$20 billion, collectively, in consumer relief activities and a Federal payment settlement amount of more than \$684 million. The funds would be used for (1) losses incurred to FHA's capital reserve account and the Veterans Housing Benefit Program Fund or as otherwise directed by the U.S. Department of Veterans Affairs and the U.S. Department of Agriculture's Rural Housing Service and (2) the resolution of *qui tam* actions.

Following the meaningful impact of these 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 our 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 every 6 months.

In addition to the HUD-specific mandates issued by Congress, all OIGs must meet several governmentwide 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.



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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 Recovery Act*

Program areas and objectives	Lead region	Start date	Final report target date
<b>Single-family housing-FHA</b>			
**** <b>FHA default reporting (KC 13 0008):</b> To determine whether HUD had effective controls in place to ensure timely and accurate default reporting on FHA-insured loans.	Kansas City	November 2012	August 2013
**** <b>FHA preforeclosure claims sale requirements (LA 13 0012):</b> To determine whether HUD paid excessive or ineligible preforeclosure sale claims that did not meet the net sales proceeds requirements.	Los Angeles	November 2012	September 2013
**** <b>FHA's oversight of property flipping (CH 13 0006):</b> To determine whether HUD has adequate oversight of property flipping.	Chicago	November 2012	September 2013
**** <b>HUD's oversight of the Section 203(k) rehabilitation loan insurance program (CH 13 0015):</b> To determine whether HUD has adequate oversight of the loan endorsement and completion of single-family rehabilitation under the Section 203(k) program.	Chicago	February 2013	December 2013
**** <b>HUD's oversight of servicing loans with coborrowers (KC 13 0017):</b> To determine whether lenders are contacting all borrowers on each FHA loan before proceeding to claim.	Kansas City	March 2013	September 2013



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Program areas and objectives	Lead region	Start date	Final report target date
<p><b>**** Prohibited restrictive covenants and liens (LA 13 0025):</b> To summarize the four completed OIG external audits in which lenders allow prohibited restrictive covenant (antispeculation) agreements and determine the extent to which HUD has identified and discouraged such agreements.</p>	Los Angeles	May 2013	September 2013
<p><b>**** Corrective action verification - Underwriting review of 15 Lenders - Report 2011-CF-1801 (LA 13 0022):</b> To determine whether audit recommendation 1A included in OIG audit memorandum 2011-CF-1801 was properly implemented.</p>	Los Angeles	May 2013	September 2013
<p><b>**** Single-family loss mitigation:</b> To determine whether (1) HUD's use of the partial claim option as a loss mitigation tool adequately protects the insurance fund, (2) HUD's use of the deed in lieu of foreclosure loss disposition option adequately protects the insurance fund, and (3) HUD's oversight of the FHA loss mitigation programs is effective.</p>	Los Angeles	August 2013	March 2014
<p><b>**** FHA's TOTAL Scorecard and income-to-liability ratios:</b> To determine whether (1) Technology Open to All Lenders (TOTAL) Scorecard approves loans that would not be approved under manual underwriting, (2) TOTAL Scorecard can be manipulated, (3) lenders establish dummy case numbers to manipulate results, and (4) HUD has evaluated whether automated underwriting systems decrease risk or fees paid to lenders reflect appropriate risk.</p>	Fort Worth	September 2013	May 2014
<p><b>**** Refinance of non-FHA loans to FHA:</b> To determine whether (1) FHA loans refinanced from non-FHA loans posed a higher risk to the FHA fund and (2) HUD guidance was sufficient to prevent non-FHA to FHA refinanced loans from converting lender risk to FHA risk.</p>	Fort Worth	September 2013	May 2014



