

OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT TO CONGRESS

FOR THE PERIOD ENDING SEPTEMBER 30, 2016



U.S. DEPARTMENT
OF HOUSING
AND URBAN
DEVELOPMENT



OUR MISSION

**To provide independent,
objective, and impactful
oversight** of the Department
to help ensure efficient
and effective programs
and operations.





OUR VALUES

Accountability

Courage

Respect

Stewardship

Trust



OUR VISION

To be the Office of Inspector General
**of choice for driving accountability and
trust** in Federal programs.



DIVERSITY AND EQUAL OPPORTUNITY

The promotion of high standards and equal employment opportunity

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

PROFILE OF PERFORMANCE

For the period April 1, 2016, to September 30, 2016

AUDIT RESULTS ¹	THIS REPORTING PERIOD	FISCAL YEAR 2016
Recommendations that funds be put to better use	\$5,152,580,134	\$6,777,751,436
Recommended questioned costs	\$196,249,089	\$514,122,502
Collections from audits	\$10,122,659	\$17,314,737
Administrative sanctions	0	0
Civil actions	13	13
Subpoenas	7	16
Personnel action	0	0

INVESTIGATION RESULTS ¹	THIS REPORTING PERIOD	FISCAL YEAR 2016
Total restitutions and judgments	\$127,910,568	\$266,246,221
Total recoveries and receivables to HUD programs	\$105,598,621	\$140,515,816
Arrests	102	230
Indictments and informations	147	289
Convictions, pleas, and pretrial diversions	157	302
Civil actions	18	70
Total administration sanctions	109	247
Suspensions	51	97
Debarments	47	106
Limited denial of participation	0	0
Removal from program participation	4	9
Evictions	4	11
Other ²	3	24
Systemic implication reports	0	1
Search warrants	40	64
Subpoenas	436	940

JOINT CIVIL FRAUD RESULTS ¹	THIS REPORTING PERIOD	FISCAL YEAR 2016
Recoveries and receivables to HUD programs or HUD program participants	\$907,282,798	\$909,174,798
Recoveries and receivables for other entities ³	\$677,679,800	\$677,730,800
Recommendations that funds be put to better use	\$55,405	\$55,405
Civil actions	16	18
Administrative sanctions	0	0

¹ The Offices of Audit and Investigation and the Joint Civil Fraud Division periodically combine efforts and conduct joint civil fraud initiatives. Outcomes from these initiatives are shown in the Joint Civil Fraud Results profile and are not duplicated in the Audit Results or Investigation Results. These results include civil settlements of \$1.2 billion from Wells Fargo, \$113 million from Freedom Mortgage Corporation, \$70 million from Franklin American Mortgage Company, \$64 million from M&T Bank, \$52.4 million from Regions Bank, \$83 million from Branch Banking and Trust Company, and \$1 million from RANLife, Inc. Results are further detailed in chapter 7.

² Includes reprimands, suspensions, demotions, or terminations of the employees of Federal, State, or local governments or of Federal contractors and grantees, as the result of OIG activities.

³ This amount represents funds that relate to HUD programs but were paid to other entities rather than to HUD, such as funds paid to the U.S. Treasury for general government purposes.

DURING THIS REPORTING PERIOD, WE HAD **NEARLY \$5.2 BILLION** IN FUNDS TO BE PUT TO BETTER USE, QUESTIONED COSTS OF **MORE THAN \$1.1 BILLION**, AND MORE THAN **\$884 MILLION** IN COLLECTIONS, RESULTING FROM **109 AUDITS**, AND OBTAINED **MORE THAN \$127 MILLION** IN RESTITUTIONS AND JUDGMENT DUE TO OUR INVESTIGATIVE EFFORTS. OF THIS AMOUNT, **MORE THAN \$105 MILLION** WAS RETURNED TO HUD PROGRAMS, WITH THE REMAINDER GOING TO VICTIMS OF FRAUD AND ABUSE.



It is with great pleasure that I submit the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) Semiannual Report to Congress for the second half of fiscal year 2016. This report describes the remarkable accomplishments of the talented public servants of HUD OIG. By

promoting better stewardship and accountability, HUD OIG staff continues to have a lasting impact on the Department and our communities for the benefit of the American people. This last year, the OIG's phenomenal contribution realized a savings of nearly \$8.5 billion which represents a return on investment of 67 to 1 for every dollar spent on our work.

Our mission at HUD OIG is to provide independent, objective, and impactful oversight of the Department to help ensure efficient and effective programs and operations. This is done through the Offices of Audit, of Evaluation and of Investigation which are supported by the Offices of Legal Counsel and of Management and Technology.

In the past year, HUD OIG has conducted a number of significant audits, evaluations, and investigations including findings that the Government National Mortgage Association's financial statements did not meet generally accepted accounting principles and that the Department misused the Intergovernmental Personnel Act to hire senior staff members. In addition, and widely reported in the news, was HUD OIG's discovery that tens of thousands of overcome individuals and families were living in public housing while a substantial number of qualified applicants remained on waiting lists nationwide. This resulted in bi-partisan legislation in just under nine months, an exceptional achievement.

In addition, two audits during this reporting period were especially noteworthy. In one, the State disaster recovery grantee procurement processes audit, HUD OIG discovered that grantees struggled with their certification of accurate supporting documentation because of a lack of adequate controls over the process. This situation resulted in more than \$4.9 billion in disaster relief funds not being disbursed or put to better use. In another, we led a review of the Disaster Relief Appropriations Act, 2013, as part of a Council of the Inspectors General on Integrity and Efficiency cross-cutting initiative, and discovered that only a third of the \$46.5 billion

allocated for disaster relief at eight agencies had been spent. In addition, seven of the eight agencies had asked for and received extensions, which increased the time those affected by the disaster had to wait for disaster relief funds.

In a joint civil fraud effort, Wells Fargo Bank, a Federal Housing Administration (FHA) direct endorsement lender, entered into a settlement agreement for \$1.2 billion for certifying to HUD from May 2001 through December 2008 that certain loans were eligible for FHA mortgage insurance when they were not. In addition, from October 2005 through December 2010, Wells Fargo failed to report to HUD that the majority of FHA loans that its internal quality control assurance reviews had identified as having material deficiencies.

In another case, four former employees of the Morgan City (Louisiana) Housing Authority were sentenced in U.S. District Court for their part in defrauding the Authority of more than \$500,000 by writing themselves unauthorized bonuses. Their sentences ranged from five years' probation to three years imprisonment and fines and restitution that ranged from \$100,040 to \$165,405.

Further, the OIG conducted a number of impactful evaluations during this reporting period including a robust review of the Department's cybersecurity posture, a look into HUD's processes for distributing grants for disaster recovery, and a review to assess the performance of HUD's programs to preserve and revitalize affordable housing.

Another area of significant development has been the maturing of our internal Integrity and Compliance Program (ICP), which we launched a year ago. The ICP continues to demonstrate our commitment to the public to maintain our high level of integrity and dedication to making values-based ethics the standard for our conduct.

In closing, I would like to express my continued gratitude to Congress and the Department for their sustained commitment to improving HUD's programs and operations. I also want to reiterate my sincere appreciation of the people of HUD OIG for their dedication to the critically important work they undertake every day. Through their collective effort, HUD OIG has surpassed its goals and fulfilled its mission and responsibilities to our Nation.

A handwritten signature in black ink that reads "David A. Montoya". The signature is fluid and cursive, with a long horizontal stroke at the end.

David A. Montoya | Inspector General

TRENDING



INTEGRITY AND COMPLIANCE PROGRAM: THE FIRST STEPS

As we conclude the first year of the Integrity and Compliance Program (ICP), we are pleased to report the success of our first steps in demonstrating the U.S. Department of Housing and Urban Development, Office of Inspector General's commitment to the public to maintain a high standard of integrity by making values based conduct the standard for all of our employees.

Thus far we have

- Completed an extensive survey, with an astounding 74 percent response rate, to form the baseline for our program;
- Briefed the results of the survey to the entire organization and posted the survey results on the ICP landing page;
- Completed reports focused on various groups (and briefed these reports to the leadership of every group) to better understand the needs of each other as we move forward with ICP efforts;
- Provided training on Respect in the Workplace to all senior and midlevel leaders in the organization; and
- Revised, published, and defined core values for the organization. These are: accountability, courage, respect, stewardship, and trust.

We have also determined that our Senior Executive Service (SES) corps should take a strong lead in focusing on integrity. To meet this challenge, they took part in developing an action plan to bring integrity to the forefront in their areas. Communication was identified as an area that could be improved, and we are focused on improving communication. All Assistant Inspectors General are contacting their staffs to open dialogue on the survey results and the new core values.

We are focused on a “speak up – listen up” culture. As we move forward with the ICP, this theme will become more prevalent and pronounced. We want a culture in which all levels of our organization feel comfortable speaking with and listening to each other.

The steps we will take to further develop ICP are:

- Develop and launch training throughout the organization wide on the integrity and compliance issues identified in the survey;
- Publish and distribute a guide for reporting so everyone in the organization knows where to go if an issue is identified; and
- Publish a summary of disciplinary action taken within the organization so all employees know that our standards are enforced.

We will perform our work with the highest level of integrity. It is fundamental to maintaining the public trust and fulfilling our mission. Integrity is also essential to the way we conduct ourselves as employees and how we treat each other as individuals. The Integrity and Compliance Program is a catalyst for this.



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CHAPTER 1 – SINGLE-FAMILY PROGRAMS

The Federal Housing Administration (FHA) single-family programs provide mortgage insurance to mortgage lenders that, in turn, provide financing to enable individuals and families to purchase, rehabilitate, or construct homes. Some of the highlights from this semiannual period are noted below.

AUDIT

STRATEGIC INITIATIVE 1: CONTRIBUTE TO THE REDUCTION OF FRAUD IN SINGLE-FAMILY INSURANCE PROGRAMS

Key program results		Questioned costs	Funds put to better use
Audit	11 audits	\$23,162,575	\$85,852,210

REVIEW OF GINNIE MAE'S PROCESS OF RESOLVING UNINSURED POOLED LOANS

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), audited the Government National Mortgage Association's (Ginnie Mae) process for identifying and removing uninsured single-family FHA loans from mortgage-backed securities (MBS) pools to determine whether loans remained in Ginnie Mae MBS pools for 1 year or longer without the required mortgage insurance.

Ginnie Mae allowed at least 345 uninsured single-family loans valued at nearly \$50 million to remain in its MBS pools for more than 1 year after the lenders issued the related securities.

OIG recommended that Ginnie Mae establish (1) a maximum time during which loans may remain pooled without insurance and (2) a process for requiring the removal of pooled loans that remain uninsured at that time to put \$49.3 million to better use. (Audit Report: **2016-KC-0002**)

REVIEW OF PARTIAL CLAIMS COLLECTION AFTER FHA-INSURED MORTGAGES TERMINATE

HUD OIG audited HUD to determine whether it collected partial claims upon termination of the related FHA-insured mortgages. OIG initiated this audit because of its concern that FHA partial claims could go uncollected.

HUD did not collect an estimated 1,361 partial claims that became due in fiscal year 2015. As a result, partial claims totaling nearly \$21.5 million were not returned to the FHA insurance fund.

OIG recommended that HUD (1) require its loan-servicing contractor to complete the necessary debt collection efforts for the uncollected partial claims that became due during fiscal year 2015, (2) add a performance requirement measuring partial claims collection to its contractor's performance work statement to put these funds to better use, and (3) strengthen procedures to better identify and resolve all due and payable partial claims. (Audit Report: **2016-KC-0001**)

REVIEW OF HUD'S OVERSIGHT OF FHA-INSURED PROPERTIES TO ENSURE SAFE WATER

HUD OIG audited HUD's oversight of FHA-insured loans in **Flint, MI**, to determine whether HUD ensured that properties in Flint that were approved for FHA mortgage insurance had a continuing and sufficient supply of safe and potable water.

HUD did not ensure that lenders verified that properties in Flint that were approved for FHA mortgage

insurance had a continuing and sufficient supply of safe and potable water. Specifically, 11 of the 17 files reviewed did not contain evidence of water testing to show that the water was safe, and later testing performed by the State of Michigan showed that at least 4 of the 11 properties had lead and copper levels above the Environmental Protection Agency's action levels. The issues identified represent an ongoing safety concern. Further, HUD and homeowners face an increased risk of loss if property values decrease due to the water safety issues, and homeowners may not have sufficient resources to attain and maintain safe water.

OIG recommended that HUD direct the applicable lenders to provide evidence showing that the properties had a safe and potable water source at the time the loans closed and were endorsed. If the lenders cannot provide this evidence, HUD should direct them to perform water testing and any necessary remediation to ensure that the properties have a safe and potable water source or indemnify HUD against any future loss, thereby putting up to \$10.8 million to better use. OIG also recommended that HUD take appropriate administrative action against the parties involved for any cases in which they did not take appropriate steps to ensure that properties in Flint had a safe and potable water source. OIG further recommended that HUD improve its controls to ensure that it does not insure additional loans in Flint for properties that do not have a safe and potable water source. (Audit Report: **2016-PH-0003**)

REVIEW OF HUD'S REAL ESTATE-OWNED MANAGEMENT AND MARKETING III PROGRAM

HUD OIG audited P.K. Management Group, Inc. (PKMG), in **Doral, FL**, a contracted field service manager in HUD's real estate-owned Management and Marketing III program, to determine whether PKMG provided property preservation and protection services in accordance with its contract with HUD and its own requirements.

PKMG did not always provide property preservation and protection services in accordance with its contract and its own requirements. Specifically, it did not ensure that (1) 82 HUD-owned vacant properties were in ready-to-show condition and (2) 23 custodial properties were free of health and safety hazards and the exteriors were clean, safe, sanitary, and secured. In addition, PKMG billed HUD for properties for which it had not provided property preservation and protection services. As a result, it inappropriately received more than \$19,000 in property management fees for properties that were not adequately maintained and more than \$2,300 in property management fees for properties that it had not serviced.

OIG recommended that HUD require PKMG to (1) certify that the applicable property and preservation deficiencies have been corrected for the 105 properties cited, (2) reimburse HUD for the property management fees for the 105 properties that were not adequately maintained, (3) implement adequate procedures and controls to ensure that all properties comply with its contract and its own requirements to prevent more than \$2.5 million in program funds from being spent over the next year for monthly ongoing property management fees for properties that do not comply with HUD's and its own requirements, and (4) reimburse HUD for the property management fees received for services it had not performed. (Audit Report: **2016-CH-1008**)

REVIEW OF FHA HOME AFFORDABLE MODIFICATION PROGRAM

HUD OIG audited the Georgia Housing and Finance Authority in **Atlanta, GA**, regarding its implementation of FHA's Home Affordable Modification Program (FHA-HAMP) to determine whether the Authority properly implemented its FHA-HAMP in accordance with HUD's requirements.

The Authority did not adequately implement its FHA-HAMP in accordance with HUD's requirements. Specifically, it did not (1) comply with the market rate condition required for FHA-HAMP stand-alone partial claims, (2) ensure that the borrowers successfully completed their trial payment plans, (3) support that it

properly evaluated and independently verified the borrowers' financial information, and (4) support that it properly calculated the partial claim and loan modification amounts. As a result, HUD paid more than \$1.1 million for 138 loans that were not eligible or supported for proper implementation of FHA-HAMP, including 3 active modified loans with unpaid principal balances of more than \$241,000.

OIG recommended that HUD require the Authority to (1) reimburse HUD more than \$160,000 for claims and incentive fees paid for 10 loans that were not FHA-HAMP eligible, (2) indemnify HUD for 2 active modified loans with a total unpaid balance of more than \$102,000 that were not FHA-HAMP eligible, (3) support or reimburse HUD nearly \$942,000 for claims and incentive fees paid on 124 loans that may not have been eligible for FHA-HAMP, (4) support or reimburse HUD nearly \$75,000 for partial claims and incentive fees paid for 3 loans that were not supported as eligible for FHA-HAMP, (5) support or indemnify HUD for 1 active modified loan with an unpaid balance of nearly \$139,000 that was not supported as eligible for FHA-HAMP, and (6) improve its written policies and procedures to ensure implementation of FHA-HAMP in accordance with HUD's requirements. (Audit Report: **2016-AT-1011**)

REVIEW OF HUD'S REQUIREMENTS IN LOAN ORIGINATION

HUD OIG audited Evergreen MoneySource Mortgage Company, doing business as Evergreen Home Loans, to determine whether Evergreen's **Las Vegas, NV**, branch complied with HUD requirements in the origination of FHA-insured loans.

Evergreen did not always originate FHA-insured loans in accordance with HUD regulations. Specifically, it did not identify unacceptable restrictive covenants on 14 FHA loans that received downpayment assistance. Three additional loans reviewed included significant underwriting deficiencies, which would have affected the insurability of the loans. These deficiencies resulted in potential losses to the FHA insurance fund of more than \$1.1 million.

OIG recommended that HUD require Evergreen to (1) work with HUD to nullify the restrictions on conveyance that violate HUD policy or indemnify HUD against future losses of more than \$867,000 for the 14 loans; (2) indemnify HUD for 3 actively insured loans, which could cause potential losses of nearly \$305,000 if they are foreclosed upon and resold; (3) develop procedures to ensure that it reviews all closing documents, including closing documents for second mortgages associated with downpayment assistance, before closing the loan; and (4) ensure that it has adequately trained its employees regarding HUD underwriting requirements, including unallowable restrictions on conveyance. OIG also recommended that HUD pursue civil and administrative remedies if legally sufficient. (Audit Report: **2016-LA-1011**)

INVESTIGATION

PROGRAM RESULTS

Administrative-civil actions	45
Convictions-pleas-pretrial diversions	52
Financial recoveries	\$54,708,413

CHAPTER 2 – PUBLIC AND INDIAN HOUSING PROGRAMS

The U.S. Department of Housing and Urban Development (HUD) provides grants and subsidies to more than 3,800 public housing agencies (PHA) nationwide. Many PHAs administer both public housing and Section 8 programs. HUD also provides assistance directly to PHAs' resident organizations to encourage increased resident management entities and resident skills programs. Programs administered by PHAs are designed to enable low-income families, the elderly, and persons with disabilities to obtain and reside in housing that is safe, decent, sanitary, and in good repair. Some of the highlights from this semiannual period are noted below.

AUDIT

STRATEGIC INITIATIVE 2: CONTRIBUTE TO THE REDUCTION OF ERRONEOUS PAYMENTS IN RENTAL ASSISTANCE

Key program results		Questioned costs	Funds put to better use
Audit	32 audits	\$44,246,810	\$79,147,781

SECTION 8 HOUSING CHOICE VOUCHER PROGRAM

HUD's Office of Inspector General (OIG) audited the Housing Choice Voucher program of the Orange County Housing Authority in **Santa Ana, CA**, regarding its housing quality standards to determine whether the Authority conducted its inspections in accordance with HUD rules and requirements.

The Authority's inspections did not adequately enforce HUD's housing quality standards. Of the 80 housing units inspected, 42 were in material noncompliance with HUD standards. For those units, the Authority's inspectors failed to report 229 deficiencies that existed when they conducted their last inspections. As a result, some tenants lived in housing that was not up to HUD standards, and the Authority disbursed nearly \$218,000 in housing assistance payments for those 42 units.

OIG recommended that HUD require the Authority to (1) reimburse its program nearly \$218,000 from non-Federal funds for the 42 units that materially failed to meet HUD standards; (2) certify that the identified deficiencies have been corrected; (3) ensure that its inspectors are provided up-to-date and consistent training on conducting inspections, which will prevent more than \$48.6 million in program funds from being spent on housing that does not meet HUD standards over the next year; and (4) develop and implement quality controls, which ensure that housing complies with HUD standards. (Audit Report: **2016-LA-1003**)

HUD OIG audited the Housing Authority of the City of **Durham, NC**'s Housing Choice Voucher program's housing quality standards to determine whether the Authority ensured that program units met HUD's and its own housing quality standards.

The Authority did not always ensure that program units met HUD's and its own housing quality standards. Of 75 program units inspected, 69 failed to comply with HUD's minimum housing quality standards and the Authority's own requirements, and 40 of those were in material noncompliance with the standards. For the 40 units in material noncompliance, the Authority's inspectors failed to observe or report 352 violations that existed when they conducted their latest inspections. As a result, some tenants lived in inadequately maintained units, and the Authority disbursed more than \$100,000 in housing assistance payments and received more than \$8,000 in administrative fees for the 40 units in material noncompliance.

OIG recommended that HUD require the Authority to (1) reimburse its program from non-Federal funds for the 40 units that materially failed to meet HUD's and its own housing quality standards, (2) ensure that all violations cited for the units failing to meet housing quality standards have been corrected, and (3) implement adequate procedures and controls to ensure that all units meet HUD's and its own housing quality standards to prevent more than \$7.5 million in program funds from being spent on units that do not comply with HUD's requirements over the next year. (Audit Report: **2016-AT-1005**)

HUD OIG audited the Housing Choice Voucher program of the Housing Opportunities Commission of Montgomery County in **Kensington, MD**, to determine whether the Commission ensured that its program units met HUD's housing quality standards.

The Commission did not always conduct adequate inspections to ensure that its program units met housing quality standards. Of 75 program units inspected, 56 did not meet HUD's housing quality standards. Further, 15 of the 56 were in material noncompliance with HUD standards. The Commission disbursed nearly \$45,000 in housing assistance payments and received more than \$300 in administrative fees for these 15 units. Over the next year, if the Commission does not implement adequate procedures to ensure that its program units meet housing quality standards, HUD could pay more than \$7.5 million in housing assistance for units that materially fail to meet those standards.

OIG recommended that HUD require the Commission to (1) reimburse its program from non-Federal funds for the 15 units that materially failed to meet HUD's housing quality standards and (2) implement procedures and controls to ensure that program units meet housing quality standards. (Audit Report: **2016-PH-1008**)

HUD OIG audited the Housing Choice Voucher program of the Westmoreland County Housing Authority in **Greensburg, PA**, to determine whether the Authority ensured that its program units met HUD's housing quality standards and whether it abated housing assistance payments as required.

The Authority did not always conduct adequate inspections to ensure that its program units met housing quality standards, and it did not always accurately calculate housing assistance payment abatements. Of 78 program units inspected, 65 did not meet HUD's housing quality standards. Further, 38 of the 65 were in material noncompliance with HUD standards. The Authority disbursed nearly \$60,000 in housing assistance payments and received nearly \$3,000 in administrative fees for these 38 units. Over the next year, if the Authority does not implement adequate procedures to ensure that its program units meet housing quality standards, HUD could pay more than \$4 million in housing assistance for units that materially fail to meet those standards. In addition, the Authority did not always accurately calculate housing assistance payment abatements. It incorrectly calculated the abatement amount for 7 of 18 units reviewed. As a result, it did not abate payments totaling nearly \$2,000 for units that did not meet housing quality standards, and it made excessive abatements totaling \$71.

OIG recommended that HUD require the Authority to (1) reimburse its program more than \$62,000 for the 38 units that materially failed to meet HUD's housing quality standards, (2) implement procedures and controls to ensure that program units meet housing quality standards, and (3) reimburse its program for housing assistance payments that should have been abated. (Audit Report: **2016-PH-1002**)

HUD OIG audited the Housing Choice Voucher program of the Sanford Housing Authority in **Sanford, NC**, to determine whether the Authority administered its program in accordance with HUD's and its own requirements.

The Authority did not administer its program in accordance with HUD regulations and its own requirements. Specifically, it did not ensure that the physical conditions of its units complied with housing quality standards

or maintain required eligibility documentation. Also, it made housing assistance payments on an expired project-based contract. As a result, the Authority disbursed and earned more than \$250,000 in improper housing assistance payments and administrative fees and more than \$3,000 in housing assistance payments and administrative fees for files with missing documentation. Unless the Authority improves the administration of its program, over the next year, HUD will pay more than \$3.3 million in improper housing assistance.

OIG recommended that HUD require the Authority to (1) reimburse its program from non-Federal funds for the improper payments and fees, (2) support or reimburse its program from non-Federal funds for the unsupported payments and fees, (3) ensure that all unit violations cited have been corrected and certify that the units meet standards, and (4) develop and implement program controls to address the deficiencies cited. OIG also recommended that HUD take appropriate administrative action against the Authority's former executive director. (Audit Report: **2016-AT-1013**)

HUD OIG audited the Housing Authority of the City of **Muncie, IN**'s Housing Choice Voucher program to determine whether the Authority administered its program in accordance with HUD's and its own requirements.

The Authority did not always administer its program in accordance with HUD's and its own requirements. It did not (1) obtain and maintain required eligibility documentation and (2) correctly calculate and pay housing assistance and utility allowances. As a result of these weaknesses, HUD and the Authority lacked assurance that more than \$587,000 in program funds was used appropriately. If the Authority does not correct its certification process, we estimate that it could overpay nearly \$251,000 in housing assistance over the next year.

In addition, the Authority did not appropriately use HUD's Enterprise Income Verification system to identify program households with unreported or underreported income to recapture overpaid housing assistance and utility allowances. As a result, nearly \$76,000 in program funds was not available for other program use.

The Authority also did not appropriately manage its Family Self-Sufficiency program. As a result, HUD and the Authority lacked assurance that (1) program participants benefited from the program or had made progress toward self-sufficiency and (2) more than \$100,000 in program funds was used appropriately.

OIG recommended that HUD require the Authority to (1) support or reimburse its program from non-Federal funds for the unsupported housing assistance payments and Family Self-Sufficiency program escrow fund activities, (2) reimburse its program from non-Federal funds for the ineligible housing assistance payments, (3) reimburse its program households for the overpayment of housing assistance, (4) transfer more than \$55,000 to its Housing Choice Voucher program, and (5) implement adequate controls to address the findings cited. (Audit Report: **2016-CH-1006**)

PUBLIC HOUSING PROGRAM

HUD OIG audited the calculation process for Public Housing Operating Fund subsidies awarded to PHAs to determine whether HUD verified Operating Fund calculations to ensure that PHAs received the correct amounts and recaptured any excess subsidies provided.

HUD did not always adequately verify the calculation of Operating Fund subsidies to ensure that PHAs received the correct amount; however, it recaptured the funds once it determined that excess subsidies were provided to PHAs. Specifically, (1) unsupported utility expense levels were used in funding calculations, (2) units that exceeded the limit were ineligibly funded, (3) verification procedures for PHAs' funding requests were not always adequately followed, and (4) HUD's verification procedures were limited. As a result, more than \$12 million in operating funds disbursed to PHAs was not adequately supported, and more than \$116,000 was ineligible.

OIG recommended that HUD (1) determine whether any of the overpayment of \$3.6 million was ineligible and recover the ineligible payments; (2) recapture from PHAs the funds ineligibly disbursed for the units that exceeded the limit; (3) obtain documentation of the utility expense level amounts, verify the accuracy of the computation of \$9 million in Operating Fund subsidies, and recapture ineligible amounts; (4) enhance controls to ensure that verification procedures for Operating Fund calculations are followed by field office staff; (5) continue implementing the reconciliation software application to provide greater assurance that Operating Fund subsidies are accurately calculated based on correct data; and (6) strengthen controls over record keeping. (Audit Report: **2016-NY-0001**)

HUD OIG audited the Housing Authority of the City of **Bridgeport, CT**, to determine whether Federal funds were used for eligible and adequately supported costs, procurements were executed in compliance with HUD regulations, and the Authority had established adequate controls to safeguard equipment.

Authority officials had not always spent funds for eligible and adequately supported costs, procurement actions did not always comply with HUD regulations, and controls over inventory were not adequate. Specifically, Authority officials (1) spent more than \$542,000 for ineligible costs and more than \$6.2 million for inadequately supported costs; (2) failed to properly maintain and reconcile accounting records, resulting in the unsupported allocation of \$1.75 million; (3) charged more than \$216,000 and more than \$272,000 for legal and public relations services, respectively, that were not procured in compliance with Federal regulations; and (4) did not ensure that nearly \$62,000 in inventory was put to its intended use. As a result, HUD lacked assurance that funds were always spent for eligible and properly supported costs, procurements were made at a reasonable cost, and inventory was accurately accounted for.

OIG recommended that HUD require Authority officials to (1) repay funds that were spent for ineligible costs; (2) provide documentation to support that the inadequately supported disbursements were for eligible costs; (3) reconcile Authority accounting records to ensure that funds were properly allocated; (4) show that funds spent for legal and public relations services complied with Federal procurement regulations; (5) properly account for inventory; and (6) strengthen controls over disbursement of funds, maintenance of accounting and inventory records, and procurement. (Audit Report: **2016-BO-1002**)

HUD OIG audited the public housing program of the Jefferson Metropolitan Housing Authority in **Steubenville, OH**, to determine whether the Authority complied with (1) Federal and its own procurement requirements and (2) HUD's requirements for administering its energy performance contract.

The Authority did not always comply with (1) Federal and its own procurement requirements and (2) HUD's requirements for administering its energy performance contract. Specifically, it failed to (1) maintain adequate documentation to support its procurements and (2) ensure that there were no real or apparent conflicts of interest in its contracting process. Additionally, it failed to achieve the expected savings on its energy improvements. As a result, HUD and the Authority lacked assurance that more than \$964,000 in public housing operating funds was used appropriately. Further, the Authority is at risk of defaulting on its nearly \$6 million energy conservation loan, thus potentially encumbering public housing properties.

OIG recommended that HUD require the Authority to (1) support or reimburse its program from non-Federal funds for its unsupported procurement and contracting activities, (2) work with HUD to develop a plan to ensure that energy savings are realized to prevent a potential default on its loan used to purchase energy conservation equipment attached to the Authority's public housing properties, and (3) develop and implement adequate procedures and controls to address the findings cited. (Audit Report: **2016-CH-1005**)

HUD OIG audited the fees that the **Richmond, VA**, Redevelopment and Housing Authority charged to its HUD housing programs for central office cost center services to determine whether the Authority charged fees to its HUD housing programs for central office cost center services that were eligible, reasonable, and supported in accordance with applicable HUD requirements.

The Authority did not always charge fees to its HUD housing programs for central office cost center services that were eligible and reasonable in accordance with HUD requirements. Specifically, it charged (1) nearly \$508,000 for an information technology fee that was duplicative and (2) \$5 million based on an hourly maintenance fee rate that was unreasonable for the services provided. It also made ineligible transfers of HUD funds to its central office cost center. As a result, the Authority improperly used HUD funds for ineligible expenses and could not show that the fees paid with HUD funds were reasonable for the services provided.

OIG recommended that HUD require the Authority to (1) reimburse its public housing projects from non-Federal funds for the ineligible duplicative information technology fee, (2) provide documentation to show that the hourly maintenance fees were reasonable for the services provided or reimburse its public housing projects from non-Federal funds for any amount that it cannot support, and (3) continue its efforts and develop and implement procedures and controls to improve its operations. (Audit Report: **2016-PH-1005**)

HUD OIG audited the Richmond Housing Authority in **Richmond, CA**, to validate complaint allegations regarding whether the Authority spent HUD funds and used its assets in accordance with HUD requirements.

The complaint allegations had merit. The Authority mismanaged its financial operations and did not spend HUD funds and use its assets in accordance with HUD requirements. As a result, it misspent \$2.2 million in HUD funds, had nearly \$945,000 in unsupported costs, and incurred other questionable transactions that unnecessarily limited its resources and effectiveness with its public housing program.

OIG recommended that HUD determine legal sufficiency and if legally sufficient, pursue remedies under the Program Fraud Civil Remedies Act and take the appropriate administrative actions against Authority officials for submitting misleading documentation to HUD. OIG also recommended that HUD require the Authority to (1) repay more than \$2 million for the ineligible use of HUD funds, more than \$53,000 for duplicate charges, and \$60,000 for a City of Richmond-initiated management audit; (2) support nearly \$81,000 of the executive director's salary spent on Authority activities and \$180,000 spent on office rent; (3) determine the proper use of the Authority's former maintenance building property; and (4) develop and implement financial policies and procedures for the current operating environment. OIG further recommended that HUD work on corrective actions to improve the Authority's control and accountability regarding its finances and operations, including but not limited to HUD receivership and separating the Authority's finances from those of the City. (Audit Report: **2016-LA-1006**)

HUD OIG audited the Housing Authority of the City of **Annapolis, MD**'s procurement activities to determine whether the Authority procured services and products using operating and capital funds in accordance with applicable requirements.

The Authority did not always follow applicable requirements when it procured services and products. Specifically, it (1) did not document cost estimates before making purchases or selecting a developer, (2) did not make purchases competitively, (3) acquired services and products without having contracts in place, (4) paid vendors for services after their contracts had expired, (5) did not select a developer competitively, and (6) did not properly extend a contract. As a result, HUD had no assurance that the prices the Authority paid for services and products using \$3 million in Federal funds were fair and reasonable.

OIG recommended that HUD require the Authority to (1) provide documentation to show that prices paid for services and products were fair and reasonable or reimburse the applicable program from non-Federal funds for any amount that it cannot support, (2) develop and implement controls to ensure that it complies with all applicable procurement requirements, and (3) provide training to all employees involved in the procurement process. (Audit Report: **2016-PH-1007**)

HUD OIG audited the **Mobile, AL**, Housing Board's financial operations to determine whether the Housing Board complied with HUD's financial management requirements for its low-income public housing and Public Housing Capital Fund programs.

The Housing Board did not comply with HUD regulations for its financial operations. Specifically, it did not inform HUD of the instrumentality status of its nonprofit, which prevented HUD from identifying an apparent conflict of interest that led to the potential payment of more than \$1.2 million to a related party. Additionally, it did not comply with its Capital Fund agreement by failing to use its capital funds to rehabilitate 1,194 of its low-income public housing units and allowing 824 units to remain vacant from 1 to 16 years, including 2 developments that were 100 and 73 percent vacant.

OIG recommended that HUD require the Housing Board to (1) provide support showing that a conflict of interest did not exist or reimburse HUD from non-Federal funds; (2) update its books, records, and policies and procedures to identify Mobile Development Enterprises as an instrumentality, according to applicable HUD regulations, to prevent a future actual or apparent conflict of interest; and (3) work with HUD to ensure that it meets the conditions of its Rental Assistance Demonstration program approval to ensure that its units are renovated and available to eligible families. OIG recommended that HUD take appropriate enforcement action against the Housing Board's management staff for failing to disclose the instrumentality relationship between the Housing Board and Mobile Development Enterprises if a conflict of interest exists. (Audit Report: **2016-AT-1010**)

REVIEW OF PAYMENTS FOR OUTSIDE LEGAL SERVICES

HUD OIG audited HUD's oversight of legal costs at housing agencies participating in the Moving to Work Demonstration program to determine whether HUD's oversight was adequate to ensure that the costs were reasonable and necessary.

HUD's oversight of legal costs at Moving to Work housing agencies was not adequate to ensure that costs were reasonable and necessary. OIG audited three Moving to Work housing agencies and found that they did not always make payments for outside legal services in compliance with applicable requirements. OIG projected that more than \$9.2 million of the \$16.5 million that the three agencies paid for outside legal services during the period October 2007 to September 2012 could be unsupported. Although total legal costs at Moving to Work agencies declined from 2010 to 2015, the agencies continued to incur relatively higher costs for legal services compared to non-Moving to Work agencies.

OIG recommended that HUD require Moving to Work housing agencies to include a breakdown of their anticipated and actual costs for legal services in their annual plans and reports. (Audit Report: **2016-PH-0004**)

HUD OIG reviewed the payments for outside legal services of the District of Columbia Housing Authority in **Washington, DC**, to determine whether the Authority made payments for outside legal services in compliance with applicable requirements.

The Authority did not always make payments for outside legal services in compliance with applicable requirements. It did not always maintain documentation to support payments for legal services. It also paid for services (1) performed by unapproved personnel, (2) performed beyond the terms of the contract, and (3) that were block billed. As a result, the Authority made nearly \$1 million in unsupported payments for outside legal services.

OIG recommended that HUD require the Authority to (1) provide documentation to support nearly \$1 million in unsupported payments identified by the review or reimburse its program from non-Federal funds for costs that it cannot support and (2) develop and implement controls to ensure that invoices for legal services are adequately verified and its payments for outside legal services are made in accordance with the terms of the related contracts and other applicable requirements. (Audit Memorandum: **2016-PH-1801**)

INVESTIGATION

Administrative-civil actions	54
Convictions-pleas-pretrial diversions	73
Financial recoveries	\$45,477,969

HOUSING AUTHORITY EXECUTIVES SENTENCED FOR THEFT AND FRAUD

Four former employees of the Morgan City Housing Authority were sentenced in U.S. District Court for their part in defrauding the Authority. Beginning in 2007 and continuing through 2013, the employees conspired with each other by issuing and receiving more than \$500,000 in bonus payments from the Authority, all of which they were not entitled to receive. The executive director was sentenced to 36 months imprisonment and ordered to pay \$111,657 in restitution. The accounting technician was sentenced to 18 months imprisonment and ordered to pay \$137,660 in restitution. The Section 8 housing manager was sentenced to 12 months imprisonment and ordered to pay \$100,040 in restitution. The public housing manager was sentenced to 5 years probation and ordered to pay \$165,405 in restitution. HUD OIG conducted this investigation. (**Morgan City, LA**)

HOUSING AUTHORITY DEPUTY DIRECTOR SENTENCED TO 4 YEARS IN PRISON

The former deputy director of South Pittsburg Housing Authority was sentenced to 4 years imprisonment for theft and 8 years probation for theft of property. The deputy director fraudulently used the Authority credit card, issued fraudulent payroll checks to herself, and issued checks for travel expenses not authorized and travel that did not occur. A total of \$117,436 was stolen from the Public Housing Authority fund and \$10,544 from the Elderly Housing fund. HUD OIG and the Tennessee State Comptroller conducted this investigation. (**Jasper, TN**)

CHAPTER 3 – MULTIFAMILY HOUSING PROGRAMS

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

AUDIT

STRATEGIC INITIATIVE 2: CONTRIBUTE TO THE REDUCTION OF ERRONEOUS PAYMENTS IN RENTAL ASSISTANCE

Key program results		Questioned costs	Funds put to better use
Audit	12 audits	\$6,651,886	\$25,128,561

REVIEW OF MULTIFAMILY ACCELERATED PROCESSING PROGRAM

HUD's Office of Inspector General (OIG) audited the HUD multifamily accelerated processing (MAP) program to determine whether (1) HUD adequately reviewed and approved loans underwritten by MAP-approved lenders for Federal Housing Administration (FHA) insurance and (2) the 2016 MAP Guide was adequately revised to improve the review and approval process for MAP loans.

HUD did not adequately review and approve nine loans reviewed, which were underwritten by MAP-approved lenders for FHA insurance using the 2002 MAP Guide. Specifically, HUD did not require lenders to adequately address a number of underwriting components in accordance with MAP underwriting requirements and lacked adequate monitoring of its approvals of MAP loans. As a result, it inappropriately approved the nine loans, submitted by six MAP lenders, which exposed the FHA insurance fund to unnecessary risk. In addition, the 2016 MAP Guide was not sufficiently revised and could be further improved and modified to correct inconsistencies with certain underwriting components and the overall review and approval process.

OIG recommended that HUD (1) ensure that loans approved by HUD are reviewed for compliance with MAP underwriting requirements, (2) issue alternate guidance to update and clarify inconsistencies in the 2016 MAP Guide, and (3) formalize a training program to ensure that new staff members are familiar with the Single Underwriter model. (Audit Report: **2016-AT-0001**)

REVIEW OF MULTIFAMILY RESIDENT HOME-OWNERSHIP PROGRAM

HUD OIG audited HUD's resident home-ownership program grant for the West Park Place Condominium project in **Chicago IL**, to determine whether the West Park Place Condominium Association and management agent operated the project in accordance with HUD's requirements and HUD's grant agreement with the West Park Place Resident Association for Preservation.

The Preservation Association did not transfer ownership of the project's units to the Condominium Association as required and still owned eight of the units as of July 2016. The Condominium Association and management agent did not determine the fair market value of units to support (1) that owners did not pay more than the fair market value for their units, (2) that HUD's secured interest in the units was appropriately

valued, and (3) the amount of net proceeds that should have been paid to the City's HOME Investment Trust Fund from later unit sales. Further, the Condominium Association and management agent could not provide sufficient documentation to support that (1) the payments to HUD for initial unit sales were accurate, (2) the Condominium Association used its share of the proceeds from initial unit sales in accordance with the grant agreement, and (3) housing was affordable for all members. As a result, the Condominium Association is at risk of having to reimburse HUD nearly \$13.9 million in program funds.

OIG recommended that HUD (1) require the Condominium Association to resolve the issues and implement adequate procedures and controls to address the weaknesses cited and (2) make a preliminary determination as to whether the Condominium Association is in default of the grant agreement. (Audit Report: **2016-CH-1009**)

HUD OIG audited the Dolores Frances Affordable Housing project in **Los Angeles, CA**, to determine whether Dolores Frances was administered in accordance with its regulatory agreement and HUD requirements.

Dolores Frances was not administered in accordance with its regulatory agreement and HUD requirements. The project made ineligible payments of more than \$531,000 for expenses that were not reasonable and necessary for the operation of the project. In addition, Dolores Frances inappropriately secured more than \$10.9 million in unsupported loans that encumbered the properties of the project without HUD approval. These actions increased the project's risk of mortgage default.

OIG recommended that HUD require the owners of Dolores Frances to (1) stop disbursing project funds for ineligible social services fees and reimburse the project \$300,000; (2) reimburse the project for nearly \$75,000 in consulting fees and more than \$18,000 in fees charged by the management agent that were ineligible; (3) reimburse the project for more than \$114,000 in ineligible legal fees; (4) provide documentation to support HUD approval for a loan between Dolores Frances and Pico Union Housing Corporation for more than \$6.3 million and how the funds were used or remove the loan and associated encumbrance from the project; (5) provide documentation to support that a loan between Dolores Frances and Alliant for more than \$4.5 million was approved by HUD or remove the loan and any associated encumbrance from the project; and (6) implement controls to ensure that management and ownership follow the project's policies and procedures, the regulatory agreement, and HUD program requirements. OIG also recommended that HUD pursue civil and administrative remedies, as appropriate, against the owners of Dolores Frances. (Audit Report: **2016-LA-1008**)

HUD OIG audited Folts, Inc., in **Herkimer, NY**, regarding its management of the Folts Adult Home and Folts Home projects to determine whether the projects were administered in accordance with their regulatory agreements.

Project owners failed to administer the projects in compliance with the projects' regulatory agreements. Specifically, they failed to make required mortgage payments, incurred costs that were not eligible for the projects' operations, and inadequately supported costs. As a result, two mortgages with outstanding principal balances of nearly \$11.9 million have been assigned to HUD, with HUD expected to pay claims on both mortgages; more than \$1.8 million was charged for ineligible costs; and more than \$2 million in expenditures lacked documentation showing that the expenditures were necessary for the projects' operations.

OIG recommended that HUD instruct project officials to (1) develop an adequate liquidation plan for the two assigned mortgages, (2) reimburse the projects from nonproject funds for the ineligible expenses, and (3) provide documentation to justify the unsupported costs. (Audit Report: **2016-NY-1010**)

HUD OIG audited Saltillo Assisted Living (project), an assisted living facility located in **Saltillo, MS**, to determine whether the members and operator of the project complied with the executed regulatory agreement and HUD's requirements.

The member, managing member, and operator did not comply with the executed regulatory agreement and HUD's requirements. Specifically, in managing and operating the project, the members or operator did not (1) follow the regulatory agreement by taking and using more than \$246,000 in distributions and ineligible and unreasonable project expenses, (2) ensure that project expenses totaling more than \$865,000 were properly supported, (3) submit audited financial statements as required, (4) maintain the project in good repair and condition, (5) obtain HUD's approval for leasing the project, and (6) maintain books and records in reasonable condition for proper audit. As a result, the project lacked financial viability, HUD incurred a net loss of more than \$1.5 million, and HUD lacked assurance that program requirements were met.

OIG recommended that HUD require the members to reimburse HUD's FHA insurance fund for the ineligible and unreasonable costs and provide support for or reimburse the unsupported costs. OIG also recommended that HUD pursue (1) double damages against the responsible parties for the ineligible distributions and unreasonable and unsupported disbursements that violated the project's regulatory agreement and (2) civil money penalties, administrative action, and monetary sanctions against the responsible parties as applicable. (Audit Report: **2016-AT-1009**)

INVESTIGATION

Administrative-civil actions	13
Convictions-pleas-pretrial diversions	19
Financial recoveries	\$49,011,733

DEVELOPMENT COMPANY SETTLES OVER MISREPRESENTATION TO FHA

A multifamily development company, together with a finance company, entered into a settlement agreement in U.S. District Court for \$500,000 to resolve allegations that it made misrepresentations when applying for FHA insurance on multifamily housing financing for a housing project located in **Novi, MI**. The development company stated that it had not compromised any debt and that the finance company, the holder of the debt to be refinanced, did not have an identity of interest with the developer when there was a relationship. The developer had applied for financing in excess of \$18 million before HUD officials identified the alleged false statements and stopped the issuance of the debt insurance. HUD OIG, HUD's Office of General Counsel, and the U.S. Department of Justice conducted this investigation. (**Detroit, MI**)

EVALUATION

PERFORMANCE OF PROGRAMS TO PRESERVE AND REVITALIZE AFFORDABLE HOUSING

In response to an Office of Multifamily Housing Programs (Multifamily) request, HUD OIG assessed the performance of programs to preserve and revitalize affordable housing. HUD OIG performed the assessment to assist Multifamily's efforts to monitor and evaluate program operations, which had transitioned from preserving affordable housing to revitalizing properties and integrating community resources to meet specific tenant needs. HUD's agreement with the Corporation for National and Community Service continues to support affordable housing preservation activities in addition to the new efforts on community revitalization and tenant services.

Multifamily's existing performance measures and reporting formats did not provide useful program evaluation information and did not meet Multifamily's needs. There were opportunities to improve communication and collaboration among HUD headquarters, regional, and local offices; provide feedback to grantees and host sites; and leverage other organizations' leading practices. Multifamily, CNCS, and EJW needed to improve coordination and specify activities and program operations planned to achieve program objectives. Also, they needed a site-specific model to provide guidance on how to achieve specific goals, complete activities, establish measures to revitalize properties, and integrate essential community resources for tenants.

HUD OIG recommended that Multifamily (1) build systematic program assessment into each program and incorporate ongoing evaluation throughout the program to enable effective program management and formal assessments at regular intervals to monitor and report progress against goals and objectives; (2) obtain input from HUD field offices, provide feedback on programs' progress, and identify leading practices to share with other sites and potentially other parts of HUD; (3) collaborate with CNCS and EJW to specify and align plans, activities, and reporting requirements to achieve objectives, including modifying the current CNCS agreement as needed; and (4) implement a site-specific model that identifies measurement criteria and reporting requirements and enables officials to monitor and evaluate progress.

Multifamily agreed with all of the recommendations and had begun implementing them before project completion. (Evaluation Report: **2016-OE-0003**)

CHAPTER 4 – COMMUNITY PLANNING AND DEVELOPMENT PROGRAMS

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

AUDIT

STRATEGIC INITIATIVE 3: CONTRIBUTE TO THE STRENGTHENING OF COMMUNITIES

Key program results		Questioned costs	Funds put to better use
Audit	21 audits ⁴	\$117,868,065	\$4,962,192,584

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), audited the Community Development Block Grant (CDBG), Neighborhood Stabilization Program (NSP), Emergency Shelter Grant, and HOME Investment Partnerships Program.

COMMUNITY DEVELOPMENT BLOCK GRANT

HUD OIG audited the City and County of **Honolulu, HI**'s CDBG program to determine whether the City administered its CDBG program in accordance with HUD requirements.

The City did not comply with HUD requirements related to cost eligibility and procurement and its own award requirements. Specifically, it allowed the unnecessary acquisition and did not support the cost reasonableness of the Hibiscus Hill Apartments, allowed the unnecessary acquisition of the Kaneohe Elderly Apartments, allowed a subrecipient to award a contract to one of the property owner's affiliates, restricted competitive procurement, did not follow its award requirements, and did not review program income adequately. As a result, it incurred grant costs of \$15.9 million that were unsupported.