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Program areas and objectives	Lead region	Start date	Final report target date
<b>Community planning and development</b>			
<p><b>*** Long-term effectiveness and sustainability of economic development projects (AT-12-0021):</b> To determine whether HUD has (1) procedures to track the life cycle of completed economic development projects, (2) a performance measurement system to identify projects that fail or succeed in the long term, and (3) procedures to identify indicators that caused projects to fail or succeed in the long term and uses these indicators when evaluating proposed projects.</p>	<b>Atlanta</b>	<b>June 2012</b>	<b>July 2013</b>
<p><b>*** HUD's controls over the timeliness of CDBG entitlement spending (NY 13 0001):</b> To determine whether HUD's guidance for ensuring compliance with the CDBG entitlement spending requirement has been implemented effectively by the field offices; specifically, to determine whether HUD needs to implement additional program guidance to ensure a standardized process by which grantees are monitored by their field offices.</p>	<b>New York</b>	<b>October 2012</b>	<b>July 2013</b>
<p><b>*** HUD's grant risk assessment procedures (AT 13 0005):</b> To determine whether the Office of Community Planning and Development's (CPD) risk assessments are adequate for evaluating grants administered or carried out by subrecipients.</p>	<b>Atlanta</b>	<b>January 2013</b>	<b>August 2013</b>
<p><b>*** CPD monitoring of closed redevelopment agency HUD assets (LA 13 0020):</b> To determine whether the San Francisco and Los Angeles HUD CPD offices had policies, procedures, and controls in place to ensure that HUD-funded assets' interests were maintained and at an acceptable risk.</p>	<b>Los Angeles</b>	<b>April 2013</b>	<b>December 2013</b>
<p><b>*** HUD's HOME Investment Partnerships Program:</b> To determine the adequacy of HUD's actions to ensure that participating jurisdictions remove ineligible HOME cost and the related commitments from HUD's Integrated Disbursement and Information System in a timely manner.</p>	<b>Atlanta</b>	<b>June 2013</b>	<b>February 2014</b>
<p><b>*** HUD's administration of CDBG property acquisitions and dispositions:</b> To determine whether and how HUD compares planned and accomplished CDBG grantees' acquisition and disposition activities.</p>	<b>Philadelphia</b>	<b>October 2013</b>	<b>June 2014</b>



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Program areas and objectives	Lead region	Start date	Final report target date
<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>	<b>Fort Worth</b>	<b>April 2012</b>	<b>October 2013</b>
<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>	<b>Philadelphia</b>	<b>August 2012</b>	<b>September 2013</b>
<p><b>*** HUD's oversight of the Housing Choice Voucher program cost savings measures (NY 12 0020):</b> To determine whether HUD adequately monitors its PHAs and agencies to ensure that they are implementing cost-saving measures to maximize the number of families receiving assistance under the Housing Choice Voucher program.</p>	<b>New York</b>	<b>August 2012</b>	<b>July 2013</b>
<p><b>*** HUD management and oversight of housing authority interfund transactions (NY-12-0024):</b> To determine whether HUD (1) has adequate procedures in place to monitor interprogram funds at PHAs with multiple housing programs, (2) is identifying interprogram fund deficiencies in restricted Federal programs, (3) is properly evaluating annual contributions contract and regulatory restrictions, and (4) has taken appropriate actions to curtail improper practices when borrowing from restricted HUD programs is found.</p>	<b>New York</b>	<b>September 2012</b>	<b>August 2013</b>
<p><b>*** HUD's oversight of PHAs' expenditures for lobbying the Executive or Legislative Branches of the Federal Government (PH 13 0002):</b> To determine whether HUD oversight was adequate to ensure that PHAs complied with Federal lobbying disclosure requirements and restrictions.</p>	<b>Philadelphia</b>	<b>October 2012</b>	<b>September 2013</b>
<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>	<b>Philadelphia</b>	<b>October 2012</b>	<b>September 2013</b>