OIG recommended that HUD require the City to (1) support that the Hibiscus Hill acquisition was necessary and reasonable or repay its CDBG program line of credit \$10 million from non-Federal funds; (2) support that the Kaneohe Elderly Apartments acquisition was necessary or repay its CDBG program line of credit \$2.9 million from non-Federal funds; (3) support that the costs for a contract awarded to one of the property owner's affiliates was reasonable and the integrity of the procurement was not compromised by the relationship or repay its CDBG program line of credit \$1.45 million from non-Federal funds; (4) support that the noncompetitively procured fire apparatus costs were reasonable and that potential bidders were not harmed by the City's arbitrary action or repay its CDBG line of credit \$1.6 million from non-Federal funds; (5) review all current CDBG-funded projects for unreported program income and report any to HUD; and (6) implement adequate controls over its program, including consolidating the grant program into one department, and develop citywide written policies and procedures. (Audit Report: **2016-LA-1009**)

⁴ The total CPD audits, questioned costs, and funds put to better use amounts include any disaster recovery type audits conducted in the community planning and development area (10 audits). The writeups for these audits may be shown separately in chapter 5 of this semiannual report.

HUD OIG audited HUD's CDBG program's property acquisition and disposition activities to determine whether HUD had adequate oversight of these activities.

HUD did not always provide adequate oversight of property acquisition and disposition activities. Specifically, of 14 activities reviewed, 7 field offices did not provide adequate oversight of 8 property acquisition and disposition activities totaling more than \$26.2 million. For the eight activities for which adequate oversight was not provided, two activities with draws totaling \$6.1 million had outstanding program-related findings that HUD had not enforced, and six totaling \$20.1 million had not been monitored. Additionally, four of the eight activities totaling nearly \$11.9 million had not met a national objective. As a result, five activities had unsupported draws totaling nearly \$12.2 million, and one of those activities also had ineligible costs totaling more than \$4,000. HUD had no assurance that funds spent for these acquisition and disposition activities complied with applicable HUD and Federal requirements.

OIG recommended that HUD (1) enforce its monitoring findings and require the City of **New Orleans, LA**, and **Miami-Dade County, FL**, to provide documentation to support costs totaling \$6.1 million or reimburse their programs from non-Federal funds for any costs that they cannot support, (2) develop and implement controls to ensure that it promptly takes action to enforce grantee compliance with monitoring findings or pursue one of the established remedies for noncompliance, (3) require the Cities of **Saint Paul, MN**, and **Washington, DC**, to provide documentation to support \$6.1 million in unsupported payments or reimburse their programs from non-Federal funds for any costs that they cannot support, and (4) direct its field offices to include property acquisition and disposition activities as an area of special emphasis when assessing grantee risk and establishing their monitoring plans and grantee monitoring strategies. (Audit Report: **2016-PH-0001**)

HUD OIG audited the City of **Camden, NJ**'s administration of its CDBG program to determine whether the City ensured that its program activities met national objectives and complied with applicable HUD procurement and environmental review requirements.

The City did not ensure that its activities always complied with national objective, procurement, and environmental review requirements. Of 10 activities reviewed, 7 did not comply with requirements. One activity did not meet a national objective, and the related costs were incurred and paid after the subrecipient agreement had expired. For this and six other activities, the City did not (1) prepare independent cost estimates before making purchases, prepare cost analyses before modifying the contracts, or show evidence of competition or (2) conduct environmental reviews or properly document that projects were exempt from environmental review requirements. As a result, the City made ineligible disbursements totaling nearly \$318,000, and it could not show that disbursements totaling \$2.8 million complied with applicable requirements.

OIG recommended that HUD require the City to (1) repay its program for the disbursements made after the subrecipient agreement expired, (2) provide documentation for the six activities that did not comply with procurement requirements to show that costs paid for products and services were fair and reasonable or repay its program from non-Federal funds any amount that it cannot support, and (3) provide documentation for seven activities to show that either it conducted an environmental review or the activity was exempt from an environmental review or repay its program from non-Federal funds any amount that it cannot support. (Audit Report: **2016-PH-1003**)

NEIGHBORHOOD STABILIZATION PROGRAM

HUD OIG audited the **State of Connecticut**'s NSP to determine whether State officials administered the State's NSP in accordance with HUD regulations.

State officials did not always administer the State's NSP in accordance with program regulations. Specifically, they did not always ensure that (1) costs were eligible, reasonable, and supported; (2) national objectives were met; (3) proper affordability restrictions were in place; (4) properties were acquired at a discount; and (5) program income was properly administered. As a result, the State incurred nearly \$671,000 in ineligible costs, more than \$29,000 in unreasonable costs, more than \$2 million in unsupported costs, and more than \$212,000 in program income that was not accounted for and returned to the State by the subrecipient, which could be reallocated to other eligible NSP activities.

OIG recommended that HUD require State officials to (1) repay the ineligible costs, (2) justify or repay the unreasonable costs, (3) provide adequate documentation to support the eligibility of or repay the unsupported costs, (4) provide support showing that all program income has been returned to the State and remitted and reallocated to eligible NSP activities, (5) amend the affordability restrictions in place for five properties, and (6) strengthen controls over subrecipient monitoring to provide greater assurance that NSP funds will be properly administered. (Audit Report: **2016-BO-1003**)

EMERGENCY SHELTER GRANTS

HUD OIG audited the Municipality of **Bayamon, PR**'s Emergency Shelter Grants and Emergency Solutions Grants programs to determine whether complaints alleging that the Municipality improperly used program funds to transport people from Puerto Rico to mainland U.S. cities to receive rehabilitation treatment had merit and whether the Municipality's programs were administered in compliance with HUD requirements.

Although the Municipality assisted in the transportation of persons from Puerto Rico to mainland U.S. cities to receive rehabilitation treatment, HUD funds were not used to pay for the transportation costs of the participants. However, the Municipality improperly used program funds to pay for travel costs of employees who went to mainland U.S. cities to follow up on clients. The Municipality's financial management system did not properly identify the source and application of more than \$1.14 million in program funds and allowed the use of more than \$189,000 for ineligible expenditures. In addition, it did not support the eligibility of more than \$38,000 in program charges and reported inaccurate information in HUD's information system. As a result, HUD lacked assurance that funds were adequately accounted for, safeguarded, and used for requested and eligible purposes and in accordance with HUD requirements.

OIG recommended that HUD require the Municipality to (1) complete the implementation of the new accounting system in accordance with HUD requirements, (2) submit all supporting documentation showing the eligibility and propriety of nearly \$983,000 in program funds, and (3) reimburse its program more than \$189,000 from non-Federal funds for the ineligible expenditures. (Audit Report: **2016-AT-1012**)

HOME INVESTMENT PARTNERSHIPS PROGRAM

HUD OIG audited the Wyoming Community Development Authority of **Casper, WY**, to determine whether the Authority properly procured goods and services with its HOME Investment Partnerships Program and NSP funds and whether it used its HOME and NSP funds for eligible travel purposes.

The Authority did not always properly procure goods and services with its HOME and NSP funds and used HOME and NSP funds for unreasonable travel costs. It did not always (1) ensure open and fair competition when it used a contractor as a sole source for its drug testing and drug remediation when

renovating homes, (2) ensure a fair bidding process, and (3) properly complete inspections. Additionally, employees incurred unreasonable costs while traveling.

OIG recommended that HUD require the Authority to (1) provide support showing that the Authority received the best value for amounts it spent on drug testing and remediation and all instances when the Authority incorrectly awarded a contract based on an improperly submitted bid; (2) provide support justifying the reasonableness and necessity of all travel to conferences and trainings over the 31-month period reviewed, costs exceeding local per diem rates while on travel, and any weekend travel that occurred; (3) develop and implement detailed policies and procedures for the procurement process regarding inspections, competitive bidding, and sealed bids; (4) develop and implement an official drug testing and drug remediation policy; and (5) develop and implement a travel policy that specifically reflects Federal travel regulations and requires more oversight of the approval of travel authorizations and travel vouchers. (Audit Report: **2016-DE-1005**)

HUD OIG audited the City of **Miami Beach, FL**'s HOME program to determine whether the City ensured that the drawdown of HOME funds was supported and allowable.

The City did not always comply with HOME requirements. Specifically, it did not ensure that drawdowns were properly supported and allowable. As a result, it charged more than \$742,000 in questioned costs to the HOME program. In addition, more than \$300,000 in remaining funds for one activity will not meet the intended benefit of the HOME program.

OIG recommended that the City (1) reimburse HUD for nearly \$380,000 in ineligible costs from non-Federal funds, (2) provide supporting documentation or reimburse its program for nearly \$363,000 in unsupported expenditures from non-Federal funds, and (3) recapture the more than \$300,000 remaining balance allocated to one activity. (Audit Report: **2016-AT-1006**)

INVESTIGATION

Administrative-civil actions	12
Convictions-pleas-pretrial diversions	19
Financial recoveries	\$126,226

CHAPTER 5 – DISASTER RECOVERY PROGRAMS

In response to disasters, Congress may appropriate additional funding as Disaster Recovery grants to rebuild the affected areas and provide crucial seed money to start the recovery process. Since fiscal year 1993, Congress has appropriated \$47.4 billion to the U.S. Department of Housing and Urban Development (HUD), from which HUD provides flexible grants to help cities, counties, and States recover from presidentially declared disasters. Of the \$44.4 billion in active disaster grants, the funds have been allocated nationwide, with nearly \$38.4 billion obligated and \$33.6 billion disbursed as of September 30, 2016.

Disaster	Funds allocated	Funds obligated	Funds disbursed	Percentage of funds used
Hurricane Sandy	\$15.5 billion	\$7.6 billion	\$6.1 billion	40
Hurricanes Katrina, Rita & Wilma	19.5 billion	19.6 billion	18.9 billion	97
Hurricanes Ike, Gustav & Dolly	6.1 billion	6.0 billion	4.9 billion	81
9-11	3.5 billion	3.3 billion	3.1 billion	89
Other	0.8 billion	0.6 billion	0.54 billion	69

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

AUDIT

STRATEGIC INITIATIVE 3: CONTRIBUTE TO THE STRENGTHENING OF COMMUNITIES

Key program results		Questioned costs	Funds put to better use
Audit	10 audits ⁵	\$80,382,793	\$4,961,679,810

HUD OIG audited HUD's controls over its certifications of State disaster recovery grantee procurement processes to determine whether these HUD certifications were accurate and supported.

HUD did not always provide accurate and supported certifications of State disaster grantee procurement processes. Specifically, it (1) allowed conflicting information on its certification checklists, (2) did not ensure that required supporting documentation was included with the certification checklists, and (3) did not adequately evaluate the supporting documentation submitted by the grantees. As a result, HUD did not have assurance that State grantees had sufficient procurement processes in place, and the HUD Secretary's certifications did not meet the intent of the Disaster Relief Appropriations Act of 2013.

⁵ Disaster-related audits consist of community planning and development and other significant audits and other. The questioned costs and funds put to better use amounts relate only to disaster-related costs.

OIG recommended that HUD perform a detailed review of the procurement procedures for each of the State grantees that received funds under the Act. If the State did not show that its procedures met requirements, HUD should (1) require the grantee to update its procedures and provide an updated certification; (2) review the updated grantee certification to confirm that the State meets requirements and has a sufficient procurement process in place, thereby putting up to \$4.9 billion not yet disbursed or awarded to better use; and (3) review procurement files for contracts that were paid with funds provided under the Act and if the procurement did not comply with Federal procurement requirements, require the grantees to repay HUD from non-Federal funds any amounts that they cannot support or were not fair and reasonable.

OIG also recommended that HUD continue to improve the guidance it provides to grantees to ensure that future grantee certifications are accurate and supported, continue to improve its controls to ensure that its staff adequately reviews future grantee certifications to ensure that they are accurate and supported before certifying that grantees have a sufficient procurement process, and increase monitoring of State grantees that certified that they had a procurement process equivalent to Federal procurement standards. (Audit Report: **2016-PH-0005**)

HUD OIG audited the **State of Oklahoma** to determine whether the State obligated and spent its grant in accordance with requirements.

The State did not obligate and spend its Community Development Block Grant Disaster Recovery (CDBG-DR) funds in accordance with requirements. It failed to support how it determined activity eligibility, existence, disaster event qualification, reasonableness of cost estimates, prioritization, and fund allocation as required. It did not determine compliance with procurement and environmental requirements. Further, it made payments based on incomplete, insufficient, or no supporting documentation. The State's failure to comply with requirements resulted in unsupported obligations and expenditures of more than \$11.7 million and \$4.3 million, respectively.

OIG recommended that HUD require the State to (1) develop and implement policies and procedures to document and perform detailed review and testing to establish eligibility, existence, disaster event qualifications, reasonableness of cost estimates, prioritization, and fund allocation, both retroactively and prospectively, which would put \$81.9 million to better use; (2) support or properly obligate the unsupported obligations; and (3) support or repay the unsupported expenditures. (Audit Report: **2016-FW-1010**)

HUD OIG audited the **State of New Jersey's** CDBG-DR-funded Superstorm Sandy Housing Incentive Program contract to determine whether the State disbursed disaster funds to its contractor in accordance with HUD, Federal, and other applicable requirements for costs that were eligible, supported, reasonable, and necessary.

The State did not disburse disaster funds to its contractor in accordance with HUD, Federal, and other applicable requirements. Specifically, it did not ensure that (1) disbursements met a national objective, (2) expenses were incurred after the contract was executed, (3) other direct costs were fully supported and the prices paid were fair and reasonable, (4) labor costs were fully supported, (5) travel costs were fully supported, and (6) disbursements were for costs that were reasonable and necessary. Further, the State did not show that it properly managed equipment purchased with disaster funds. As a result, HUD did not have assurance that the \$43.1 million disbursed under the contract was for costs that were eligible, supported, reasonable, and necessary.

OIG recommended that HUD require the State to provide documentation to show that the funds disbursed under the contract were for costs that met a national objective and were supported, reasonable, and necessary or direct the State to repay HUD from non-Federal funds. Further, HUD should require the State to repay HUD from non-Federal funds for nearly \$129,000 in charges incurred before the contract

effective date. HUD should also require the State to implement controls to ensure that it adequately administers current and future contracts related to disaster funds, adequately monitors contract performance, and takes appropriate action when contractors fail to meet performance goals stated in the contract. (Audit Report: **2016-PH-1009**)

HUD OIG audited the **New York State** CDBG-DR assistance-funded New York State Tourism and Marketing program to determine whether State officials established and maintained financial and administrative controls to ensure efficient and effective program administration.

State officials did not always establish and maintain financial and administrative controls to ensure efficient and effective program administration. Specifically, cost estimates were not always obtained for procurements so there was a lack of assurance that nearly \$22 million in CDBG-DR funds allocated and disbursed for the Tourism and Marketing program were for reasonable and necessary costs. In addition, State officials did not ensure that subrecipient budgets were complete so that they could effectively monitor program progress and hold subrecipients accountable.

OIG recommended that HUD direct State officials to (1) provide documentation showing that CDBG-DR funds disbursed for contracts complied with applicable procurement requirements and repay any amounts determined to be unsupported from non-Federal funds and (2) include complete budgets in written agreements with subrecipients to ensure that CDBG-DR funds are used for their intended purposes. (Audit Report: **2016-NY-1009**)

HUD OIG audited the **State of Louisiana's** disaster assistance programs administered by the State's subrecipient, St. John the Baptist Parish, to determine whether the Parish met the requirements of its agreement with the State and followed HUD requirements related to its program participant, procurement, and expenditure activities when administering its disaster assistance programs.

The Parish did not always meet the requirements of its agreement and follow HUD requirements when administering its disaster assistance programs, as it (1) did not always ensure that its contractor had adequate documentation to support the eligibility of program participants, (2) violated procurement requirements when it did not perform an independent cost estimate for one contract, and (3) did not maintain detailed information regarding time worked on disaster projects to support salary expenditures. As a result, the State could not provide reasonable assurance to HUD that the Parish would properly administer and spend CDBG-DR funds in accordance with requirements, putting nearly \$5.3 million obligated for the disaster assistance programs at risk of mismanagement, and paid more than \$1.5 million in questioned costs.

OIG recommended that HUD require the State to develop and implement written procedures and actions that would correct and prevent the deficiencies cited to better ensure that the Parish spends its CDBG-DR funds in accordance with HUD requirements. OIG also recommended that HUD require the State to (1) ensure that the Parish supports program participant eligibility, review the remaining 293 program participant files for eligibility, and support or repay the questioned costs; (2) provide assistance to the Parish on procurement requirements; and (3) review the Parish's procurement and expenditure policies for adequacy. (Audit Report: **2016-FW-1006**)

HUD OIG audited the City of **Joplin, MO's** CDBG-DR program to determine whether the City complied with the requirements of Section 3 of the Housing and Urban Development Act of 1968 for its CDBG-DR program.

The City did not always comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968 for its CDBG-DR program. It did not always direct employment and other economic

opportunities generated from CDBG-DR funding to low- and very low-income persons and the businesses that employed them. In addition, it did not always incorporate the Section 3 clause into its contracts. As a result, the City may have denied low- and very low-income residents and the businesses that employed them more than \$2.2 million in economic benefits.

OIG recommended that HUD require the City to develop a checklist or other processes to verify that all contractors implement their Section 3 plans to ensure that the City spends disaster funds in compliance with the requirements so that its CDBG-DR funds will be put to better use. OIG also recommended that HUD provide Section 3 technical assistance to the City and monitor the City's compliance with Section 3 requirements. (Audit Report: **2016-KC-1006**)

As part of a Council of the Inspectors General on Integrity and Efficiency (CIGIE) cross-cutting initiative involving eight OIGs, HUD OIG reviewed the Disaster Relief Appropriations Act of 2013 and eight agencies that received \$46.5 billion for expenses related to the consequences of Hurricane Sandy and other disasters. The objectives were to compile and report on the eight Federal agencies' total funding, expenditures, and monitoring; identify common concerns; and make suggestions to improve oversight, enhance collaboration, and report best practices.

The eight agencies had made progress in budgeting, obligating, and spending their allocated funds. However, their progress varied as they had spent only \$15 billion of the \$46.5 billion allocated. The eight OIGs and agencies monitored their disaster relief funds and activities, but the extent and type of monitoring varied. The review also identified observations and common concerns regarding contracting issues, the significant risk of duplicate assistance, and differences in the administration of OIG oversight funding. Further, the review made suggestions for and noted best practices concerning the need to increase coordination, data matching, and the use of analytical tools.

HUD OIG recommended that CIGIE and the OIGs work with Congress and the agencies to ensure that the remaining funds are budgeted, obligated, and spent in a timely manner. HUD OIG also recommended that CIGIE work with the agencies and Congress to ensure that the agencies, grantees, and contractors comply with Federal contracting requirements. In addition, HUD OIG recommended that the various OIGs continue to collaborate to identify and address areas of potential duplication. Further, HUD OIG recommended that CIGIE and the OIGs work with Congress to (1) amend the Inspector General Act of 1978 to exempt the OIGs from data-matching requirements, (2) ensure each OIG receives oversight funding separate from its agency for future disaster relief allocations, and (3) ensure that the OIGs' oversight funding does not expire before the agencies and their grantees spend all of their funds. (Audit Report: **2016-FW-1007**)

INVESTIGATION

Administrative-civil actions	3
Convictions-pleas-pretrial diversions	8
Financial recoveries	\$688,507

EVALUATION

HUD'S USE OF FORMULA AND COMPETITION MODELS FOR DISTRIBUTING DISASTER RECOVERY FUNDING

HUD OIG researched the Office of Community Planning and Development's (CPD) methods to allocate CDBG-DR funds appropriated under the Disaster Relief Appropriations Act of 2013 (PL 113-2). The objectives were to review the methodology for (1) the seven formula-based allocations and (2) the two competition-based allocations of CDBG-DR funds.

HUD OIG conducted this research to assess the feasibility of evaluating whether HUD's transition from formula-based allocations to competition-based allocations improved its ability to address unmet need. During its research, HUD OIG reviewed Federal Register notices, notices of funding availability, and program documents. HUD OIG also interviewed managers and employees who designed and implemented the allocation methodologies. After meeting its research objectives, HUD OIG did not identify indications of systemic weaknesses in methodologies CPD used for formula-based or competition-based allocations. As a result, HUD OIG did not conduct an evaluation and communicated its research results through a closure memorandum. (Evaluation Research Memorandum: **2016-OE-0009S**)

CHAPTER 6 – OTHER SIGNIFICANT AUDITS AND INVESTIGATIONS

AUDIT

STRATEGIC INITIATIVE 4: CONTRIBUTE TO IMPROVING HUD'S EXECUTION OF AND ACCOUNTABILITY FOR FISCAL RESPONSIBILITIES AS A RELEVANT AND PROBLEM-SOLVING ADVISOR TO THE DEPARTMENT

Key program results		Questioned costs	Funds put to better use
Audit	7 Audits ⁶	\$528,147	\$259,008

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

AUDIT OF HUD'S FY 2015 TRAVEL AND PURCHASE CARD PROGRAMS

HUD OIG audited HUD's compliance with the fiscal year 2015 travel and purchase card programs based on its required fiscal year 2014 risk assessment, which determined HUD's agencywide charge card program to be at medium risk for fraud. Offices of inspector general are required to (1) conduct periodic assessments of the agency charge card programs, (2) perform analyses or audits as necessary, and (3) report to the head of the executive agency the results of such analyses or audits. The audit objective was to determine whether HUD had sufficient and effective controls to (1) prevent and identify improper and potentially unallowable uses of cards and (2) recognize patterns of violation. While HUD stated that it had implemented controls to identify cardholder travel card program violations, it did not successfully identify patterns of abuse. Additionally, although HUD monitors purchase card use through periodic reviews, the purchase card program's internal controls needed improvement.

OIG recommended that HUD review the identified 3,671 transactions totaling more than \$528,000 to determine whether these transactions were for official Government travel, identify additional transactions made outside official travel, and ensure that appropriate action is taken. Additionally, OIG recommended that HUD (1) clarify roles and responsibilities regarding the duties that must be separated and the overlap that might be allowable in smaller field offices, (2) establish a periodic review of the official cardholders, (3) enforce retention of supporting documentation and make it available to auditors, and (4) review supporting documents to identify overlapping functions and responsibilities. (Audit Report: **2016-FO-0006**)

AUDIT OF HUD'S FISCAL YEAR 2015 COMPLIANCE WITH THE IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT OF 2010

This report presents the results of HUD OIG's audit of HUD's fiscal year 2015 compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA).

For the third consecutive fiscal year, HUD did not comply with IPERA. Of the six requirements, in fiscal year 2015, HUD complied with four (compliance determinations a, c, d, and f) but did not comply with the remaining two (compliance determinations b and e). Specific areas of noncompliance for fiscal year 2015 were related to HUD's failure to (1) conduct an annual risk assessment in accordance with Office

⁶ The total "other" audits, questioned costs, and funds put to better use amounts include any disaster recovery type audits conducted in the "other" area (1 audit). The writeup for this audit may be shown separately in chapter 5 of this semiannual report.

of Management and Budget (OMB) guidance and (2) meet its annual improper payment reduction target. Additionally, OIG noted some issues concerning (1) the completeness and accuracy of HUD's improper payment data reporting, including payment recapture audit plans, and (2) the reasonableness of HUD's improper payment estimate for its rental housing assistance programs.

OIG made 13 recommendations to improve HUD's compliance with IPERA and address weaknesses identified in HUD's payment recapture audit plans, rental housing assistance program improper payment estimation process, and reporting of improper payment information in the agency financial report. (Audit Report: **2016-FO-0005**)

REVIEW OF GENERAL AND APPLICATION CONTROLS OVER FHA AND SINGLE-FAMILY SYSTEMS

HUD OIG reviewed the general and application controls over the Federal Housing Administration's (FHA) Single Family Insurance System (SFIS) and Single Family Insurance Claims Subsystem (Claims) as part of the internal control assessments required for the fiscal year 2015 financial statement audit under the Chief Financial Officer's Act of 1990. The objective was to assess the general and application controls over SFIS and Claims for compliance with HUD information technology (IT) policies and Federal information system security and financial management requirements.

OIG has determined that the contents of this audit report would not be appropriate for public disclosure and has, therefore, limited its distribution to those officials on the report distribution list. (Audit Report: **2016-DP-0003**)

AUDIT OF THE FUNCTIONALITY OF HUD'S NEW CORE INTERFACE SOLUTION

HUD OIG audited the functionality of HUD's New Core Interface Solution (NCIS) for phase 1, release 3, as part of the internal control assessments required for the fiscal year 2016 financial statement audit under the Chief Financial Officer's Act of 1990. The objective was to determine whether adequate internal controls were in place for the phase 1, release 3, functionality of NCIS and the impact of the release implementation on the project.