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Program areas and objectives	Lead region	Start date	Final report target date
<p><b>*** HUD's oversight of its Moving to Work program (PH 13 0005):</b> To review HUD's monitoring and oversight of its Moving to Work program.</p>	Philadelphia	November 2012	September 2013
<p><b>** The reliability of HUD's Inventory Management System and PIH Information Center housing inventory data (NY 13 0014):</b> To determine whether HUD has adequate controls to ensure the reliability of public housing inventory data in its Inventory Management System and PIH Information Center.</p>	New York	February 2013	October 2013
<p><b>*** Oversubsidization in the Housing Choice Voucher program (KC 13 0015):</b> To determine whether oversubsidization and overhousing exist in the Housing Choice Voucher program.</p>	Kansas City	February 2013	September 2013
<p><b>*** HUD's monitoring and administration of the Housing Choice Voucher Family Self-Sufficiency program (NY 13 0016):</b> To determine whether HUD is sufficiently monitoring PHAs to encourage the use of the Family Self-Sufficiency program and evaluate its outcome; specifically, to ensure that administering agencies properly monitor participants' progress while in the program and upon graduation from the program and document the program benefit.</p>	New York	March 2013	September 2013
<p><b>** Rent reasonableness data availability:</b> To determine whether changes in information technology, combined with the economic downturn, limited the types of data necessary for PHAs to make proper rental determinations.</p>	New York	June 2013	February 2014
<p><b>** Review of HUD policies regarding overincome residents in public housing:</b> To determine whether HUD needs to update its policies and regulations regarding overincome residents in public housing.</p>	Philadelphia	October 2013	June 2014
<p><b>** Administration of the Rental Assistance Demonstration program:</b> To determine whether HUD (1) selected units for conversion in accordance with the criteria, (2) monitored PHA compliance with milestones and revoked Rental Assistance Demonstration designations for noncompliance, and (3) developed an evaluation design.</p>	Atlanta	October 2013	June 2014
<p><b>*** HUD oversight of PIH Office of Native American Program grants management:</b> To determine whether HUD maintains grant portfolios in an effective manner and in compliance with HUD requirements.</p>	Los Angeles	November 2013	July 2014



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Program areas and objectives	Lead region	Start date	Final report target date
<b>** HUD oversight of the Veteran's Affairs Supportive Housing program:</b> To determine whether HUD's Veteran's Affairs Supportive Housing program monitoring procedures and reporting system details were adequate to ensure that PHAs administered the program vouchers in accordance with program requirements.	Los Angeles	November 2013	July 2014
<b>** Review of central office cost center funds:</b> To review central office cost center funds to determine whether funds are being used efficiently and effectively.	Los Angeles	January 2014	August 2014
<b>Multifamily housing-FHA</b>			
<b>**** HUD oversight of multifamily housing project finances (NY 13 0004):</b> To determine whether HUD has adequate controls to ensure that Section 202 prepayment and refinancing is being conducted in an economical and efficient manner to provide maximum available funding for additional affordable housing and also protects the financial integrity of the FHA insurance fund.	New York	October 2012	September 2013
<b>**** Assessment of HUD's multifamily bond refund process (AT 13 0019):</b> To determine whether HUD received its share of bond refund savings as required under the McKinney Act.	Atlanta	April 2013	December 2013
<b>Recovery Act</b>			
<b>(b) Effectiveness of Neighborhood Stabilization Programs (rollup):</b> To determine the adequacy of HUD's procedures for administering the program and measuring effectiveness, grantees' compliance with program requirements, and whether the program and grantees achieved their goals.	Atlanta	June 2013	February 2014
<b>(b) CPD oversight of developer fees for NSP-funded activities:</b> To determine whether HUD ensured that recipients followed rules and regulations related to the reimbursement of developer's fees paid for work performed under NSP1, 2, and 3.	Los Angeles	July 2013	March 2014
<b>Information systems (IS) audits</b>			
<b>(a) FY 2012 Federal Information Security Management Act review (DP-12-0013):</b> To perform the annual independent review of HUD's information security program and practices to prepare responses to Office of Management and Budget questions.	IS Audit	September 2012	July 2013