OIG found that following the implementation of phase 1, release 3, of the New Core Project on October 1, 2015, HUD had unresolved data conversion errors and inaccurate funds management reports and lacked a fully functional data reconciliation process. In addition, NCIS's performance was not monitored, tracked, or measured, and controls over processing errors in Oracle Federal Financials were routinely bypassed. As a result, in June 2016, unresolved data conversion errors were estimated at an absolute value of more than \$9 billion, HUD's funds management reports contained inaccurate data, the newly completed status of funds reconciliation report indicated that there was an absolute value of \$4.5 billion in differences between the HUD Centralized Accounting and Processing System and Oracle Financials, and it was difficult to tell whether NCIS met user needs and business process requirements.

OIG recommended that HUD correct the data conversion errors, verify the reconciliation reports and resolve differences, and improve the custom Oracle Discoverer reports and error handling. (Audit Report: **2016-DP-0004**)

AUDIT OF HUD'S OVERSIGHT OF GINNIE MAE'S MEDIA MARKETING SERVICES

HUD OIG audited HUD's oversight of the Government National Mortgage Association's (Ginnie Mae) contract for financial industry and media marketing services with the public relations and communications firm, Burson-Marsteller, to determine whether HUD ensured that costs for Ginnie Mae's contract with Burson-Marsteller were reasonable, necessary, and supported.

HUD did not ensure that all costs associated with Ginnie Mae's contract with Burson-Marsteller were supported, reasonable, and necessary. Specifically, HUD did not ensure that (1) Ginnie Mae maintained adequate supporting documentation for invoices paid and (2) costs for promoting members of Ginnie Mae's senior staff were reasonable and necessary. As a result, HUD did not have assurance that \$1.8 million paid under Ginnie Mae's contract with Burson-Marsteller was supported and up to \$1.1 million paid was for services that were reasonable and necessary. Unless HUD requires Ginnie Mae to improve its procurement and contract administration processes and increases its monitoring of Ginnie Mae, Ginnie Mae could incur additional costs under the Burson-Marsteller contract and future contracts that are not supported, reasonable, and necessary.

OIG recommended that HUD (1) assess Ginnie Mae's processes and capabilities and provide technical assistance to ensure that its staff is adequately trained on procurement and contract administration matters; (2) require Ginnie Mae to improve its procurement and contract administration processes to ensure that it follows all applicable requirements, thereby putting more than \$259,000 to better use; and (3) increase monitoring to ensure that Ginnie Mae's costs related to its contract with Burson-Marsteller and any future contracts are supported, reasonable, and necessary. (Audit Report: **2016-PH-0002**)

EVALUATION

HEALTHCARE PROGRAMS

RECORDS MANAGEMENT IN THE OFFICE OF HOSPITAL FACILITIES (OHF) NEEDS IMPROVEMENT

The Office of Hospital Facilities (OHF) provides mortgage insurance for acute care hospitals. The insurance it provides reduces risk to lenders and lowers borrowing costs for hospitals. As of May 2016, the unpaid principal balance for its 105 insured mortgages was approximately \$7 billion. OHF collects and generates many records to support its mission. These records include application materials, internal reports, and correspondence. Robust records management practices can help OHF protect the financial, legal, and other rights of the Government and the public. HUD OIG evaluated OHF's records management practices to determine whether it maintained a records retention system that complied with applicable policies and its staff received required records management training.

OIG observed that records collected or generated by OHF could be misplaced or improperly destroyed because it did not actively apply a records disposition schedule, it lacked internal policies, and its employees received insufficient training. Additionally, OHF did not treat emails as records as required by the National Archives and Records Administration and HUD policies. OHF could not provide some documents OIG requested as part of its evaluation. OHF risks not being able to retrieve all records needed for legal or administrative procedures if it does not address these issues. Finally, HUD's records management training content was vague and did not cover Federal records requirements. After taking the training, an employee would not have learned how to properly identify, maintain, and archive Federal records.

OIG recommended that the Director of OHF (1) develop internal written procedures for records management and (2) ensure that personnel preparing records for archiving are trained to perform this function and are aware of all relevant records disposition schedules and policies. OIG also recommended that the chief learning officer, in consultation with the Office of Digital Enterprise, offer records management training that incorporates Federal and departmental records management policies and employee records management responsibilities.

The applicable HUD components agreed with all of the recommendations and will provide OIG with proposed management decisions and target dates for implementing corrective action within 90 days. (Evaluation Report: **2016-OE-0001**)

CYBERSECURITY ACT OF 2015 REVIEW OF AGENCY SECURITY MEASURES

HUD OIG conducted an evaluation of HUD's security measures associated with systems that provide access to personally identifiable information (PII). The Cybersecurity Act of 2015 requires the Inspector General to assess and report on HUD's cybersecurity policies, procedures, practices, and capabilities for systems that provide access to covered systems as defined in Section 406 of the Cybersecurity Act of 2015. These controls and practices focus on system access control, monitoring and detection of sensitive data exfiltration and other threats, and oversight of the information security practices of third-party providers associated with systems containing PII. HUD OIG completed an evaluation report in August 2016, highlighting several areas that need improvement within the HUD IT environment to protect sensitive and PII data. (Evaluation Report: **2016-OE-0008**)

FEDERAL AUDIT EXECUTIVE COUNCIL (FAEC) IT SUBCOMMITTEE INCIDENT RESPONSE MATURITY MODEL FOR FISMA

HUD OIG collaborated in a Federal Audit Executive Council (FAEC) IT Subcommittee project that developed a maturity model for assessing Federal agency incident response and reporting programs. This maturity model was added to the fiscal year 2016 Inspector General (IG) Federal Information Security Modernization Act (FISMA) metrics, which allows OMB to measure Federal agency cybersecurity more consistently. HUD OIG was one of a few volunteer IG offices to develop this model, which will be used by OMB to capture FISMA reporting metrics. HUD OIG will continue to participate in this group to develop and establish additional maturity models for the IG FISMA metrics.

MANAGEMENT ASSISTANCE REVIEWS

OIG management assistance reviews provide the quality assurance mechanism, which ensures that OIG's audit, investigative, and administrative operations follow established standards, policies, and procedures. Management assistance review reports are issued to top OIG management to recommend improvements in management and operations. During this 6-month period, OIG reported on

- The Region 1, Boston, MA, audit activities (Evaluation Report: **2016-OE-MAR4a**) and
- The Region 1-2, New York City, NY, audit (Region 2) and investigation (Region 1-2) activities. (Evaluation Report: **2016-OE-MAR4b**)

CHAPTER 7 – JOINT CIVIL FRAUD INITIATIVES

In recent years, the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), has enhanced its efforts to identify and investigate civil fraud and pursue civil actions and administrative sanctions, frequently combining efforts from its multiple disciplines to create teams of auditors, special agents, attorneys, and data analysts to conduct civil investigations. The central hub to these efforts is HUD OIG's Joint Civil Fraud Division, a distinct team of forensic auditors and special agents dedicated to investigating fraud and pursuing civil and administrative remedies.

HUD OIG's joint civil fraud teams work closely with the U.S. Department of Justice, U.S. Attorney's Offices, HUD's Office of General Counsel, and local prosecutors to pursue civil remedies under a variety of statutes and regulations, including the False Claims Act; Program Fraud Civil Remedies Act; and Financial Institutions Reform, Recovery, and Enforcement Act. HUD OIG also works with HUD's Departmental Enforcement Center to pursue debarments, suspensions, and limited denials of participation when appropriate.

HUD OIG's internal joint efforts, in conjunction with other enforcement groups, result in civil outcomes that are meant to help HUD recover from unwarranted damages sustained due to fraud. Some of the highlights from this semiannual period, resulting from these joint civil fraud efforts, are noted below.

STRATEGIC INITIATIVE 1: CONTRIBUTE TO THE REDUCTION OF FRAUD IN SINGLE-FAMILY INSURANCE PROGRAMS

PROGRAM RESULTS

Recoveries and receivables to HUD programs or HUD program participants	\$907,282,798
Recoveries and receivables for other entities	\$677,679,800
Recommendations that funds be put to better use	\$55,405
Civil actions	16

SINGLE FAMILY

HUD OIG assisted the U.S. Department of Justice and the U.S. Attorney's Office, Washington, DC, Southern District of New York and Northern District of California, in conducting an investigation of Wells Fargo Bank, N.A.'s origination and underwriting of mortgage loans insured by the Federal Housing Administration (FHA). Wells Fargo is headquartered in **San Francisco, CA**.

Based in part on OIG's review, the United States alleged that for certain loans, Wells Fargo failed to comply with HUD rules and regulations in originating and underwriting the loans for FHA insurance. Specifically, during January 1, 2002, through December 31, 2010, Wells Fargo allegedly failed to self-report to HUD certain FHA loans that Wells Fargo's quality assurance personnel had determined contained a material finding. Secondly, during May 1, 2001, through October 31, 2005, and later, Wells Fargo allegedly submitted loans for FHA mortgage insurance that did not meet HUD's underwriting requirements and were not eligible for FHA insurance under HUD's direct endorsement program.

On April 8, 2016, Wells Fargo entered into a settlement agreement with the United States. Wells Fargo admitted, acknowledged, and accepted responsibility for, among other things, submitting to HUD certifications stating that certain loans were eligible for FHA mortgage insurance when they were not and not reporting to HUD the majority of the FHA loans that its internal quality assurance reviews had identified as having material findings. Wells Fargo agreed to pay to the Government \$1.2 billion, of which FHA was to receive \$642 million. (Memorandum: **2016-KC-1803**; Office of Audit Region 7-8-10, Office of Investigation Region 2, and Joint Civil Fraud Division)

HUD OIG assisted the U.S. Department of Justice, Washington, DC, and the U.S. Attorney's Office, District of New Jersey, in the civil investigation of Freedom Mortgage Corporation. Freedom has its principal place of business in **Mount Laurel, NJ**, and became an FHA-approved direct endorsement lender in 1993. As a direct endorsement lender, Freedom was authorized by HUD to originate and underwrite mortgage loans on HUD's behalf, including determining a borrower's creditworthiness and whether the proposed loan met all applicable requirements.

On April 15, 2016, Freedom entered into a settlement agreement with the Federal Government to pay \$113 million to avoid the delay, uncertainty, inconvenience, and expense of lengthy litigation. As part of the settlement, Freedom agreed that it engaged in certain conduct in connection with its origination, underwriting, quality control, self-reporting of loans with unacceptable risk, certification of compliance with program requirements, and endorsement of certain single-family residential mortgage loans insured by FHA. The settlement was neither an admission of liability by Freedom nor a concession by the United States that its claims were not well founded. Of the total settlement of \$113 million, HUD FHA will receive \$76 million. (Memorandum: **2016-CF-1806**; Joint Civil Fraud Division and various Office of Investigation regions)

HUD OIG assisted the U.S. Department of Justice, Washington, DC, and the U.S. Attorney's Office, District of Colorado, in the civil investigation of Franklin American Mortgage Company. Franklin American has its principal place of business in **Franklin, TN**. Franklin American became an FHA-approved direct endorsement lender in 1995. As a direct endorsement lender, Franklin American was authorized by HUD to originate and underwrite mortgage loans on HUD's behalf, including determining a borrower's creditworthiness and whether the proposed loan met all applicable requirements. When a borrower defaults on an FHA-insured loan underwritten and endorsed by a direct endorsement lender, such as Franklin American, the lender (or its representative) has the option of submitting a claim to HUD to compensate the lender for any loss sustained as a result of the default. Therefore, once a mortgage loan is endorsed for FHA insurance, HUD insures the risk of the borrower's defaulting on that mortgage, which is realized if an insurance claim is submitted.

On December 2, 2015, Franklin American entered into a settlement agreement with the Federal Government to pay \$70 million to avoid the delay, uncertainty, inconvenience, and expense of lengthy litigation. As part of the settlement, Franklin American agreed that it engaged in certain conduct in connection with its origination, underwriting, and quality control of certain single-family residential mortgage loans insured by FHA. The settlement was neither an admission of liability by Franklin American nor a concession by the United States that its claims were not well founded. (Memorandum: **2016-CF-1801**; Joint Civil Fraud Division and various Office of Investigation regions)

HUD OIG assisted the U.S. Department of Justice, Washington, DC, and the U.S. Attorney's Office, Western District of New York, in the civil investigation of Manufacturers and Traders Trust Company, also known as M&T Bank. M&T Bank has its principal place of business in **Buffalo, NY**. On March 19, 2013, a former em-

ployee of M&T Bank filed a civil complaint, alleging improprieties in M&T Bank's loan origination and underwriting practices in violation of the False Claims Act. Based on further investigation, the Government alleged that M&T Bank submitted false certifications to HUD concerning compliance with program rules and certain endorsed loans between January 2006 and December 31, 2011, in violation of these rules.

On May 9, 2016, M&T Bank entered into a settlement agreement with the Government to pay \$64 million to avoid the delay, uncertainty, inconvenience, and expense of lengthy litigation. As part of the settlement, M&T Bank agreed that it engaged in certain conduct in connection with its origination, underwriting, property appraisal, and quality control of certain single-family residential mortgage loans insured by FHA. The settlement was neither an admission of liability by M&T Bank nor a concession by the United States that its claims were not well founded. Of the total settlement of \$64 million, HUD FHA will receive \$43.35 million. (Memorandum: **2016-CF-1804**; Joint Civil Fraud Division and Office of Investigation Region 5)

HUD OIG assisted the U.S. Department of Justice, Washington, DC, and the U.S. Attorney's Office for the Middle District of Florida in a civil investigation of Regions Bank. Regions Bank has its principal place of business in **Birmingham, AL**, and became an FHA-approved direct endorsement lender in 1985. As a direct endorsement lender, Regions Bank was authorized by HUD to originate and underwrite mortgage loans on HUD's behalf, including determining a borrower's creditworthiness and whether the proposed loan met all applicable requirements.

On September 13, 2016, Regions Bank entered into a settlement agreement with the Federal Government to pay \$52.4 million to avoid the delay, uncertainty, inconvenience, and expense of lengthy litigation. As part of the settlement, Regions Bank agreed that it engaged in certain conduct in connection with its origination, underwriting, and quality control of certain single-family residential mortgage loans insured by FHA. The settlement was neither an admission of liability by Regions Bank nor a concession by the United States that its claims were not well founded. Of the total settlement of \$52.4 million, HUD FHA was to receive \$37.7 million, and the remaining portion will be paid to other Federal entities. (Memorandum: **2016-CF-1811**; Joint Civil Fraud Division and Office of Investigation Regions 4 and 6)

HUD OIG assisted the U.S. Department of Justice, Washington, DC, and the U.S. Attorney's Office of the Northern District of Georgia in the civil investigation of Branch Banking and Trust Company (BB&T). BB&T's principal place of business is in **Winston-Salem, NC**.

Based in part on OIG's review, the Federal Government alleged that BB&T violated the False Claims Act when it originated and underwrote certain FHA mortgage loans that did not meet applicable requirements. The Federal Government also alleged that BB&T did not maintain a quality control program that complied with requirements.

On September 29, 2016, BB&T entered into a settlement agreement with the Federal Government to pay \$83 million to avoid the delay, uncertainty, inconvenience, and expense of lengthy litigation. As part of the settlement, BB&T agreed that it engaged in certain conduct in connection with its origination, underwriting, and quality control of single-family residential mortgage loans insured by FHA. The settlement was neither an admission of liability by BB&T nor a concession by the United States that its claims were not well founded. Of the total \$83 million settlement, HUD FHA was to receive \$35.7 million, and the remaining portion will be paid to other Federal entities. (Memorandum: **2016-AT-1802**; Office of Audit Region 4 and Joint Civil Fraud Division)

HUD OIG investigated alleged violations of FHA regulations by RANlife, Inc., of **Salt Lake City, UT**. OIG reviewed single-family FHA loans processed by RANlife to determine whether it complied with HUD's rules and regulations in originating, underwriting, and endorsing the loans for FHA insurance.

Based in part on OIG's review, the United States contended that for certain loans, RANlife failed to comply with HUD rules and regulations in originating, underwriting, and endorsing the loans for FHA insurance. On November, 23, 2015, RANlife entered into a settlement agreement with the United States. To avoid the delay, uncertainty, inconvenience, and expense of lengthy litigation and in consideration of the mutual promises and obligations of the settlement agreement, RANlife agreed to pay FHA more than \$1 million. The settlement agreement was neither an admission of liability by RANlife nor a concession by the United States that its claims were not well founded. (Memorandum: **2016-DE-1802**; Office of Audit Region 7-8-10, Office of Investigation Region 7-8-10, and Joint Civil Fraud Division)

CHAPTER 8 – LEGISLATION, REGULATION, AND OTHER DIRECTIVES

Reviewing and making recommendations on legislation, regulations, and policy issues is a critical part of the Office of Inspector General's (OIG) responsibilities under the Inspector General Act. During this 6-month reporting period, OIG has committed more than 615 hours to reviewing 141 issuances. The draft directives consisted of 85 notices, 6 mortgagee letters, and 50 other directives. OIG provided comments on 38 (or 27 percent) of the issuances and lifted 5 nonconcurrences. Of the 50 other directives, OIG reviewed 16 final, proposed, and interim rules. Of these, OIG provided comments on 3, nonconcurred and resolved 1, and had no position on 12. A summary of selected reviews for this 6-month period follows.

NOTICES, POLICY ISSUANCES, AND FINAL RULES

OFFICE OF SINGLE FAMILY HOUSING

Single-family lender handbook – OIG reviewed various sections of the Federal Housing Administration's (FHA) updated and consolidated Single Family Housing Policy Handbook 4000.1. The update is part of an FHA initiative to provide borrowers with greater access to credit and make working with FHA more efficient and effective for lenders. The Handbook reconciled more than 900 mortgagee letters and other policy guidance into a single, authoritative document to serve as the definitive guide on all aspects of FHA's single-family programs. Major sections of the Handbook became effective September 14, 2015. On June 30 and September 30, 2016, FHA published updates to the content in existing sections of the Handbook.

During this reporting period, OIG reviewed content updates made to existing sections of the Handbook. For example, FHA added new guidance for individual residential water purification systems in section II (Origination Through Post-Endorsement/Closing), clarified when lenders are required to preserve and protect the property, and provided updated documentation requirements in section III (Servicing and Loss Mitigation). OIG did not have substantive comments. During the previous reporting period, OIG reviewed the Title I section and provided a number of comments. One substantial comment related to the section's lacking a definition on premium pricing and inconsistent uses of premium pricing.

Housing Counseling Certification Final Rule – OIG reviewed a reclearance issuance of the final rule on new certification requirements for housing counselors. One of the changes made to the final rule included that the U.S. Department of Housing and Urban Development (HUD) would not issue a separate agency "certificate of competence" as originally proposed. Instead, for a housing counseling agency to be HUD approved or maintain status as a housing counseling agency under HUD's Housing Counseling Program, each individual providing housing counseling for the agency must be a HUD-certified housing counselor. OIG expressed concerns that a shift in certification requirements from the housing counseling agency down to the individual housing counselors creates a transference of accountability away from the housing counseling agencies that employ the counselors and are accountable for their employees' actions. Further, OIG expressed concerns on possible conflicts of interest and wanted restrictions placed on the eligibility of entities (specifically housing finance agencies) that provide housing counseling services and also participate in buyer-funded financial assistance. Lastly, OIG expressed concerns on the lack of an important integrity and reporting module regarding the counselors' certification and training requirements. In light of these concerns, the Department quickly clarified to OIG that housing counseling agencies are still held accountable for compliance with applicable HUD requirements by their participating agreement and their own certifications. The individual counseling certifications are in addition to existing certifications from

the housing counseling agencies. Further, HUD recognizes that housing finance agencies are often engaged in multiple lines of activities and that they are supposed to have firewalls between their counseling and origination activities. HUD recognized that conflicts could possibly occur and agreed to pursue necessary action against housing finance agencies in violation of requirements. Lastly, the Department was receptive to OIG's comment and suggestion on adding an integrity and reporting module but indicated that would be better handled with the Home Equity Conversion Mortgage (HECM) program office in its update of the HECM handbook and protocols.

OFFICE OF PUBLIC AND INDIAN HOUSING

Demonstration to test a proposed new method of assessing the physical conditions of voucher-assisted housing – On May 4, 2016, HUD published a proposed rule, which solicited comments on a demonstration designed to test a new method of assessing the physical condition of housing assisted by HUD vouchers. The Joint Explanatory Statement that accompanied the Consolidated Appropriations Act of 2016 directed HUD to implement a single inspection process protocol for public housing and Housing Choice Voucher program units. The uniform physical condition standard (UPCS) is used to evaluate public housing units, while housing quality standards are used for Housing Choice Voucher program units. HUD is developing a new inspection and oversight approach called UPCS-V, which will use the UPCS protocol for Housing Choice Voucher program units. The new approach incorporates housing health and safety constructs, concepts from UPCS, and housing quality standards. Under this demonstration, HUD will test the UPCS-V model for up to 3 years with up to 250 public housing agencies. The demonstration will provide HUD with insight into the UPCS-V model, including its ability to expand HUD's oversight and risk management capabilities through a reliable, repeatable inspection process that better identifies health and safety risks to families, before implementing the program nationwide. At the conclusion of the demonstration, HUD will assess its success and determine whether to implement UPCS-V on a permanent basis throughout the country.

Native American Housing Assistance and Self-Determination Act: revisions to the Indian Housing Block Grant program formula – On May 31, 2016, HUD issued a proposed rule soliciting comments. The proposed rule would revise the Indian Housing Block Grant program allocation formula authorized by Section 302 of the Native American Housing Assistance and Self-Determination Act of 1996 as amended (NAHASDA). OIG nonconcurred on this proposed rule because it redefined the eligible funding period for a demolished unit in a manner inconsistent with an express statutory limitation. Specifically, HUD's intention with the proposed rule was to provide a far longer period between demolition and rebuild than is permitted by the statute. HUD redrafted the proposed rule by requesting public comments on how to address this issue by regulation, while also remaining within the scope of section 302(b)(1)(C) of NAHASDA. As a result, OIG lifted its nonconcurrence.

OFFICE OF MULTIFAMILY HOUSING PROGRAMS

Improving previous participation reviews – On May 17, 2016, HUD published its supplemental notice of proposed rulemaking, which opens the public comment period to address uncertainties related to its August 10, 2015, proposed rule at 80 FR (Federal Register)-47874. In this notice, HUD provides a draft supplemental guide describing the previous participation review process. While the revised regulations provide flexibility in the review process, there was uncertainty on the implementation of the final rule. The guide will be posted to HUD's Web site with the final regulations. It is intended to clarify and simplify HUD's process for reviewing the previous participation of participants that have decision-making authority over their projects as one component of HUD's responsibility to assess financial and operational risk to the projects in these programs. The approach offered by the proposed rule was to not only bring greater certainty and clarity to the process but also greater flexibility, avoiding a one-size-fits-all approach.

Expanding the Family Self-Sufficiency program – On August 26, 2016, HUD issued Housing Notice, H-2016-08, which expands the Family Self-Sufficiency (FSS) program to privately owned multifamily housing properties that receive project-based Section 8 rental subsidies through a housing assistance payments contract with HUD. The FSS program provides incentives and support to help families living in multifamily assisted housing to increase their earned income and reduce their dependence on public housing programs. Owners of privately owned HUD-assisted multifamily housing can voluntarily establish and operate an FSS program at their housing sites. Families living in these properties can voluntarily participate in the FSS program.

Amending lead-based paint regulations – On September 1, 2016, HUD published a proposed rule, FR-5816-P-01, which amends its lead-based paint regulations on reducing blood lead levels in children under age 6 who reside in federally owned or assisted pre-1978 housing. The proposed rule formally adopts the revised definition of “elevated blood lead levels” in children under the age of 6 in accordance with guidance of the Centers for Disease Control and Prevention and establishes more comprehensive testing and evaluation procedures for the housing where such children reside.

Complying with the National Environmental Policy Act – On September 26, 2016, HUD published FR-5979-N-01, which announces that it has posted on its Web site its memorandum of understanding regarding its compliance with the National Environmental Policy Act (NEPA) and related laws and authorities. The purpose of the memorandum is to outline the respective roles and responsibilities of HUD program offices to ensure HUD compliance with NEPA and related laws and authorities and HUD’s implementing regulations at 24 CFR (Code of Federal Regulations) Parts 50, 51, 55, and 58. The memorandum defines the roles and responsibilities of the parties involved in HUD’s environmental review process, establishes a governance structure to address environmental compliance issues, and clarifies procedural mechanisms to ensure and evaluate compliance. It establishes an internal governance structure to address environmental compliance issues with regional, national, and executive committees. Issues can be raised at each level and elevated as necessary to create a more efficient review process. Mechanisms to maintain and monitor environmental compliance are included in the memorandum. HUD will develop a management program to evaluate program office compliance with environmental review requirements. These procedures will be used to identify and solve internal issues of compliance.

OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT

Equal Access in Accordance With an Individual’s Gender Identity in CPD Programs – On September 21, 2016, HUD published a final rule to ensure equal access for individuals in accordance with their gender identity in programs and shelter funded under programs administered by HUD’s Office of Community Planning and Development (CPD). The rule also amended HUD’s definition of gender identity to more clearly reflect the difference between actual and perceived gender identity and eliminated the prohibition on inquiries related to sexual orientation or gender identity so that service providers can ensure compliance. The rule becomes effective October 21, 2016.

Further, HUD had participated in a Physical Inspection Alignment Working Group, which has decided to eliminate redundant physical inspections required when a property is financed with multiple Federal housing programs. There are eight pilot grantees (State of Illinois, Commonwealth of Kentucky, State of Louisiana, State of Maryland, State of Minnesota, State of Missouri, State of New Mexico, and State of North Carolina) and 38 pilot properties in the 2015 Physical Inspection Alignment Pilot Program. These pilot properties associated with this waiver are projects funded by the HOME Investment Partnerships Program and one or more of the Combined Funding Programs, which include the U.S. Department of the Treasury’s low-income housing tax credits, U.S. Department of Agriculture’s Section 515 Rural Rental Housing Program, FHA Multifamily Insurance Program, Section 811 (Housing for the Disabled) program, Section 202 (Housing for the Elderly) program, Section 8 Project-Based Rental Housing program, and Rental Assistance Demonstration program. The elimination of multiple unnecessary inspections could lower the cost of oversight while maintaining housing quality.

CONSUMER ADVISORIES AND ALERTS

As a way to assist in fraud prevention, OIG issues consumer advisories and alerts, as well as industry advisories and bulletins, on its Web site, www.hudoig.gov. The intent of these publications is to provide information about the risks and illegal activities associated with certain products and services. These advisories are intended to ensure that industry professionals as well as consumers are well informed of the perils associated with emergent frauds and other illegal activities that jeopardize the integrity of otherwise legitimate programs. During this semiannual period, OIG issued three integrity bulletins related to community planning and development, which are summarized below.

7 Keys to Handling Conflicts of Interest – Conflicts of interest can arise when officials or staff benefit directly or indirectly from awarding or contracting grant funds. Conflicts of interest, if not avoidable, must be identified, disclosed, and managed in compliance with rules and regulations. OIG issued an integrity bulletin discussing the common types of conflicts of interest, offers of best practices for avoiding and managing them, and the potential consequences of not handling them appropriately.

Subrecipient Oversight and Monitoring – OIG issued this industry bulletin to highlight the importance of effective oversight and monitoring by grantees receiving community planning and development funds. The bulletin offers key tips for improving oversight of subrecipients regarding their performance and compliance with laws and regulations.

Procurement and Contracting – Grantees and subrecipients are required to follow Federal, State, and local laws when procuring goods and services. Weak procurement policies and oversight can entice some employees to manipulate contracts to their personal benefit or create costly, wasteful, or unenforceable contracts. Strong policies and oversight will enhance program integrity. OIG's integrity bulletin was issued to provide five ground rules, including (1) maintain separation of duties, (2) provide competencies and training, (3) insist on good record keeping, (4) maximize competition, and (5) uphold ethics and bar conflicts of interest.

CHAPTER 9 – AUDIT RESOLUTION

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

AUDIT REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AS OF SEPTEMBER 31, 2016

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

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

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

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

This issue was referred to the Assistant Secretary on June 19, 2014, and September 30, 2014, but as of March 31, 2015, a new proposal had not been made. Therefore, this issue was referred to the Deputy Secretary on March 31, 2015. OIG met to brief the Deputy Secretary's staff on the subject on April 20, 2015. On August 24, 2016, PIH indicated that in coordination with the Office of the Chief Information Officer, plans were being developed to address the recommendation. However, OIG has not been able to confirm what those plans are, and a new proposal had not been made as of September 30, 2016. (Audit Report: **2014-FO-0003**)

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

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

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

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

OIG sent a referral memorandum to the Acting Chief Financial Officer on September 23, 2014, regarding its disagreement, along with an untimely referral memorandum for two recommendations that had not had management decisions entered. Following OIG's memorandum, OCFO entered management decisions for seven of nine recommendations, of which OIG agreed with only one. The remaining six recommendations, along with two recommendations for which management had not yet entered a management decision, were referred to the Deputy Secretary on March 31, 2015. OIG briefed the Deputy Secretary's staff on the subject report on April 20, 2015, and in August 2015, meetings were held with OCFO to discuss what was needed to come to an agreement. As of March 31, 2016, management decisions had been agreed upon for all recommendations except two.

OCFO submitted a new management decision for one of these recommendations on March 23, 2016. OIG disagreed with the management decision because OCFO believes its contractor is measuring improper payments made to deceased tenants, when OIG's audit work shows that the contractor is not. OIG met with OCFO on March 29, 2016, to discuss this matter, and OCFO agreed to contact the contractor for clarification. OIG has not heard back from OCFO on this matter.

OCFO submitted a management decision for the other recommendation on March 31, 2016. However, OIG disagrees with this management decision because it believes that the decision gives HUD the option to continue reporting its improper payments in a way that masks the true error rate in certain programs, which is not in compliance with OMB's guidance. (Audit Report: **2014-FO-0004**)

THE NIAGARA FALLS HOUSING AUTHORITY DID NOT ALWAYS ADMINISTER ITS HOPE VI GRANT PROGRAM AND ACTIVITIES IN ACCORDANCE WITH HUD REQUIREMENTS, ISSUE DATE: JULY 10, 2014

HUD OIG audited the Niagara Falls Housing Authority's HOPE VI grant program based on an OIG risk analysis and the amount of funding the Authority received. The objectives of the audit were to determine whether the Authority administered its HOPE VI grant program and activities in accordance with HUD and HOPE VI grant program requirements.

The Authority did not always administer its HOPE VI grant program and activities in accordance with requirements. Specifically, contrary to Federal regulations and the HOPE VI grant agreement, Authority officials drew more HOPE VI funds from HUD's Line of Credit Control System than were needed to cover project expenditures. OIG recommended that HUD instruct Authority officials to (1) reimburse the U.S. Treasury for approximately \$1.5 million in HOPE VI funds drawn in excess of their need to cover project expenditures and (2) establish procedures to ensure that program funds are drawn in accordance with the grant agreement and regulations.

The Office of Public Housing Investments (OPHI) disagreed with recommendations 1A, 1B, and 1C and believes the funds questioned by OIG are non-Federal cost savings, which could be better used for HOPE VI-eligible activities in the Center Court neighborhood. OPHI believes there is no authority to require non-Federal cost savings to be returned to the U.S. Treasury. OIG disagrees with the proposed management decisions for recommendations 1A, 1B, and 1C and believes that all of the questioned funds should be returned to the U.S. Treasury absent a suitable legal opinion. As a result of November 25, 2014, discussions with OIG, OPHI agreed to obtain a legal determination from HUD's Office of General Counsel (OGC) regarding the proposed management decisions. On March 26, 2015, OIG referred the disagreement to the Acting Assistant Secretary for Public and Indian Housing because a legal determination had not been provided.

On April 28, 2015, the Associate General Counsel, Office of Assisted Housing and Community Development, provided an opinion on the proposed management decisions and the related OIG concerns. This opinion concluded that approximately \$1.5 million in questioned costs was program income under the definition of excess income and did not have to be repaid to the U.S. Treasury.

The Counsel to the Inspector General reviewed the OGC opinion and agreed that the OIG recommendations should be retained, the questioned costs were not program income, and the interest earned on these funds was also not program income. Also, exhibit H of the annual contributions contract amendment would have required program income to have been spent before HOPE VI funds were drawn down. Because unspent HOPE VI grant funds are no longer available for expenditure, funds returned to HUD must be returned to the U.S. Treasury.

On August 13, 2015, OIG referred its disagreement on the management decisions to the Deputy Secretary for a decision as the departmental audit resolution official. As of September 30, 2016, the Deputy Secretary had not provided a decision. (Audit Report: **2014-NY-1007**)

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

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

HUD did not always bill lenders for FHA single-family loans that had an indemnification agreement and a loss to HUD. Specifically, it did not bill lenders for any loans that were part of the Accelerated Claims

Disposition (ACD) program or the Claims Without Conveyance of Title (CWCOT) program or loans that went into default before the indemnification agreement expired but were not in default on the expiration date. There were a total of 486 loans from January 2004 to February 2014 that had enforceable indemnification agreements and losses to HUD but were not billed. This condition occurred because HUD's Financial Operations Center (1) was not able to determine loss amounts for loans that were part of the ACD program, (2) was not aware of the CWCOT program, and (3) considered the final default date for billing only. As a result, HUD did not attempt to recover a loss of more than \$37 million for 486 loans that had enforceable indemnification agreements.

In addition, HUD did not ensure that indemnification agreements were extended to 64 of 2,078 loans that were streamline refinanced. As a result, HUD incurred losses of more than \$373,000 for 5 loans, and 16 loans had a potential loss to HUD of nearly \$1 million. The remaining 43 loans were either terminated or did not go into delinquency before the indemnification agreement expired, or the agreement did not state that it would extend to loans that were streamline refinanced.

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

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

Single Family Housing received two legal opinions from OGC, dated January 26, 2015, and February 24, 2015, respectively. Combined, the legal opinions support Single Family Housing's and Finance and Budget's position that they have collected in a manner consistent with longstanding policy that emphasized the definition of the "date of default." Single Family Housing maintains that its collection practice is consistent with FHA's regulatory definition of "date of default" found in 24 CFR (Code of Federal Regulations) 203.331, which refers to the first "uncorrected" failure and the first failure to pay that is not satisfied by later payments.

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

OIG has had discussions with OGC, Single Family Housing, and Finance and Budget regarding the recommendations in question but has not reached agreeable management decisions. On March 31, 2015, OIG referred the recommendations to the Deputy Secretary for a decision but has not received an answer. (Audit Report: **2014-LA-0005**)

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

HUD OIG audited the Government National Mortgage Association's (Ginnie Mae) fiscal year 2014 stand-alone financial statements. OIG conducted this audit in accordance with the Chief Financial Officers Act of 1990 as amended. OIG found a number of material weaknesses in Ginnie Mae's financial reporting specifically

related to the auditability of several material assets and reserve for loss liability account balances. The audit report had 20 recommendations to (1) correct the financial statement misstatements identified during the audit and (2) take steps to strengthen Ginnie Mae's financial management operations. Initially, OIG did not reach consensus with Ginnie Mae on the necessary corrective actions for 9 of the 20 audit recommendations and referred the matter to the Deputy Secretary for a decision on September 21, 2015. In August 2016, OIG reached an agreement on three of nine management decisions that it previously rejected. As a result, there are now six audit recommendations without a management decision. OIG's audit recommendations request that HUD's Chief Financial Officer provide oversight of Ginnie Mae's financial management operations because HUD's plan of action for providing oversight of Ginnie Mae lacked specificity. As of September 30, 2016, the Deputy Secretary had not provided a decision. (Audit Report: **2015-FO-0003**)

THE STATE OF NEW JERSEY DID NOT COMPLY WITH FEDERAL PROCUREMENT AND COST PRINCIPLE REQUIREMENTS IN IMPLEMENTING ITS DISASTER MANAGEMENT SYSTEM, ISSUE DATE: JUNE 4, 2015

HUD OIG audited the State of New Jersey's Community Development Block Grant Disaster Recovery (CDBG-DR)-funded Sandy Integrated Recovery Operations and Management System. OIG conducted the audit based on the large amount of funds associated with the system and the importance of the system to the successful implementation of the State's entire CDBG-DR grant. OIG's objective was to determine whether the State procured services and products for its system in accordance with Federal procurement and cost principle requirements.

The OIG report found that the State did not procure services and products for its system in accordance with Federal procurement and cost principle requirements. Specifically, it did not prepare an independent cost estimate and analysis before awarding the system contract to the only responsive bidder. Further, it did not ensure that option years were awarded competitively, and it included provisions in its request for quotation that restricted competition. Also, the State did not ensure that software was purchased competitively and that the winning contractor had adequate documentation to support labor costs charged by its employees.

The issues identified showed that the State's process was not equivalent to Federal procurement standards. As a result, its certification to HUD was inaccurate. The State began taking corrective actions and providing documentation during the audit to resolve these deficiencies. HUD needed to assess the documentation to determine the appropriateness of all contract costs.

The OIG report included recommendations for HUD's Deputy Assistant Secretary for Grant Programs to determine whether the documentation the State provided was adequate to (1) show that the nearly \$39 million contract price for the initial 2-year period was fair and reasonable, (2) show that the more than \$1 million disbursed for software was a fair and reasonable price, and (3) support the nearly \$468,000 disbursed for wages and salaries charged to the program by contractors' employees and if not, direct the State to repay HUD from non-Federal funds any amount that it cannot support. OIG also recommended that HUD determine whether the documentation the State provided was adequate to show that the price for the 3 additional option years was fair and reasonable and if not, direct the State to rebid for the additional option years, thereby putting more than \$9 million to better use. OIG further recommended that HUD direct the State to update its procurement processes and standards to ensure that they are fully aligned with applicable Federal procurement and cost principle requirements.

The Deputy Assistant Secretary for Grant Programs provided proposed management decisions for all of the recommendations. OIG concurred with the proposed management decision for recommendation 1D. However, for recommendations 1A, 1B, 1C, and 1E, HUD maintains that it has an ongoing disagreement

with OIG regarding the applicability of the procurement regulations at 24 CFR 85.36(b) through (i) to State CDBG-DR grantees. HUD also disagrees with OIG concerning the interpretation of the March 5, 2013, Federal Register notice for CDBG-DR grants under Public Law 113-2, which provides that States must have fiscal and administrative requirements for spending and accounting for all funds. HUD contends that the requirements at 24 CFR 85.36(b) through (i), including the cost estimate requirements, do not apply to States unless a State elects to adopt the provisions at 24 CFR 85.36(b) through (i) as its procurement standards. Otherwise, the State must comply with regulations at 24 CFR 570.489(g) and follow its procurement policies and procedures.

OIG rejected the proposed management decisions for recommendations 1A, 1B, 1C, and 1E because they did not meet the intention of the recommendations. Regulations at 24 CFR 570.489(g) require a State grantee to follow its procurement policies and procedures. However, for this disaster recovery effort, unlike previous efforts, a HUD notice required the State to either adopt the specific procurement standards at 24 CFR 85.36 or have a procurement process and standards that were equivalent to the procurement standards at 24 CFR 85.36. The State acknowledged in its procurement policy for CDBG-DR grants that it was required as a grantee to follow the requirements at 24 CFR 85.36 and asserted that its procurement process and standards were equivalent to the procurement standards at 24 CFR 85.36. Accordingly, the State certified to HUD that its policies and procedures were equivalent to the procurement standards at 24 CFR 85.36. However, the audit showed that the State's procurement process was not equivalent to Federal procurement standards.

OIG has had discussions with HUD's Disaster Recovery and Special Issues Division, Office of Block Grant Assistance, regarding the issues in question but has not reached agreeable management decisions. On March 29, 2016, OIG referred the recommendations to the Deputy Secretary for a decision and is awaiting an answer. (Audit Report: **2015-PH-1003**)

GTL INVESTMENTS, INC., DOING BUSINESS AS JOHN ADAMS MORTGAGE COMPANY, SETTLED ALLEGATIONS OF FAILING TO COMPLY WITH HUD'S FHA LOAN REQUIREMENTS, ISSUE DATE: SEPTEMBER 30, 2015

HUD OIG, in coordination with the U.S. Attorney's Office for the Eastern District of Michigan, reviewed GTL Investments, Inc., doing business as John Adams Mortgage Company, regarding its originations, underwriting, quality control, and endorsement of FHA loans.

The U.S. Government contended that it had civil claims against GTL Investments because of the origination, underwriting, quality control, and endorsement of 29 FHA-insured loans made from January 2008 through April 2012 that went to claim. Further, GTL Investments' material deficiencies in the underwriting of these 29 loans resulted in losses to the FHA insurance fund. The Government also contended that it had actual and potential administrative claims against GTL Investments for two additional FHA-insured loans that remained in GTL Investments' loan portfolio.

On December 23, 2014, GTL Investments entered into a settlement agreement to pay more than \$4 million to the FHA insurance fund. GTL Investments also agreed to refrain from making any claim for FHA insurance benefits or indemnify FHA for losses incurred, if any, on the two loans that remained in its loan portfolio.⁷ The settlement agreement was neither an admission of liability by GTL Investments nor a concession by the Government that its allegations were not well founded.

OIG recommended that HUD's Office of Program Enforcement record (1) the more than \$4 million settlement to recognize funds due and returned as an ineligible cost and (2) more than \$27,000 as an ineligible cost for the loss incurred on the sale of the property associated with FHA case number 261-9436172. It also recommended that HUD's Office of Program Enforcement coordinate with the Office of Single Family

⁷ Since the settlement agreement, FHA case numbers 261-9436172 and 261-9389877 went into claim, and HUD incurred a loss on the sale of each of the associated properties.

Housing to ensure that FHA case number 261-9389877 is identified in the appropriate HUD system as being subject to indemnification if claims are paid and losses are incurred as a result of the settlement agreement. The loss to the FHA insurance fund is estimated to be nearly \$37,000.⁸

HUD's Office of Program Enforcement's proposed management decisions disagree with OIG's recommendations because the Office contends that (1) the collection of civil recoveries and tracking of related activities is beyond its authority or responsibility, (2) it has no authority to require another HUD office to record indemnification obligations, and (3) it is not within the scope of its duties.

This issue was referred to HUD's Deputy General Counsel for Program Enforcement and Fair Housing on February 5, 2016. After discussions with OGC regarding the recommendations, recommendation 1A was closed because the settlement agreement was the needed action for closure. However, responsibility for recommendations 1B and 1C was transferred to the Office of Single Family Housing because the loans required indemnification agreements. As of September 30, 2016, Single Family Housing had not provided management decisions for these two recommendations. (Memorandum: **2015-CH-1801**)

REVIEW OF DOWNPAYMENT ASSISTANCE FUNDS

LOANDEPOT'S FHA-INSURED LOANS WITH DOWNPAYMENT ASSISTANCE FUNDS DID NOT ALWAYS MEET HUD REQUIREMENTS, ISSUE DATE: SEPTEMBER 30, 2015

LOANDEPOT'S FHA-INSURED LOANS WITH GOLDEN STATE FINANCE AUTHORITY DOWNPAYMENT ASSISTANCE GIFTS DID NOT ALWAYS MEET HUD REQUIREMENTS, ISSUE DATE: SEPTEMBER 30, 2015

In fiscal year 2015, HUD OIG completed three audits of two lenders, NOVA Financial and Investment Corporation and loanDepot LLC, which disclosed that FHA-insured loans with downpayment assistance funds did not always meet HUD requirements. While the Deputy Secretary provided a decision on the NOVA audit, that decision did not include loanDepot. OIG strongly disagreed with the Deputy Secretary's decision on NOVA. There are more details on the disagreement in the "Significant Management Decision With Which OIG Disagrees" section of this semiannual report. (Audit Report: **2015-LA-1005**) Further, HUD and OIG continue to disagree on the overarching issue of borrower-financed downpayment assistance.

HUD OIG audited loanDepot based on the results of a previous audit of NOVA and a referral from HUD's Quality Assurance Division detailing a separate lender that originated FHA-insured loans that had ineligible downpayment assistance gifts. The HUD OIG analysis identified loanDepot as a lender with high FHA origination volume in the geographic region that participated in similar downpayment assistance gift and secondary financing programs.

OIG found that loanDepot's FHA-insured loans with downpayment assistance gift funds and secondary financing did not always comply with HUD requirements, putting the FHA insurance fund at unnecessary risk, including potential losses of nearly \$5 million for 53 loans with ineligible assistance and \$29.9 million for a projected 339 loans that likely had ineligible assistance. Projecting forward 1 year, this is equivalent to more than \$25 million in potential losses for loans that could have ineligible assistance and have a higher risk of loss in the first year. Also, loanDepot inappropriately charged borrowers nearly \$26,000 in fees that were not customary or reasonable and nearly \$47,000 in discount fees that did not represent the purpose of the fee. The ineligible loans put borrowers at a disadvantage because of higher monthly mortgage payments imposed on them by a premium interest rate.

OIG conducted a second audit of loanDepot's FHA-insured loans with Golden State Finance Authority

⁸ This amount is based on the loss severity rate of 50 percent of the unpaid principal balance of nearly \$74,000 as of September 3, 2015.

downpayment assistance gifts, which again disclosed that loanDepot did not always comply with HUD requirements. This noncompliance put the FHA insurance fund at unnecessary risk, including potential losses of nearly \$6 million for 62 loans with ineligible gifts and more than \$16 million for 178 loans that likely contained ineligible gifts. Projecting forward 1 year, this is equivalent to nearly \$16 million in potential losses for loans that would have ineligible gifts and a higher risk of loss in the first year. Also, loanDepot inappropriately charged borrowers nearly \$14,000 in fees that were not customary or reasonable. As OIG determined in the first audit, the ineligible loans put borrowers at a disadvantage because of higher monthly mortgage payments, including the burden of funding the downpayment assistance program through premium interest rates.

The audits reviewed downpayment assistance gifts in which (1) downpayment assistance gift funds were indirectly derived from a premium-priced mortgage and (2) the gifts were not true gifts but were repaid by the borrower through higher interest rates and fees. Because downpayment assistance programs are intended to help creditworthy families obtain housing they might not otherwise obtain, OIG found downpayment assistance programs structured to repay the downpayment assistance at the expense of the borrowers to be objectionable.

Among other things, OIG recommended that HUD require loanDepot to (1) stop originating FHA loans with ineligible downpayment assistance, (2) indemnify HUD for the FHA loans that were originated with ineligible downpayment assistance, (3) reimburse borrowers for misrepresented discount fees and fees that were not customary or reasonable, (4) reduce the interest rate for borrowers who received ineligible downpayment assistance, and (5) reimburse borrowers for overpaid interest as a result of the premium interest rate.

The Office of Single Family Housing's position is that the downpayment assistance provided by housing finance agencies through premium pricing is consistent with established law and guidance. OIG disagrees. Single Family Housing believes that the downpayment assistance funding mechanisms used are not premium pricing, nor do they violate FHA guidance regarding downpayment assistance by government entities. Single Family Housing stated that premium pricing is defined only as a higher interest rate in exchange for a credit to be applied toward a borrower's closing costs or other prepaid items. Single Family Housing also reaffirmed that there are no restrictions on how a government entity may fund its downpayment assistance programs. It considers the downpayment assistance funding mechanisms to be permissible. This process includes the generation of funds through capital market vehicles that may result in a negotiated interest rate that is higher than a negotiated interest rate for mortgage loans without downpayment assistance.

In response to OIG's audit report on NOVA, Single Family Housing publicly issued a letter to the lending industry, dated July 20, 2015. The letter reaffirmed FHA's support for certain downpayment assistance programs, like those run by State housing finance agencies. It further stated that the intent of HUD rules regarding downpayment assistance is clear and allows housing finance agencies the discretion necessary to fund these programs appropriately. On August 11, 2015, before an audit resolution or substantive discussions between Single Family Housing and OIG, HUD publicly issued a HUD OGC legal opinion. OGC determined that neither HUD's Interpretative Rule Docket No. FR-5679-N-01 nor Mortgagee Letter 2013-14 placed restrictions on how a government entity may fund its downpayment assistance programs. According to this opinion, FHA's rules and guidance do not place restrictions or prohibitions on how a government entity raises funds to support its downpayment assistance programs. Further, the use of funds derived from the sale of a mortgage with a higher than market interest rate does not constitute premium pricing. In addition, HUD OGC cited that there is no violation of FHA restrictions on premium pricing when the rates agreed upon by the borrower and lender are generally the rates available to borrowers participating in downpayment assistance programs. HUD OGC concluded that it found no basis to challenge the legality of the downpayment assistance programs.