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Program areas and objectives	Lead region	Start date	Final report target date
<p><b>* Review of HUD’s proposed and completed actions (DP 13 0001):</b> To complete a rollup of previous Information Systems Audit Division audit report findings and recommendations to identify systemic issues and consider whether HUD’s proposed and completed actions provide adequate controls to mitigate the issues.</p>	IS Audit	January 2013	September 2013
<p><b>(a) Federal Information System Controls Audit Manual review (DP 13 0003):</b> To assess management controls over HUD’s computing environment as part of the internal control assessments required for the FY 2013 Consolidated Financial Statement Audit under the Chief Financial Officer’s Act of 1990.</p>	IS Audit	March 2013	November 2013
<p><b>* Review of Security Controls for the HUD Central Accounting and Program System (DP 13 0005):</b> To evaluate selected general and application controls over the HUD Central Accounting and Program System for compliance with Federal requirements and standards.</p>	IS Audit	March 2013	December 2013
<p><b>* Review of application controls with HUD’s Voyager business service provider (DP 13 0004):</b> To determine whether selected application controls of the P260 system comply with Federal requirements and standards; specifically, to identify and review P260 modules or controls for compliance with HUD policies and procedures, Federal requirements, and best practices as applicable.</p>	IS Audit	March 2013	December 2013
<p><b>* Review of information system controls over Hyperion (DP 13 0007):</b> To evaluate selected general and application controls over Hyperion for compliance with Federal requirements and standards.</p>	IS Audit	March 2013	December 2013
<p><b>* Review of information system controls over the Line of Credit Control System (DP 13 0006):</b> To evaluate selected general and application controls over the Line of Credit Control System for compliance with Federal requirements and standards.</p>	IS Audit	March 2013	December 2013



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Program areas and objectives	Lead region	Start date	Final report target date
<b>Administrative-other</b>			
<b>(a) Review of HUD’s compliance with purchase card and travel requirements (FO 13 0002):</b> To (1) determine HUD’s safeguards and controls in place for the purchase and travel card programs and conduct an assessment to identify areas at high risk of improper, illegal, or erroneous purchases and payments and (2) identify patterns of purchase and travel card use that may indicate potential illegal, improper, or erroneous use or potential efficiencies in purchasing practices that would result in lower prices.	<b>Financial Audit</b>	<b>February 2013</b>	<b>October 2013</b>
<b>(a) FY 2013 Consolidated Financial Statement Audit (FO 13 0001):</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 2013</b>	<b>November 2013</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 2013 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' originating and underwriting, servicers performing loss mitigation actions, and FHA home equity conversion mortgages, along with additional audits of Ginnie Mae participants.

**Community planning and development:** In an effort to continue its emphasis on improving efficiency and effectiveness, OIG is continuing to emphasize this program area. Based on OIG assessments, congressional inquiries, and Recovery Accountability and Transparency Board referrals, OIG plans to continue to focus on audits of grantees receiving NSP funding. In addition, Congress has taken an interest in improving the efficiency of the HOME program. HUD's Office of Community Planning and Development has recently developed the OneCPD model to focus on skills, planning, and innovations to build grantee capacity and help grantees comply with regulatory requirements. HUD OIG has long-standing 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.

OIG also has concerns over the capacity of subrecipients receiving funding from HUD programs; therefore, audits of such activities will also be given priority. For those selected, we will evaluate the control systems in place 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.

Additionally, the Disaster Relief Appropriations Act, 2013, provided an initial \$5.4 billion in CDBG disaster recovery funding for victims of Hurricane Sandy. Of this amount, \$10 million will be transferred to OIG for the necessary costs of overseeing and auditing these funds. HUD prepared a notice of funding availability to award funds for Hurricane Sandy and plans to institute risk analysis and onsite monitoring of grantee management as well as collaborate with OIG to plan and implement oversight of the funding.



## AUDIT PLAN

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**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 nonprofit entities are other areas of emphasis that will be addressed as resources permit. We will be looking closely at the Moving to Work program and whether housing authorities are meeting the program's intended objectives. We will also be taking a close look at various PHAs to ensure that they are sufficiently administering HUD's programs in accordance with regulations and guidance. Lastly, as HUD rolls out its Rental Assistance Demonstration program, OIG will prepare to ensure that the program efficiently meets its intended goals in the coming years.

**Multifamily and insured health care project audits:** The economic slowdown has created high demand in the multifamily mortgage market. HUD continues to break records in the number of multifamily rental loans insured. We will continue to focus on this program area to ensure that HUD's risk is limited as it sets record volume. We will also continue to focus on the misuse of project operating funds, also known as equity skimming. The Office of Healthcare Programs is in the final stages of revising its regulations and closing documents to increase its ability to control risks associated with its healthcare facility insurance programs. These changes are in response to a 2002 audit. We will also continue to focus on equity skimming in healthcare programs as volume continues to increase in this area. Lastly, we 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.