OIG recognizes that housing finance agencies provide home-ownership opportunities to low- and moderate-income families and does not disagree with Interpretative Rule Docket No. FR-5679-N-01 and Mortgagee Letter 2013-14 that housing finance agencies, as instrumentalities of State or local governments, may provide downpayment assistance. The audit reports did not dispute that housing finance agencies are an acceptable source of funds. However, FHA loans that contain downpayment assistance from a housing finance agency must meet all HUD requirements, including those on premium pricing and the definition of gift funds.

The lenders were obligated to conduct due diligence to ensure that planned downpayment assistance gifts met the requirements described in HUD Handbook 4155.1. OIG determined that the FHA loans with downpayment assistance did not meet all HUD requirements, specifically those governing premium pricing and gift funds. Neither HUD's Interpretative Rule Docket No. FR-5679-N-01 nor its related Mortgagee Letter 2013-14 contemplate the use of premium pricing by a lender to reimburse the housing finance agency. The Housing and Economic Recovery Act of 2008 amended section 203(b)(9)(C) of the National Housing Act to preclude the abuse of the program when a seller (or other interested or related party) funded the home buyer's cash investment after the closing by reimbursing third-party entities; specifically, private nonprofit charities. Similarly, it would be contrary to the intended purpose of the Housing and Economic Recovery Act to allow a local government entity to do the same thing.

On December 1, 2015, the Office of Housing issued a response to OIG's NOVA referral to the Principal Deputy Assistant Secretary for Housing. In its response, Housing upheld the decision of Single Family Housing in disagreeing with OIG's determinations. The decision points to the HUD OGC legal opinion. Housing also stated that downpayment assistance programs, such as the ones administered by NOVA, are key instruments in FHA's efforts to make affordable home ownership available to households that otherwise would be shut out of the housing market. OIG continued to disagree with HUD's stance on the issue and referred the NOVA audit recommendations to the Deputy Secretary on December 15, 2015.

While the Deputy Secretary's decision on NOVA was still pending, OIG also referred the loanDepot audit recommendations to the Principal Deputy Assistant Secretary on March 17, 2016, and discussed the recommendations with HUD on March 29, 2016. During that meeting, it was mutually agreed upon to refer the loanDepot disagreement to the Deputy Secretary so that it can be included with the decision on the NOVA disagreement referral. On May 25, 2016, the Deputy Secretary provided her decision on the NOVA recommendations; however, it excluded loanDepot. Although there have been many discussions on the issues between HUD and OIG, the Deputy Secretary's decision on loanDepot is still pending. (Audit Reports: **2015-LA-1009** and **2015-LA-1010**)

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

HUD OIG audited Ginnie Mae's fiscal year 2015 stand-alone financial statements. OIG conducted this audit in accordance with the Chief Financial Officers Act of 1990 as amended. This report had new and repeat audit findings. Of 14 audit recommendations, OIG did not reach consensus on the necessary corrective actions for 3 audit recommendations.

Ginnie Mae did not provide a response to OIG to explain its refusal to implement one audit recommendation related to the compliance with Debt Collection Improvement Act.

For the remaining two information technology (IT)-related audit recommendations, Ginnie Mae's master servicer (MSS) disagreed with one audit recommendation. The MSS believes that it has the proper segregation of duties for cash processes, payment processing, and reconciliation of all financial activities. However, OIG disagrees and maintains its original position that segregation of duties means that no single person should have control of two or more conflicting functions within a transaction or operation. Further,

while a security camera system, criminal background checks, etc., are helpful, they do not take the place of good internal controls, which include the segregation of duties.

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

OIG referred this matter to the President of Ginnie Mae for a decision on April 21, 2016, and as of September 30, 2016, a decision is still pending. (Audit Report: **2016-FO-0001**)

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

HUD OIG audited HUD's consolidated financial statements and reported on deficiencies in the areas of (1) accounting for assets and liabilities for PIH programs in accordance with GAAP and FFMIA, (2) HUD's financial management governance structure and internal controls over financial reporting, (3) HUD's administrative control of funds system, and (4) compliance with the HOME Investment Partnership Act (HOME statute). HUD disagreed with several recommendations made in each of these areas, and OIG referred them to the Principal Deputy Assistant Secretary for Community Planning and Development, the Principal Deputy Assistant Secretary for Public and Indian Housing, and the Deputy Chief Financial Officer on April 21, 2016. However, OIG received a response on only one recommendation and disagreement remained on the actions necessary to correct the deficiencies identified in the report. OIG referred the remaining recommendations to the Deputy Secretary on September 20, 2016.

Accounting for assets and liabilities for PIH programs in accordance with GAAP and FFMIA: OIG reported that HUD had not reported on its financial statements cash advances made to Indian Housing Block Grant recipients who are authorized to invest funds drawn from their line of credit. This requirement is in accordance with GAAP. HUD disagrees because it believes that the use of funds for investment purposes is considered an immediate use for an authorized program purpose. In addition, most of HUD's argument is based on conclusions from the Tenth Circuit Court of Appeals and the U.S. Government Accountability Office (GAO) Redbook and does not consider GAAP at all. None of the references cited by HUD fall into the GAAP hierarchy outlined in OMB Circular A-136, Financial Reporting Requirements. In addition, Indian Housing Block Grant recipients report their investments as "cash on hand" on OMB SF-425, on which the instructions state for cash on hand that "a recipient must compute the amount of Federal Cash on Hand due to undisbursed advance payments using the same basis that it uses in requesting the advances." OIG has repeatedly requested that OCFO provide its justification for not classifying these payments as advances on its financial statements based on accounting principles, but as of September 30, 2016, OIG has not received OCFO's position.

HUD's financial management governance structure and internal controls over financial reporting: OIG reported on deficiencies found in the financial governance and financial reporting areas. OIG could not accept the proposed management decisions because OCFO (1) requested final action target dates that were too far out in the future, (2) claimed the deficiencies had been addressed by the new processes implemented by New Core when it had not, or (3) did not provide sufficient detail to support that the recommendations would be fully addressed. OIG communicated these issues to HUD on March 7, 2016, but has not received any new proposals.

HUD's administrative control of funds system: OIG reported that data changes were being made in HUD's Central Accounting and Program System (HUDCAPS) by OCFO systems without adequate documentation to support the justification, authorization, and approval of the change. HUD stated that the transition to the Oracle financial management service has resulted in Oracle Federal Financials now being the system of record instead of HUDCAPS. Therefore, this finding should be closed. While the transition occurred, changes to data in HUDCAPS can still be made, which has an impact on the data in Oracle Federal Financials. OIG has not received any new proposals on this matter.

Compliance with the HOME Investment Partnership Act: In prior-year audit reports, OIG reported that HUD was not in compliance with section 218(g) of the HOME statute because of the use of a cumulative method for determining compliance with commitment deadlines. OIG continued work in this area and recommended that HUD implement a payment recapture audit for the HOME program to identify and recapture payments made as a result of the continued use of the cumulative method and to ensure that the impact of the cumulative method is included in the risk assessment process to evaluate the susceptibility to significant improper payments. HUD's management decision indicated that it will determine compliance with section 218(g) of the HOME statute even though GAO has already made a formal decision that HUD is not in compliance. In addition, HUD stated that it will implement a recapture plan after the results of the Antideficiency Act investigation, although the criteria for an Antideficiency Act violation and an improper payment differ. As a result of this difference, OIG does not agree that one is contingent on the outcome of the other. Regarding inclusion in the risk assessment, HUD stated that the HOME program would be included and the risk assessment process would be reevaluated as part of a prior-year audit recommendation. However, HUD did not specify whether the impact of the cumulative method to meet commitment deadlines in the HOME program will be included. (Audit Report: **2016-FO-0003**)

HUD DID NOT EFFECTIVELY NEGOTIATE, EXECUTE, OR MANAGE ITS AGREEMENTS UNDER THE INTERGOVERNMENTAL PERSONNEL ACT, ISSUE DATE: MARCH 30, 2016

HUD OIG audited HUD's implementation and oversight of the Intergovernmental Personnel Act (IPA or Act) mobility program because of deficiencies found in prior reviews of two IPA assignments.⁹ The audit objectives were to determine whether (1) HUD's use of IPA agreements met the purpose and intent of the IPA mobility program, (2) HUD's policies and procedures related to IPA agreements were adequate to ensure that its agreements met requirements and established proper oversight and monitoring of the personnel and activities involved, and (3) HUD used IPA agreements to circumvent other requirements.

HUD failed to ensure that its IPA agreements met the purpose of the Act because (1) it did not have sufficient policies and procedures for negotiating, reviewing, and executing agreements; (2) its staff ignored requirements and altered standard documents; and (3) it did not disclose information to decision makers. OIG found that HUD abused the IPA mobility program by circumventing other hiring authorities, and OIG had no assurance that the agreements were in its best interest, negotiated at a reasonable cost, or free from

⁹ Audit Memorandum 2014-FW-0801, Potential Antideficiency Act Violations Intergovernmental Personnel Act Agreements, dated May 30, 2014, and Audit Memorandum 2015-FW-0801, Intergovernmental Personnel Act Appointment Created an Inherent Conflict of Interest in the Office of Public and Indian Housing, dated January 20, 2015

conflicts of interest. In addition, HUD did not properly manage the assignees. This condition occurred because HUD did not have a central means of tracking assignees or promptly outprocessing them when they left the program. These shortcomings made HUD vulnerable to security threats.

OIG addressed the report to the Deputy Secretary and recommended that HUD establish an independent, central point of review for IPA agreements to ensure that they are reasonable, meet requirements, and avoid potential conflicts of interest. Further, OIG recommended that OGC review all IPA agreements before their effective dates. In addition, HUD should ensure that all IPA assignees receive required training and that it promptly outprocesses them when they leave. HUD should also follow procedures to address the payment of nearly \$225,000 in ineligible costs for two invalid IPA agreements and have its organizations support or repay nearly \$50,000 in unsupported payments to employers.

On July 29, 2016, HUD proposed management decisions for the recommendations. While HUD addressed many of the deficiencies in the report, OIG could not agree with a number of HUD's management decisions because the evidence for closure was insufficient or there were mistakes in the final action target dates. In addition, OIG substantively disagreed with management decisions for five recommendations:

- Recommendation 1A - Establish a central point of review and authority for IPA agreements,
- Recommendation 1F - Resubmit its revised IPA policy for departmental clearance,
- Recommendation 2A - Establish points of responsibility for oversight and monitoring of personnel assigned to HUD under the IPA,
- Recommendation 2C - Provide formal performance appraisals for IPA assignees, and
- Recommendation 2E - Establish controls to ensure IPA assignees receive required information technology security awareness training.

For each of the five recommendations, OIG disagreed with HUD's proposed actions because they (1) were insufficient to prevent further abuse and mismanagement of IPA assignments, (2) failed to provide transparency to its procedures, and (3) did not ensure the security of its information systems. After discussion with HUD, OIG rejected all of the management decisions on August 18, 2016, and asked HUD to make revisions and provide additional information. Although OIG attempted to work with HUD to revise these management decisions, HUD had not submitted any of the requested revised management decisions by fiscal yearend. On September 30, 2016, OIG referred the recommendations to the Deputy Secretary. (Audit Report: **2016-FW-0001**)

SIGNIFICANTLY REVISED MANAGEMENT DECISIONS

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

HUD SUBSIDIZED AN ESTIMATED 2,094 TO 3,046 HOUSEHOLDS THAT INCLUDED LIFETIME REGISTERED SEX OFFENDERS, ISSUE DATE: AUGUST 14, 2009

HUD OIG audited HUD's requirement prohibiting lifetime registered sex offenders from admission to HUD-subsidized housing to determine the extent to which lifetime registered sex offenders occupied HUD-subsidized housing. OIG determined that HUD subsidized an estimated 2,094 to 3,046 households, which included lifetime registered sex offenders. This number included (1) individuals who were ineligible at the time of admission because of their lifetime registration status, (2) individuals who were admitted and convicted before the current law was enacted, and (3) individuals who were eligible at the time of admission but later became lifetime registered sex offenders.

Among other things, OIG recommended that HUD develop and implement controls to monitor housing authority use of the required application questions and retention of appropriate background check documentation.

In its original management decision, HUD agreed to develop relevant questions within a new module in its Next Generation Management System. On May 4, 2016, HUD submitted a revised management decision, stating that the module was not under consideration now, nor would it be in the foreseeable future. As an alternative, it agreed to update its monitoring checklists to include questions directly responsive to the recommendation.

On May 13, 2016, OIG agreed with the revised significant management decision. (Audit Report: **2009-KC-0001**)

CORNERSTONE HOME LENDING, HOUSTON, TX, ISSUE DATE: SEPTEMBER 26, 2014

HUD OIG audited Cornerstone Home Lending, formerly known as Cornerstone Mortgage Company. OIG determined that Cornerstone did not comply with HUD requirements when underwriting 16 FHA-insured loans. Specifically, underwriters (1) violated restrictions on resales occurring 90 days or less after acquisition, (2) failed to review appraisal reports to ensure that properties' values were reasonable, and (3) did not adequately verify borrower assets or income.

For recommendation 1A, OIG recommended that the Deputy Assistant Secretary for Single Family Housing require Cornerstone to reimburse HUD for 13 loans for which HUD had sold the properties and incurred losses of nearly \$982,000. In its initial management decision, Housing determined that 12 of the 13 loans had material underwriting deficiencies and agreed to request that Cornerstone indemnify HUD for the loans. For recommendation 1B, OIG recommended that the Deputy Assistant Secretary for Single Family Housing require Cornerstone to indemnify HUD for three actively insured ineligible loans with unpaid principal balances of nearly \$230,000 and a projected loss of nearly \$154,000. In its initial management decision, Housing determined that two of the loans had material underwriting deficiencies and agreed to request that Cornerstone indemnify HUD for the two loans. In an April 12, 2016, revised management decision, HUD determined that the 14 cases were outside the applicable statutes of limitation and no further action could be pursued. OIG agreed with the revised management decision on April 18, 2016.

For recommendation 1G, OIG recommended that the Deputy Assistant Secretary for Single Family Housing refer Cornerstone to HUD's Mortgagee Review Board (MRB) for review and appropriate actions for violating HUD underwriting requirements. In its initial management decision, Housing agreed that there were clear violations of underwriting requirements but deferred making a referral to the MRB until it had assessed Cornerstone's compliance with HUD requirements. In a revised management decision, HUD determined that because the applicable statutes of limitation had passed for the questioned loans and no further actions could be taken, a referral to the MRB was not warranted. OIG agreed with the revised management decision on April 18, 2016. (Audit Report: **2014-FW-1006**)

SIGNIFICANT MANAGEMENT DECISIONS WITH WHICH OIG DISAGREES

During the reporting period, OIG had three reports in which the OIG disagreed with the significant management decision.

THE STATE OF TEXAS DID NOT FOLLOW REQUIREMENTS FOR ITS INFRASTRUCTURE AND REVITALIZATION CONTRACTS FUNDED WITH CDBG DISASTER RECOVERY PROGRAM FUNDS, ISSUE DATE: MARCH 7, 2012

HUD OIG audited the State of Texas' use of \$1.3 billion of State CDBG-DR program funds provided for recovery from Hurricane Ike. OIG determined that the State did not follow Federal and State requirements

and best practices for its infrastructure and revitalization professional services and project management services contracts. It failed to do so because it disregarded various requirements. Specifically, the State (1) improperly procured its professional services and project management services contracts, (2) improperly increased the project management services company's contract, (3) included ineligible contract provisions, (4) failed to ensure that the contract payment type was consistent, (5) failed to prevent questionable charges, (6) did not ensure that its budgets clearly assigned costs according to HUD CDBG cost categories, and (7) did not ensure that its project management services contract contained specific and quantifiable performance measures. As a result, the State paid more than \$9 million in questioned costs.

Among other things, OIG recommended that the Office of Community Planning and Development (CPD) require the State of Texas to reimburse the CDBG-DR program from non-Federal funds nearly \$920,000, which the State improperly paid to the contractor for amounts billed using an ineligible "cost plus a percentage of cost" payment method. OIG also recommended that CPD require the State to reimburse or provide support for nearly \$8 million in unsupported inflated labor costs and for more than \$543,000 in unnecessary and unreasonable inflated labor costs.

CPD originally agreed with OIG's recommendations in July 2012. However, in December 2013, CPD submitted revised management decisions that disagreed with these recommendations, and it sought to revise the ineligible and unsupported amounts owed to zero and close the recommendations. CPD stated that it had consulted with OGC and determined that the contract was not a "cost plus a percentage of cost" contract. CPD also stated that it had reviewed the State documentation and found no evidence that any of the costs charged by the contractor were ineligible, unnecessary, or unreasonable.

After discussions among HUD and OIG officials, including OIG's Office of Legal Counsel, OGC, and CPD, the matter was referred to the Deputy Secretary on March 31, 2015. On September 30, 2016, the Deputy Secretary provided a final determination. The Deputy Secretary stated that in light of OGC's opinion and the "maximum feasible deference" legal concept, which the State is entitled to in interpreting the regulatory prohibition at issue, the Deputy Secretary concluded that OIG did not establish that the State's contract violated the prohibition against "cost plus percentage of cost" contracts. The Deputy Secretary also disagreed with OIG's position that the State's determination regarding the contract was plainly inconsistent with the regulation and not entitled to deference. The Deputy Secretary further determined that the Federal Acquisition Regulations (FAR) did not apply to the contract. The Deputy Secretary reached this conclusion based on what HUD believes are the applicable regulatory requirements, the State's stated method of complying with these requirements at the time, and OGC's legal opinion regarding the applicability of the FAR and provisions in OMB Circular A-87.

OIG continues to assert that the contract was a "cost plus a percentage of cost" contract because the contractor's entitlement was uncertain at the time of contracting. The OGC opinion relied on by the Deputy Secretary, that inclusion of a total cost ceiling takes the contract outside the definition of "cost plus a percentage of cost" contract, was based on a 1943 opinion of the Comptroller General of the United States, which the Comptroller General has since abandoned. Comptroller General opinions reached since 1945 have followed the rule that such controls or dubious cost limitations are not sufficient to save such contracts from violating the prohibition. Further, the contract was increased from approximately \$68 million to \$144 million, indicating that the contract was not a fixed-price contract that included all needed services. OIG agrees that HUD's State CDBG program rules gave the State "maximum feasible deference" and allowed it to create its own definitions. However, HUD's State CDBG rules required the State's definitions to be "explicit, reasonable and not plainly inconsistent with the Act."¹⁰ Still, neither the State nor HUD defined a "cost plus a percentage of cost" contract. In addition, the State admitted it had not established a definition. According to 24 CFR 570.481(a), in situations in which no definition has been adopted, the State should follow the FAR. In addition, the State courts have applied definitions consistent with the FAR to other contract

disputes. Therefore, OIG questions whether HUD's decision is consistent with the existing regulations because it granted the State deference when the State did not explicitly define "cost plus a percentage of cost" contracting as required.

OIG also asserts that the FAR does apply when determining whether the costs charged were reasonable or that they were inflated and had unsupported costs. In examining the costs charged under the contract, without reference to the FAR, the Deputy Secretary adopted CPD's determination that there was no evidence that any costs charged were ineligible, unnecessary, or unreasonable.

The State's contract stated that the contractor would be compensated in accordance with negotiated hourly billing rates in an attachment that listed all of the tasks the contractor would perform. Although CPD told the Deputy Secretary that invoices by task existed in January of 2016, CPD told OIG in May 2016 that the State and its contractor did not have invoices by task as required by the contract. Further, according to the State of Texas General Land Office Disaster Recovery (GLO-DR) Project Implementation manual, the GLO-DR and, thus, the State had elected to follow applicable State and Federal statutes and regulations. These rules included Federal cost guidelines found in OMB Circulars A-87 and A-102 and HUD regulations at 24 CFR 85.36.¹¹ However, a State grantee is otherwise obligated to either follow its existing procurement policies or adopt the Federal policies under 24 CFR 85.36. In either case, reasonable cost principles apply.

OIG found that the records maintained were inadequate to determine whether costs incurred were reasonable. In other words, the billing methods used did not comply with the contract provisions requiring that invoices identify the services associated with each individual task, the date on which the services were performed, the name and billing rate of the individual providing the services, and the amount billed. Instead, OIG determined that the contractor billed only by category and hourly rates. In addition, the contractor billed by an average or a predetermined salary cost rather than by actual wage costs. As a result, OIG found that the State could not verify what tasks the contractor had completed or whether it had overpaid the contractor for any task.

OIG closed the recommendations with disagreement but maintains that the State's contract was a "cost plus a percentage of cost" contract and the FAR applied to the audit finding. (Audit Report: **2012-FW-1005**)

THE DATA IN CAIVRS DID NOT AGREE WITH THE DATA IN FHA'S DEFAULT AND CLAIMS SYSTEMS, ISSUE DATE: JULY 2, 2014

HUD OIG audited the Credit Alert Verification Reporting System (CAIVRS) to determine whether the default and claims data in CAIVRS agreed with the data in FHA's default and claim systems. OIG determined that CAIVRS did not have information on all borrowers' default, foreclosure, and claim activity. It would incorrectly return accept codes for more than 260,000 borrowers who had been in default, foreclosure, or claim within the past 3 years. In addition, CAIVRS did not have information for FHA borrowers with claims older than 3 years. Therefore, HUD did not provide other Federal agencies with sufficient information on FHA borrowers with delinquent Federal debt to meet the requirements of the Debt Collection Improvement Act of 1996 (DCIA).

Among other things, OIG recommended that HUD notify the users of CAIVRS that the system may have incomplete information for FHA delinquent debtors and obtain a determination from the Secretary of the Treasury of whether defaulted FHA-insured loans meet the definition of delinquent Federal debt that should be reported in CAIVRS.

HUD disagreed with these recommendations, and the audit resolution was elevated to the Deputy Secretary. On September 30, 2016, the Deputy Secretary provided her final decision that the Secretary of HUD alone possesses the authority to declare a debt owed to the Department and consultation with the Secretary of the Treasury is not required.

10 24 CFR 570.481(a)

11 See GLO-DR Project Implementation manual, chapters 3 and 4; pp 35, 64, and 66.

OIG closed the recommendations with disagreement. OIG still believes that HUD has misapplied the DCIA requirements for Federal debt and should seek a determination from the Secretary of the Treasury on whether deficiencies on foreclosed on FHA-insured loans meet the definition of delinquent Federal debt for purposes of including or excluding them from CAIVRS. (Audit Report: **2014-KC-0002**)

NOVA FINANCIAL & INVESTMENT CORPORATION'S FHA-INSURED LOANS WITH DOWNPAYMENT ASSISTANCE GIFTS DID NOT ALWAYS MEET HUD REQUIREMENTS, ISSUE DATE: JULY 8, 2015

HUD OIG audited NOVA Financial & Investment Corporation based on a referral from HUD's Quality Assurance Division detailing a separate lender that originated FHA-insured loans that had ineligible downpayment assistance gifts. OIG's analysis identified NOVA as a lender with the highest origination volume in the geographic region that participated in similar downpayment assistance gift programs.

OIG found that NOVA's FHA-insured loans with downpayment assistance gift funds did not always comply with HUD FHA rules and regulations, putting the FHA mortgage insurance fund at unnecessary risk, including potential losses of \$48.5 million for 709 loans. NOVA also inappropriately charged borrowers more than \$376,000 in misrepresented discount fees and more than \$7,000 in fees that were not customary or reasonable. This condition occurred because NOVA did not do its due diligence, relied on housing finance agencies' program guidelines, and assumed downpayment assistance eligibility based on the reputation of the participating master loan servicer, U.S. Bank. The premium interest rate attached to the ineligible loans put borrowers at a distinct disadvantage because of the higher monthly mortgage payments imposed on them.

Among other things, OIG recommended that HUD require NOVA to (1) stop originating FHA loans with ineligible gifts, (2) indemnify HUD for 709 FHA loans that were originated with ineligible downpayment assistance gifts, (3) reimburse borrowers for more than \$376,000 in misrepresented discount fees and more than \$7,000 in fees that were not customary or reasonable, (4) reduce the interest rate for borrowers who received downpayment assistance, and (5) reimburse borrowers for overpaid interest as a result of the premium interest rate.

The Office of Single Family Housing disagrees with OIG's conclusion that the downpayment assistance used by NOVA that was provided by housing finance agencies through premium pricing is not consistent with established law, guidance, and practice. In addition, Single Family Housing does not believe that the downpayment assistance funding mechanisms used by NOVA constitute premium pricing, nor does it believe that these funding mechanisms violate FHA guidance regarding downpayment assistance by government entities. Single Family Housing stated that premium pricing is defined only as a higher interest rate in exchange for a credit to be applied toward a borrower's closing costs or other prepaid items. It repeated that there are no restrictions on how a government entity may fund its downpayment assistance programs. Further, it believes that the downpayment assistance funding mechanisms employed by NOVA are permissible, including the generation of funds through capital market vehicles that may result in a negotiated interest rate, which is higher than a negotiated interest rate for mortgage loans without downpayment assistance. However, OIG maintains its position that Single Family Housing is incorrect in its assertions.

In response to OIG's audit report, the Principal Deputy Assistant Secretary for Housing publicly issued a letter to the lending industry, dated July 20, 2015. The letter reaffirmed FHA's support for certain downpayment assistance programs, including some of those run by State housing finance agencies. It further stated that the intent of HUD rules regarding downpayment assistance is clear and allows housing finance agencies the discretion necessary to fund these programs appropriately.

On August 11, 2015, before an audit resolution or substantive discussions between Single Family Housing and OIG, HUD publicly issued a legal opinion prepared by OGC. OGC concluded that it found no basis to challenge the legality of NOVA's downpayment assistance programs. It determined that neither

HUD's Interpretative Rule Docket No. FR (Federal Register)-5679-N-01 nor Mortgagee Letter 2013-14 placed restrictions on how a government entity may fund its downpayment assistance programs. According to this opinion, FHA's rules and guidance do not place restrictions or prohibitions on how a government entity raises funds to support its downpayment assistance programs. HUD further stated that the use of funds derived from the sale of a mortgage with a higher than market interest rate does not constitute premium pricing.

Due to OIG's disagreement with HUD's stance, OIG referred the matter to the Principal Deputy Assistant Secretary for Housing on November 19, 2015. On December 1, 2015, the Office of Housing issued a response to OIG's referral to the Principal Deputy Assistant Secretary for Housing. In its response, Housing upheld the decision of Single Family Housing in disagreeing with OIG's determinations. The decision points to the August 11, 2015, OGC legal opinion. Housing also stated that downpayment assistance programs, such as the ones administered by NOVA, are key instruments in FHA's efforts to make affordable home ownership available to households that otherwise would be shut out of the housing market.

Single Family Housing's position is that the downpayment assistance provided by housing finance agencies through premium pricing is consistent with established law and guidance. OIG disagrees. OIG determined that NOVA originated FHA loans containing downpayment assistance that violated FHA rules and guidance. Because downpayment assistance programs are intended to help creditworthy families obtain housing they might not otherwise obtain, OIG found downpayment assistance programs structured to repay the downpayment assistance at the expense of the borrowers to be objectionable. OIG reviewed downpayment assistance gifts in which (1) downpayment assistance gift funds were indirectly derived from a premium-priced mortgage and (2) the gifts were not true gifts because they were repaid by the borrower through higher interest rates and fees. OIG determined that these downpayment assistance programs violated established law and guidance because the borrowers were unfairly burdened with higher interest rates to indirectly repay the gift. OIG does not dispute that housing finance agencies are an acceptable source of funds. However, FHA loans that contain downpayment assistance from a housing finance agency must meet all HUD requirements, including those on premium pricing and the definition of gift funds.

As the lender, NOVA was obligated to conduct its due diligence to ensure that planned downpayment assistance gifts met the requirements described in HUD Handbook 4155.1 (since superseded by HUD Handbook 4000.1, effective September 14, 2015). OIG determined that NOVA did not ensure that FHA loans with downpayment assistance met all HUD requirements, specifically those governing premium pricing and gift funds. Neither HUD's Interpretative Rule Docket No. FR-5679-N-01 nor its related Mortgagee Letter 2013-14 contemplate the use of premium pricing by a lender to reimburse the housing finance agency. The Housing and Economic Recovery Act of 2008 amended section 203(b)(9)(C) of the National Housing Act to preclude the abuse of the program when a seller (or other interested or related party) funded the home buyer's cash investment after the closing by reimbursing third-party entities such as private nonprofit charities. Similarly, it would be contrary to the intended purpose of the Housing and Economic Recovery Act to allow a local government entity to do the same thing.

OIG referred the recommendations to the Deputy Secretary on December 15, 2015. After many discussions and meetings with HUD and OIG officials, the Deputy Secretary provided a decision on May 25, 2016, which generally stated that the downpayment assistance program as described in the audit is permissible under law and that OIG has not established a violation of any FHA rules and regulations. Further, the Deputy Secretary concluded that the "prohibited sources" provisions of section 203(b)(9)(C) of the National Housing Act do not mandate the conclusion that government entities are prohibited sources of downpayment assistance in connection with FHA-insured mortgages, regardless of how such entities generate their funds. As a result, the Deputy Secretary directed the recommendations to be closed with no further action, except for one recommendation, which directed FHA to review and when appropriate, update its guidance, including any internal control checklists, to include FHA rules and regulations governing downpayment assistance, premium interest rates, and allowable fees.

OIG, however, strongly disagrees with the Deputy Secretary's decision and contends that it has a number of inaccuracies and relies heavily on OGC's legal opinion, which OIG believes is flawed. Both the decision and legal opinion considered only the primary FHA mortgage transaction and failed to consider the significant role played by the secondary market transaction after loan closing. It is the secondary market transaction that allows housing finance agency reimbursement and predetermines the nonnegotiable premium interest rate that is unfairly imposed on FHA borrowers. While OIG does not take issue with the legality of downpayment assistance programs in general, it is OIG's position that the downpayment assistance program structure in which the funding is provided or reimbursed by a party that benefits financially from the transaction is not legal under the National Housing Act. Based on the Deputy Secretary's decision, OIG reversed the costs and closed the recommendations, except for one recommendation, which required some additional action. (Audit Report: **2015-LA-1005**)

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT OF 1996

In fiscal year 2016, OIG noted that HUD's financial management system continued its noncompliance with three FFMIA, section 803(a), elements. HUD's continued noncompliance was largely due to New Core implementation challenges, improper accounting practices, and a reliance on disparate legacy financial systems and their requisite limitations.

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

Like many other agencies, HUD has struggled to modernize its legacy financial systems. HUD's financial systems, many of which were developed and implemented before the issuance of current standards, were not designed to provide the range of financial and performance data currently required. In fiscal year 2016, HUD continued the phased transition of key financial management functions to a Federal shared service provider (FSSP), the U.S. Department of the Treasury, Bureau of Fiscal Service's Administrative Resource Center (ARC).

HUD experienced significant information processing and data quality challenges following the transition of key financial management functions to ARC with release 3 of the New Core Project on October 1, 2015. Specifically, unresolved data conversion errors totaling more than \$9 billion, inaccurate reports and ineffective controls related to the New Core Interface System (NCIS), and key middleware between HUD's systems and FSSP systems contributed to HUD's 2016 FFMIA noncompliance. Following the implementation of release 3, HUD's core program functions were still being controlled and processed through HUD's legacy applications. The delayed implementation of the automated reconciliation tool for the first 9 months of the fiscal year and the failure to conduct manual reconciliations also significantly contributed to unresolved issues. Initial reports from the reconciliation tool, when it was implemented in June 2016, identified \$4.5 billion in differences between HUD's legacy applications and the general ledger maintained by ARC. While HUD has been working to address the multitude of postdeployment issues, additional work is required. In April of 2016, HUD ended the New Core Project with the closeout of the release 3 implementation. HUD decided that it would continue to use ARC's systems and services for the capabilities that had already been delivered but would not transition to shared services as a means for achieving the remaining New Core capabilities. HUD will need to address weaknesses related to its IT governance and project management practices as it continues to modernize its IT systems.

HUD's noncompliance with the three section 803(a) elements of FFMIA also relates to issues not associated with the recent FSSP transition. HUD's Integrated Disbursement and Information System (IDIS) does not comply with applicable Federal accounting standards or the USSGL at the transaction level.¹² CPD is the system owner of IDIS, and the system is FFMIA noncompliant largely due to the use of the first-in, first-out (FIFO) method to account for grant expenditures. In addition to completely eliminating FIFO, HUD will need to add new data elements to the application and configure new automated controls and accounting logic to remediate this weakness. While CPD has made progress in addressing this issue, updating the application to specifically identify grants initiated during 2015 and going forward, funding constraints have delayed further remediation. The halt in work caused the remediation of this noncompliance to be delayed.

As of September 30, 2016, HUD reported that the Ginnie Mae Financial and Accounting System (GFAS) was not compliant with FFMIA. We noted continuing noncompliance with the three elements of FFMIA within HUD's Ginnie Mae component. GFAS is not compliant with FFMIA primarily due to four material weaknesses related to Ginnie Mae's internal controls over financial reporting and its inability to properly account for its loan portfolio. Ginnie Mae remains unable to support key financial statement line items related to its nonpooled loans portfolio acquired from defaulted issuers. Ginnie Mae's challenges stem from its lack of a financial system (or systems) capable of recording loan-level transaction details in compliance with GAAP accounting requirements. Material weaknesses related to Ginnie Mae's nonpooled loans portfolio, approximately \$4.5 billion and \$5.4 billion, as of June 30, 2016, and September 30, 2015, remain unresolved as of September 30, 2016.

In addition, OIG noted a material weakness related to the budgetary accounting module of the GFAS application implemented in 2014. Specifically, due to system configuration issues, manual adjustments continue to be required to compensate for system deficiencies related to recording contract obligations. To remediate its FFMIA noncompliance, Ginnie Mae will need to address its loan and budgetary accounting weaknesses.

As of September 30, 2016, HUD reported that three Office of the Chief Procurement Officer (OCPO) procurement systems, the HUD Procurement System (HPS), Small Purchase System (SPS), and HUD Integrated Acquisition Management System (HIAMS), were not substantially compliant with FFMIA. These systems have been replaced, and OCPO needs to perform procurement closeout actions in HPS and HIAMS and validate SPS data before decommissioning. HUD hopes to complete decommissioning for these three systems during fiscal year 2017.

In addition to the specific financial system weaknesses identified above, material weaknesses stemming from a lack of systems and deficiencies related to manual accounting processes exist. For example, current material weaknesses include cash management processes implemented by PIH that do not comply with FFMIA requirements.

¹² The U.S. Department of the Treasury publishes the United States Standard General Ledger (USSGL) supplement to the Treasury Financial Manual, which directs agencies to post transactions to the financial system in accordance with general ledger accounting requirements.

CHAPTER 10 – WHISTLEBLOWER OMBUDSMAN PROGRAM

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

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

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

HUD OIG's Whistleblower Ombudsman Program continued its focus on staff training and individual assistance. All HUD employees attended mandatory whistleblower training in October 2016, in conjunction with the agency's annual ethics training. The training was presented live and then posted on HUD's whistleblower Web page. Secretary Castro, consistent with his emphasis on this program, introduced the training and stressed its importance.

Training sessions were also held for all HUD OIG staff, managers, and senior executives in June and July 2016, with Inspector General Montoya providing introductory remarks stressing his view of the importance of the program. Training videos were retained on HUD OIG whistleblower and ethics Web sites. In addition, Whistleblower training is incorporated into HUD's new employee training. Further, HUD OIG's Whistleblower Ombudsman provided information on an individual basis to several HUD and HUD OIG employees seeking to understand their rights and options as whistleblowers.

Although it is not statutorily mandated, HUD OIG's Whistleblower Ombudsman also provided information to potential whistleblowers under the National Defense Authorization Act (41 U.S.C. (United States Code) 4712) Pilot Program, which extended whistleblower protections to employees of Federal contractors, subcontractors, and grantees. HUD OIG conducts investigations of alleged retaliation by HUD grantees, contractors, and subcontractors against their employees for disclosures of misconduct relating to HUD programs.

HUD OIG is in the process of obtaining 2302(c) certification from the Office of Special Counsel for its whistleblower training program. This certification is voluntary and held by approximately 20 percent of Federal OIGs.

Number of complaints received	81
Number of complainants asserting whistleblower status ¹³	81 (58 to hotline)
Employee ¹⁴ complaints referred for investigation to the HUD OIG Office of Investigation (OI)	23
Employee complaint investigations opened by OI	4
Complaints declined by OI	0
Complaints currently under review by OI	8
Employee complaint investigations closed by OI	11

¹³ Many complainants raise questions regarding treatment by housing authorities following alleging wrongdoing by the same housing authority. They define themselves as whistleblowers. These complaints are referred to our hotline for appropriate referral and disposition.

¹⁴ Employee complaints are those complaints received from employees, potential employees, and former employees of HUD as well as employees of contractors, subcontractors, and grantees.

APPENDIX 1 – PEER REVIEW REPORTING

OFFICE OF AUDIT

BACKGROUND

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

PEER REVIEW CONDUCTED ON HUD OIG

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), received a grade of pass (the highest rating) on the peer review report issued by the Treasury Inspector General for Tax Administration on September 30, 2015. There were no recommendations included in the System Review Report. The report stated:

In our opinion, the system of quality control for the audit organization of the HUD OIG in effect for the year ended March 31, 2015, has been suitably designed and complied with to provide the HUD OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Audit organizations can receive a rating of pass, pass with deficiencies, or fail. The HUD OIG has received a peer review rating of pass.

PEER REVIEW CONDUCTED BY HUD OIG ON USPS OIG

HUD OIG conducted an external peer review of the United States Postal Service (USPS) OIG, Office of Audit, and issued a final report September 22, 2015. USPS OIG received a peer review rating of pass. A copy of the external quality control review report can be viewed at <http://www.uspsoug.gov/document/hud-oig-system-review-report>

OFFICE OF INVESTIGATION

PEER REVIEW CONDUCTED BY HUD OIG ON SSA OIG

HUD OIG conducted an external peer review of the U.S. Social Security Administration (SSA) OIG, Office of Investigation, and issued a final report on August 12, 2013. HUD OIG determined that SSA OIG complied with applicable quality standards established by the Council of the Inspectors General on Integrity and Efficiency and the Attorney General's guidelines.

PEER REVIEW CONDUCTED ON HUD OIG BY DOJ OIG

The U.S. Department of Justice (DOJ) OIG conducted a peer review of the HUD OIG, Office of Investigation, and issued a final report on April 28, 2014. DOJ OIG determined that HUD OIG was in compliance with the quality standards established by the Council of the Inspectors General on Integrity and Efficiency and the Attorney General's guidelines.

APPENDIX 2 - AUDIT REPORTS ISSUED

INTERNAL REPORTS	
AUDIT REPORTS	
CHIEF FINANCIAL OFFICER	
2016-DP-0004	HUD Rushed the Implementation of Phase 1, Release 3, of the New Core Project, 09/20/2016.
2016-FO-0005	Compliance With the Improper Payments Elimination and Recovery Act, 05/13/2016.
CHIEF INFORMATION OFFICER	
2016-DP-0003	Additional Review of Information System Controls Over FHA Information Systems, Washington, DC, 08/31/2016.
CHIEF PROCUREMENT OFFICER	
2016-FO-0006	HUD Needs To Improve Its Monitoring of the Travel and Purchase Card Programs, 09/29/2016. Questioned: \$528,147. Unsupported: \$528,147.
2016-PH-0002	HUD Did Not Ensure That All Costs for Ginnie Mae's Contract With Burson-Marsteller Were Supported, Reasonable, and Necessary, 07/23/2016. Better use: \$259,008.
COMMUNITY PLANNING AND DEVELOPMENT	
2016-PH-0001	HUD Did Not Always Provide Adequate Oversight of Property Acquisition and Disposition Activities, 06/30/2016. Questioned: \$12,192,482. Unsupported: \$12,188,268.
2016-PH-0005	HUD Did Not Always Provide Accurate and Supported Certifications of State Disaster Grantee Procurement Processes, 09/29/2016. Better use: \$4,872,056,594.
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	
2016-KC-0002	Ginnie Mae Improperly Allowed Uninsured Loans To Remain in Mortgage-Backed Securities Pools, 09/21/2016. Better use: \$49,300,000.

HOUSING	
2016-AT-0001	HUD Did Not Enforce and Sufficiently Revise Its Underwriting Requirements for Multifamily Accelerated Processing Loans, 05/20/2016.
2016-KC-0001	HUD Did Not Collect an Estimated 1,361 Partial Claims Upon Termination of Their Related FHA-Insured Mortgages, 08/17/2016. Questioned: \$21,526,130. Better use: \$21,526,130.
2016-PH-0003	HUD Did Not Ensure That Lenders Verified That FHA-Insured Properties in Flint, MI, Had Safe Water, 07/29/2016. Better use: \$10,813,662.
PUBLIC AND INDIAN HOUSING	
2016-NY-0001	Operating Fund Calculations Were Not Always Adequately Verified, 09/12/2016. Questioned: \$12,864,776. Unsupported: \$12,748,558. Better use: \$1,191,767.
2016-PH-0004	HUD's Oversight of Legal Costs at Moving to Work Housing Agencies Was Not Adequate To Ensure That Costs Were Reasonable and Necessary, 09/29/2016.
AUDIT-RELATED MEMORANDUMS¹⁵	
CHIEF FINANCIAL OFFICER	
2016-FO-0802	Independent Attestation Review: U.S. Department of Housing and Urban Development, DATA Act Implementation Efforts, 08/26/2016.
EXTERNAL REPORTS	
AUDIT REPORTS	
COMMUNITY PLANNING AND DEVELOPMENT	
2016-AT-1006	The City of Miami Beach Did Not Always Properly Administer Its HOME Program, 06/17/2016. Questioned: \$742,270. Unsupported: \$362,723. Better use: \$300,278.
2016-AT-1007	The City of Miami Beach Did Not Always Properly Administer Its CDBG Program, 06/22/2016. Questioned: \$336,150. Unsupported: \$227,587.
2016-AT-1012	The Municipality of Bayamon, PR, Did Not Always Ensure Compliance With HUD Program Requirements, 08/29/2016. Questioned: \$1,172,078. Unsupported: \$982,851.

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

2016-BO-1003	The State of Connecticut Did Not Always Administer Its Neighborhood Stabilization Program in Compliance With HUD Regulations, 06/28/2016. Questioned: \$2,884,534. Unsupported: \$2,184,650. Better use: \$212,496.
2016-CH-1003	The State of Indiana's Administrator Lacked Adequate Controls Over the State's Community Development Block Grant Disaster Recovery Program Income and Posting of Quarterly Performance Reports, 06/30/2016. Questioned: \$372,783.
2016-DE-1003	Boulder County, CO, Generally Approved Its Grants and Procured Consultants in Accordance With Applicable Federal Requirements, 09/28/2016.
2016-DE-1005	The Wyoming Community Development Authority of Casper, WY, Did Not Always Spend Its HOME and NSP Funds in Accordance With Program Requirements, 09/28/2016. Questioned: \$1,344,326. Unsupported: \$1,236,066.
2016-FW-1006	The State of Louisiana's Subrecipient Did Not Always Comply With Its Agreement and HUD Requirements When Administering Its Disaster Assistance Programs, 08/31/2016. Questioned: \$1,572,079. Unsupported: \$1,572,079. Better use: \$5,365,327.
2016-FW-1008	The Harris County Community Services Department Needs to Improve Procurement and Subrecipient Oversight in Its CDBG Program Activities, 09/27/2016.
2016-FW-1010	The State of Oklahoma Did Not Obligate and Spend Its CDBG Disaster Recovery Funds in Accordance With Requirements, 09/30/2016. Questioned: \$11,717,288. Unsupported: \$11,717,288. Better use: \$81,982,712.
2016-KC-1005	The City of Olathe, KS, Did Not Always Comply With the Requirements of HUD's NSP, CDBG Program, and HOME Investment Partnerships Program, 09/28/2016. Questioned: \$706,216. Unsupported: \$614,566.
2016-KC-1006	The City of Joplin, MO, Did Not Always Comply With the Requirements of Section 3 of the Housing and Urban Development Act of 1968 for Its Disaster Recovery Program, 09/28/2016. Better use: \$2,275,177.
2016-LA-1007	The City of Pasadena, CA, Did Not Always Follow Community Development Block Grant Program Requirements, 08/17/2016. Questioned: \$383,385. Unsupported: \$334,774.

2016-LA-1009	The City and County of Honolulu, HI, Did Not Administer Its Community Development Block Grant in Accordance With Requirements, 08/26/2016. Questioned: \$15,918,909. Unsupported: \$15,918,909.
2016-LA-1012	The City of Huntington Beach, CA, Administered Its Community Development Block Program in Accordance With HUD Rules and Requirements, 09/28/2016.
2016-NY-1009	The State of New York Had Weaknesses in Its Administration of the Tourism and Marketing Program, 08/12/2016. Questioned: \$21,958,549. Unsupported: \$21,958,549.
2016-PH-1003	The City of Camden, NJ, Did Not Ensure That Activities Always Complied With National Objective, Procurement, and Environmental Review Requirements, 05/24/2016. Questioned: \$3,149,248. Unsupported: \$2,831,445.
2016-PH-1004	Luzerne County, PA, Did Not Always Use Disaster Funds in Accordance With HUD and Federal Requirements, 06/18/2016. Questioned: \$336,836. Unsupported: \$336,836.
2016-PH-1009	The State of New Jersey Did Not Disburse Disaster Funds to Its Contractor in Accordance With HUD, Federal, and Other Applicable Requirements, 09/30/2016. Questioned: \$43,080,932. Unsupported: \$42,951,942.
HOUSING	
2016-AT-1009	The Members and Operator Did Not Comply With the Executed Regulatory Agreement and HUD's Requirements for Saltillo Assisted Living, Saltillo, MS, 08/02/2016. Questioned: \$1,111,634. Unsupported: \$865,142.
2016-AT-1011	The Georgia Housing and Finance Authority, Atlanta, GA, Did Not Adequately Implement the Federal Housing Administration's Home Affordable Modification Program in Accordance With HUD's Requirements, 08/05/2016. Questioned: \$1,176,550. Unsupported: \$1,016,537. Better use: \$120,516.
2016-AT-1015	The Kentucky Housing Corporation Did Not Always Accurately Report on FHA-Insured Loans to HUD, 09/30/2016.
2016-CH-1008	P.K. Management Group, Inc., Doral, FL, Did Not Always Provide Property Preservation and Protection Services in Accordance With Its Contract With HUD and Its Own Requirements, 09/29/2016. Questioned: \$21,739. Better use: \$2,532,000.

2016-CH-1009	The Condominium Association and Management Agent Lacked Adequate Controls Over the Operation of West Park Place Condominium, Chicago, IL, 09/30/2016. Better use: \$13,878,088.
2016-CH-1010	The Owner and Former Management Agent for Baldwin Creek Apartments, Fort Wayne, IN, Did Not Always Operate the Project in Accordance With HUD's Requirements and the Regulatory Agreement, 09/30/2016. Questioned: \$16,260. Unsupported: \$8,050.
2016-CH-1011	Mortgage Services III, LLC, Bloomington, IL, Generally Complied With HUD's Underwriting and Quality Control Requirements, 09/30/2016. Questioned: \$5,343.
2016-DE-1004	University Village Took Distributions Without Being in a Surplus-Cash Position or Having Prior HUD Approval, 09/28/2016. Questioned: \$305,353.
2016-FW-1004	Central City Housing Development Corporation, New Orleans, LA, Did Not Always Operate Satchmo Plaza in Accordance With Its Regulatory Agreement and HUD Requirements, 07/27/2016. Questioned: \$2,810. Unsupported: \$1,931. Better use: \$322,784.
2016-FW-1005	Selene Finance, LP, Houston, TX, Did Not Communicate in a Timely Manner With Delinquent Borrowers, 07/28/2016.
2016-FW-1009	Park View Care Center, Fort Worth, TX, Did Not Always Comply With Its Regulatory Agreement and HUD Requirements, 09/29/2016. Questioned: \$220,282.
2016-KC-1003	James B. Nutter & Company, Kansas City, MO, Did Not Always Follow HUD's Rules and Regulations for Loss Mitigation, 05/16/2016. Questioned: \$287,922. Better use: \$289,960.
2016-LA-1008	The Dolores Frances Affordable Housing Project, Los Angeles, CA, Was Not Administered in Accordance With Its Regulatory Agreement and HUD Requirements, 08/26/2016. Questioned: \$507,030. Better use: \$10,926,975.
2016-LA-1010	Sun West Mortgage Company, Cerritos, CA, Did Not Always Meet HUD-FHA Loan Underwriting and Quality Control Requirements, 08/29/2016. Questioned: \$144,891. Better use: \$97,937.
2016-LA-1011	Evergreen Home Loans, Las Vegas, NV, Branch Did Not Always Comply With HUD FHA Origination Regulations, 09/12/2016. Better use: \$1,172,005.

2016-NY-1010	Folts, Inc., Herkimer, NY, Did Not Administer the Folts Adult Home and Folts Home Projects in Accordance With Their Regulatory Agreements, 09/29/2016. Questioned: \$3,860,221. Unsupported: \$2,047,444.
2016-SE-1002	Sunset Manor, Limited Partnership, Blackfoot, ID, Did Not Administer Its Section 8 Program in Accordance With HUD Rules and Regulations, 06/23/2016. Questioned: \$451,691. Unsupported: \$338,751.
2016-SE-1003	Solace LLC, Rexburg, ID, Did Not Always Correctly Compute Tenant Annual Income, Conduct Timely Tenant Income Verifications, or Request the Appropriate Assistance When Tenants Moved Out, 09/12/2016. Questioned: \$7,708. Unsupported: \$6,804. Better use: \$714.
2016-SE-1004	Reflection5 LLC, Pocatello, ID, Did Not Always Retain Tenant Files, Perform Recertifications, Obtain Verifications, or Support Hardship Exemptions, 09/12/2016. Questioned: \$168,897. Unsupported: \$168,897.
INSPECTOR GENERAL	
2016-FW-1007	Disaster Relief Appropriations Act, 2013: Financial Status, Observations, and Concerns, 09/12/2016.
PUBLIC AND INDIAN HOUSING	
2016-AT-1005	The Housing Authority of the City of Durham, NC, Did Not Adequately Enforce HUD's and Its Own Housing Quality Control Standards, 05/10/2016. Questioned: \$108,390. Better use: \$7,560,158.
2016-AT-1008	The Sanford Housing Authority, Sanford, NC, Did Not Comply With Procurement and Financial Requirements, 07/19/2016. Questioned: \$420,397. Unsupported: \$412,546.
2016-AT-1010	The Mobile Housing Board, Mobile, AL, Did Not Disclose an Apparent Conflict of Interest and Occupy One-Third of Its Public Housing Units, 08/04/2016. Questioned: \$1,241,958. Unsupported: \$1,241,958.
2016-AT-1013	The Sanford Housing Authority, Sanford, NC, Did Not Comply With HUD's and Its Own Section 8 Housing Choice Voucher Program Requirements, 09/13/2016. Questioned: \$253,862. Unsupported: \$3,092. Better use: \$3,317,262.

2016-AT-1014	The Broward County Housing Authority, Lauderdale Lakes, FL, Did Not Always Comply With HUD's and Its Own Section 8 Housing Choice Voucher Program Requirements, 09/30/2016. Questioned: \$28,199. Better use: \$1,010.
2016-BO-1002	The Administration of Accounting, Inventory, and Procurement of the Bridgeport Housing Authority in Bridgeport, CT, Did Not Always Comply With HUD Regulations, 06/27/2016. Questioned: \$9,066,364. Unsupported: \$8,524,158.
2016-BO-1004	The Somerville Housing Authority, Somerville, MA, Did Not Always Support Its Allocation of Costs to Asset Management Projects, 08/12/2016. Questioned: \$731,206. Unsupported: \$731,206.
2016-CH-1004	The Housing Authority of the City of Anderson, Anderson, IN, Did Not Always Comply With HUD's and Its Own Requirements Regarding the Administration of Its Housing Choice Voucher Program, 07/28/2016. Questioned: \$719,945. Unsupported: \$9,382. Better use: \$7,758.
2016-CH-1005	The Jefferson Metropolitan Housing Authority, Steubenville, OH, Failed To Manage Its Procurements and Contracts in Accordance With HUD's and Its Own Requirements, 08/03/2016. Questioned: \$964,365. Unsupported: \$964,365. Better use: \$5,869,770.
2016-CH-1006	The Housing Authority of the City of Muncie, Muncie, IN, Did Not Always Comply With HUD's Requirements and Its Own Policies Regarding the Administration of Its Housing Choice Voucher Program, 08/23/2016. Questioned: \$705,616. Unsupported: \$617,465. Better use: \$308,104.
2016-CH-1007	The Housing Authority of the City of Rock Island, Rock Island, IL, Did Not Always Comply With HUD's Requirements Regarding the Administration of Its Housing Choice Voucher Program, 09/28/2016. Questioned: \$637,214. Unsupported: \$130,040. Better use: \$2,109.
2016-CH-1012	The Dayton Metropolitan Housing Authority, Dayton, OH, Did Not Follow HUD's and Its Own Requirements for the Procurement of Capital Grant-Funded Contracts, 09/30/2016. Questioned: \$407,636. Unsupported: \$405,691. Better use: \$94,548.
2016-CH-1013	The Lucas Metropolitan Housing Authority, Toledo, OH, Did Not Follow HUD's or Its Own Procurement Requirements, 09/30/2016. Questioned: \$276,677. Better use: \$409,663.
2016-DE-1001	The Housing Authority of the County of Salt Lake Did Not Always Procure Goods and Services in Accordance With Applicable Requirements, 08/17/2016. Questioned: \$734,074. Unsupported: \$734,074.

2016-DE-1002	The Evanston Housing Authority, Evanston, WY, Misspent HUD Funds and Mismanaged Its Program Income, 09/13/2016. Questioned: \$110,763. Unsupported: \$94,685.
2016-FW-1002	The Housing Authority of Fort Worth, Fort Worth, TX, Generally Complied With HUD Regulations When Administering Its Housing Choice Voucher Program and Financial Transactions, 05/24/2016. Questioned: \$807. Unsupported: \$156.
2016-FW-1003	The Muscogee (Creek) Nation, Okmulgee, OK, Did Not Always Comply With HUD Requirements, 07/08/2016. Questioned: \$219,839. Unsupported: \$99,258. Better use: \$7,880.
2016-KC-1004	The Alton Housing Authority, Alton, IL, Improperly Phased In Flat Rents for Its Public Housing Program, 05/19/2016. Better use: \$58,528.
2016-LA-1003	The Orange County Housing Authority, Santa Ana, CA, Did Not Always Ensure That Housing Units Met HUD's Housing Quality Standards, 04/21/2016. Questioned: \$217,916. Better use: \$48,665,810.
2016-LA-1004	The Richmond Housing Authority, Richmond, CA, Did Not Always Procure Services and Manage Rents in Accordance With HUD Requirements, 04/28/2016. Questioned: \$541,651. Unsupported: \$541,651.
2016-LA-1005	The Orange County Housing Authority, Santa Ana, CA, Did Not Adequately Monitor Its Contractors' Performance of HUD's Housing Quality Standards Inspections, 05/13/2016. Questioned: \$52,215.
2016-LA-1006	The Richmond Housing Authority, Richmond, CA, Mismanaged Its Financial Operations, 06/03/2016. Questioned: \$3,154,785. Unsupported: \$944,910. Better use: \$60,000.
2016-LA-1013	Inglewood Housing Authority, Inglewood, CA, Did Not Effectively Manage the Financial Operations of Its Housing Choice Voucher Program, 09/30/2016. Questioned: \$796,186. Unsupported: \$796,186.
2016-NY-1008	Officials of the Rochester Housing Authority, Rochester, NY, Generally Administered the Housing Choice Voucher Program in Accordance With HUD Regulations, 08/05/2016. Questioned: \$6,922. Unsupported: \$4,238.
2016-PH-1002	The Westmoreland County Housing Authority, Greensburg, PA, Did Not Always Ensure That Its Program Units Met Housing Quality Standards and That It Accurately Calculated Housing Assistance Payment Abatements, 04/27/2016. Questioned: \$64,432. Better use: \$4,014,103.

2016-PH-1005	The Richmond Redevelopment and Housing Authority, Richmond, VA, Did Not Always Charge Eligible and Reasonable Central Office Cost Center Fees, 08/17/2016. Questioned: \$5,434,976. Unsupported: \$4,927,176.
2016-PH-1006	The Housing Authority of the City of Annapolis, MD, Did Not Always Administer Its Resident Opportunities and Self-Sufficiency Program in Accordance With Applicable Requirements, 08/31/2016. Questioned: \$412,109. Unsupported: \$401,859. Better use: \$2,444.
2016-PH-1007	The Housing Authority of the City of Annapolis, MD, Did Not Always Follow Applicable Procurement Requirements, 09/27/2016. Questioned: \$3,028,666. Unsupported: \$3,028,666.
2016-PH-1008	The Housing Opportunities Commission of Montgomery County, Kensington, MD, Did Not Always Ensure That Its Program Units Met Housing Quality Standards, 09/29/2016. Questioned: \$44,887. Better use: \$7,576,867.
AUDIT-RELATED MEMORANDUMS¹⁶	
GENERAL COUNSEL	
2016-AT-1802	Final Civil Action: Branch Banking and Trust Company Settled Alleged Violations of Federal Housing Administration Loan Requirements, 09/30/2016. Questioned: \$35,700,000.
2016-CF-1801	Final Civil Action: Franklin American Mortgage Company Settled Allegations of Failing To Comply With HUD's Federal Housing Administration Loan Requirements, 09/08/2016. Questioned: \$70,000,000.
2016-CF-1802	Final Civil Action: Pilgrim Village Settled Allegations of Making Unauthorized Distributions and Improper Disbursements of Multifamily Project Funds, 09/08/2016. Questioned: \$650,979.
2016-CF-1803	Final Civil Action: Cunningham and Company Settled Alleged Violations of Failing To Comply With Federal Housing Administration Loan Requirements, 09/08/2016. Questioned: \$77,527.
2016-CF-1804	Final Civil Action: M&T Bank Settled Allegations of Failing To Comply With HUD's Federal Housing Administration Loan Requirements, 09/19/2016. Questioned: \$43,350,000.

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

2016-CF-1805	Final Civil Action: Land Home Financial Services, Inc., Settled Allegations of Failing To Comply With HUD's Federal Housing Administration Loan Requirements, 09/19/2016. Questioned: \$45,000.
2016-CF-1806	Final Civil Action: Freedom Mortgage Corporation Settled Allegations of Failing To Comply With HUD's Federal Housing Administration Loan Requirements, 09/19/2016. Questioned: \$76,000,000.
2016-CF-1807	Final Civil Action: The Alphabet Group, LLC, Marks Group, LLC, and Imagineers, Inc., Settled Allegations Related to Section 8 Rent Certifications, 09/19/2016. Questioned: \$4,200.
2016-CF-1808	Final Civil Action: American Midwest Mortgage Corporation Settled Allegations of Failing To Comply With Federal Housing Administration Underwriting Requirements, 09/23/2016. Questioned: \$110,000.
2016-CF-1810	Final Civil Action: Knox Pest Control Settled Allegations of Charging Unallowable Costs for Preservation of HUD-Owned Properties in the Federal Housing Administration Program, 09/29/2016. Questioned: \$91,377.
2016-CF-1811	Final Civil Action: Regions Bank Settled Allegations of Failing To Comply With HUD's Federal Housing Administration Loan Requirements, 09/29/2016. Questioned: \$37,700,000.
2016-CF-1812	Final Civil Action: Real Estate Agent and Two Borrowers Settled Allegation of Making a False Certification to HUD Regarding a Home Purchase Under the Federal Housing Administration Program, 09/29/2016. Questioned: \$11,000.
2016-CF-1813	Final Civil Action: Owner and Management Agents Settled Allegations of Failing To Comply With the Regulatory Agreements for Multifamily Projects Willow Run I and Willow Run II, 09/30/2016. Questioned: \$510,000.
2016-DE-1802	Final Civil Action: RANlife, Inc., Settled Allegations That It Violated the False Claims Act When Originating, Underwriting, and Endorsing Certain Loans With Federal Housing Administration Insurance, 09/12/2016. Questioned: \$1,032,715.
2016-FW-1802	Final Civil Action: The City of Brackettville Housing Authority's Prior Executive Director Improperly Used Authority Funds for Personal Expenses, 09/06/2016. Questioned: \$5,000.
2016-FW-1803	Final Civil Action: The City of Malakoff Housing Authority's Prior Executive Director Improperly Hired and Contracted With Family Members, 09/13/2016. Questioned: \$2,000.

2016-KC-1801	Final Action Memo: Agent-Broker of HUD-Insured Single-Family Property Settled Allegations of Making a False Certification on a Preforeclosure Sale Closing Worksheet, 09/21/2016. Questioned: \$10,000.
2016-KC-1802	Final Action Memo: Agent-Broker of HUD-Insured Single-Family Property Settled Allegations of Making a False Certification on a Preforeclosure Sale Closing Worksheet, 09/21/2016. Questioned: \$26,500.
2016-KC-1803	Final Civil Action: Wells Fargo Bank, N.A., Settled Allegations of Failing To Comply With HUD's FHA Underwriting Requirements, 09/28/2016. Questioned: \$642,000,000.
2016-LA-1801	Final Civil Action: Shea Mortgage, Inc., Settled Allegations of Making False Certifications Regarding Federal Housing Administration Loans, 09/28/2016. Questioned: \$119,336.
2016-LA-1802	Final Civil Action: DHI Mortgage Company Ltd. Settled Allegations of Making False Certifications Regarding Federal Housing Administration Loans, 09/29/2016. Questioned: \$180,000.
2016-PH-1802	Final Civil Action: Borrower Settled Alleged Violations of Home Equity Conversion Mortgage Program, 09/09/2016. Questioned: \$7,000.
2016-PH-1803	Final Civil Action: Borrower Settled Alleged Violations of Home Equity Conversion Mortgage Program, 09/09/2016. Questioned: \$24,500.
2016-PH-1804	Final Civil Action: Borrowers Settled Alleged Violations of Home Equity Conversion Mortgage Program, 09/09/2016. Questioned: \$12,000.
2016-SE-1801	Final Civil Action: City First Mortgage Services, LLC, and Van Wagoner Investment Company Settled Allegations of Making False Certifications, 09/12/2016. Questioned: \$425,000.
HOUSING	
2016-CF-1809	Final Civil Action: Permanent Claim Block Placed on Borrower's Federal Housing Administration Loan Because It Did Not Qualify for Insurance, 09/29/2016. Better use: \$55,405.
PUBLIC AND INDIAN HOUSING	
2016-PH-1801	The District of Columbia Housing Authority, Washington, DC, Did Not Always Make Payments for Outside Legal Services in Compliance With Applicable Requirements, 04/04/2016. Questioned: \$999,977. Unsupported: \$999,977.

APPENDIX 3 TABLE A

Audit reports issued before the start of period with no management decision at 9/30/2016

*Significant audit reports described in previous Semiannual Reports

REPORT NUMBER & TITLE	REASON FOR LACK OF MANAGEMENT DECISION	ISSUE DATE
* 2014-FO-0003 Additional Details To Supplement Our Report on HUD's Fiscal Years 2013 and 2012 (Restated) Financial Statements	See chapter 9, page 49	12/16/2013
* 2014-FO-0004 HUD's Fiscal Year 2013 Compliance With the Improper Payments Elimination and Recovery Act of 2010	See chapter 9, page 50	04/15/2014
* 2014-NY-1007 The Niagara Falls Housing Authority Did Not Always Administer Its HOPE VI Grant Program and Activities in Accordance With HUD Requirements	See chapter 9, page 51	07/10/2014
* 2014-LA-0005 HUD Did Not Always Recover FHA Single-Family Indemnification Losses and Ensure That Indemnification Agreements Were Extended	See chapter 9, page 51	08/08/2014
* 2015-FO-0003 Audit of the Government National Mortgage Association's Financial Statements for Fiscal Years 2014 and 2013	See chapter 9, page 52	02/27/2015
* 2015-PH-1003 The State of New Jersey Did Not Comply With Federal Procurement and Cost Principle Requirements in Implementing Its Disaster Management System	See chapter 9, page 53	06/04/2015
* 2015-CH-1801 Final Civil Action: GTL Investments, Inc., Doing Business as John Adams Mortgage Company, Settled Allegations of Failing To Comply With HUD's FHA Loan Requirements	See chapter 9, page 54	09/30/2015
* 2015-LA-1009 loanDepot's FHA-Insured Loans With Downpayment Assistance Funds Did Not Always Meet HUD Requirements	See chapter 9, page 55	09/30/2015
* 2015-LA-1010 loanDepot's FHA-Insured Loans With Golden State Finance Authority Downpayment Assistance Gifts Did Not Always Meet HUD Requirements	See chapter 9, page 55	09/30/2015
* 2016-FO-0001 Audit of Fiscal Years 2015 and 2014 (Restated) Financial Statements	See chapter 9, page 57	11/13/2015
* 2016-FO-0003 Additional Details To Supplement Our Fiscal Years 2015 and 2014 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	See chapter 9, page 58	11/18/2015
* 2016-FW-0001 HUD Did Not Effectively Negotiate, Execute, or Manage Its Agreements Under the Intergovernmental Personnel Act	See chapter 9, page 59	03/30/2016

TABLE B

Significant audit reports for which final action had not been completed within 12 months after the date of the Inspector General's report

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2005-AT-1013	Corporacion para el Fomento Economico de la Ciudad Capital, San Juan, Puerto Rico, Did Not Administer Its Independent Capital Fund in Accordance with HUD Requirements	09/15/2005	01/11/2006	Note 1
2007-AT-1010	The Cathedral Foundation of Jacksonville, FL, Used More Than \$2.65 Million in Project Funds for Questioned Costs	08/14/2007	12/03/2007	04/10/2017
2008-AO-1002	State of Louisiana, Road Home Program, Funded 418 Grants Coded Ineligible or Lacking an Eligibility Determination, Baton Rouge, LA	01/30/2008	05/12/2008	Note 1
2008-DP-0004	Review of Selected FHA Major Applications' Information Security Controls	06/12/2008	10/08/2008	Note 1
2009-AO-1001	State of Louisiana, Road Home Program, Did Not Ensure That Road Home Employees Were Eligible To Receive Additional Compensation Grants, Baton Rouge, LA	05/05/2009	09/16/2009	Note 1
2009-AO-1002	State of Louisiana, Road Home Program, Did Not Ensure That Multiple Disbursements to a Single Damaged Residence Address Were Eligible, Baton Rouge, LA	05/05/2009	09/16/2009	Note 1
2009-NY-1012	The City of Rome Did Not Administer Its Economic Development Activity in Accordance With HUD Requirements, Rome, NY	05/20/2009	09/23/2009	01/30/2032
2009-DP-0005	Review of Implementation of Security Controls over HUD's Business Partners	06/11/2009	11/17/2009	Note 1
2009-CH-1011	The Housing Authority of the City of Terre Haute Failed To Follow Federal Requirements and Its Employment Contract Regarding Nonprofit Development Activities, Terre Haute, IN	07/31/2009	11/24/2009	12/31/2016

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2009-AT-0001	HUD Lacked Adequate Controls to Ensure the Timely Commitment and Expenditure of HOME funds	09/28/2009	03/18/2011	Note 1
2010-AT-1003	The Housing Authority of Whitesburg Mismanaged Its Operations, Whitesburg, KY	04/28/2010	08/26/2010	11/29/2035
2010-PH-1008	Sasha Bruce Youthwork, Incorporated, Did Not Support More Than \$1.9 Million in Expenditures, Washington, DC	05/11/2010	11/03/2010	Note 1
2010-CH-1008	The DuPage Housing Authority Inappropriately Administered Its Section 8 Project-Based Voucher Program, Wheaton, IL	06/15/2010	10/08/2010	10/31/2016
2011-FO-0003	Additional Details To Supplement Our Report on HUD's Fiscal Years 2010 and 2009 Financial Statements	11/15/2010	08/08/2011	Note 1
2011-PH-1005	The District of Columbia Did Not Administer Its HOME Program in Accordance With Federal Requirements, Washington, DC	12/23/2010	04/22/2011	Note 1
2011-CH-1003	The City of Cleveland Lacked Adequate Controls Over Its HOME Investment Partnerships Program and American Dream Downpayment Initiative-Funded Afford-A-Home Program, Cleveland, OH	12/27/2010	04/26/2011	Note 1
2011-CH-1006	The DuPage Housing Authority Inappropriately Administered Its Section 8 Housing Choice Voucher Program, Wheaton, IL	03/23/2011	07/28/2011	10/31/2016
2011-AT-1006	The Municipality of Mayaguez Did Not Ensure Compliance With HOME Program Objectives, Mayaguez, PR	04/08/2011	08/05/2011	Note 1
2011-NY-1010	The City of Buffalo Did Not Always Administer Its CDBG Program in Accordance With HUD Requirements, Buffalo, NY	04/15/2011	01/25/2012	Note 1

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2011-AO-0001	The Lafayette Parish Housing Authority Violated HUD Procurement Requirements and Executed Unreasonable and Unnecessary Contracts	06/22/2011	10/13/2011	02/28/2017
2011-LA-1016	The City of Compton Did Not Administer Its HOME Program in Compliance With HOME Requirements, Compton, CA	08/18/2011	12/15/2011	03/30/2017
2011-NY-1016	The City of Buffalo Did Not Always Disburse Homelessness Prevention and Rapid Re-Housing Program Funds in Accordance With Regulations, Buffalo, NY	09/22/2011	01/25/2012	Note 1
2011-AT-1018	The Municipality of San Juan Did Not Properly Manage Its HOME Investment Partnerships Program, San Juan, PR	09/28/2011	01/12/2012	Note 1
2011-CH-1014	The City of Cleveland Lacked Adequate Controls Over Its HOME Investment Partnerships Program-Funded Housing Trust Fund Program Home-Buyer Activities, Cleveland, OH	09/29/2011	01/26/2012	Note 2
2011-CH-1018	The Pontiac Housing Commission Did Not Adequately Administer Its American Recovery and Reinvestment Act Capital Fund Grant, Pontiac, MI	09/30/2011	01/10/2012	05/05/2017
2012-NY-1002	The City of New York Charged Questionable Expenditures to Its HPRP, New York, NY	10/18/2011	02/16/2012	Note 1
2012-PH-0001	HUD Needed to Improve Its Use of Its Integrated Disbursement and Information System To Oversee Its CDBG Program	10/31/2011	02/28/2012	Note 1
2012-FO-0003	Additional Details To Supplement Our Report on HUD's Fiscal Years 2011 and 2010 Financial Statements	11/15/2011	05/10/2012	Note 2
2012-LA-0001	HUD Did Not Adequately Support the Reasonableness of the Fee-for-Service Amounts or Monitor the Amounts Charged	11/16/2011	03/27/2012	10/01/2016
2012-AT-1009	The Municipality of Bayamón Did Not Always Ensure Compliance With HOME Investment Partnerships Program Requirements, Bayamon, PR	05/23/2012	09/18/2012	Note 1

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2012-CH-1009	The Hammond Housing Authority Did Not Administer Its Recovery Act Grants in Accordance With Recovery Act, HUD's, and Its Own Requirements, Hammond, IN	08/03/2012	11/30/2012	12/30/2016
2012-PH-1011	Prince George's County Generally Did Not Administer Its HOME Program in Accordance With Federal Requirements, Largo, MD	08/03/2012	11/30/2012	Note 1
2012-CH-1011	The Stark Metropolitan Housing Authority Did Not Always Administer Its Grant in Accordance With Recovery Act, HUD's, and Its Own Requirements, Canton, OH	09/27/2012	01/15/2013	12/31/2018
2012-CH-1012	The Saginaw Housing Commission Did Not Always Administer Its Section 8 Housing Choice Voucher Program in Accordance With HUD's and Its Own Requirements, Saginaw, MI	09/27/2012	01/07/2013	01/01/2023
2012-CH-1013	The Flint Housing Commission Did Not Always Administer Its Grants in Accordance With Recovery Act, HUD's, and Its Own Requirements, Flint, MI	09/27/2012	01/24/2013	02/01/2017
2013-PH-1001	Luzerne County Did Not Properly Evaluate, Underwrite, and Monitor a High-Risk Loan, Wilkes-Barre, PA	10/31/2012	01/31/2013	Note 1
2013-FO-0003	Additional Details To Supplement Our Report on HUD's Fiscal Years 2012 and 2011 Financial Statements	11/15/2012	05/15/2013	Note 2
2013-NY-1001	The City of Albany CDBG Recovery Act Program, Albany, NY	12/06/2012	04/03/2013	Note 1
2013-PH-0002	HUD Policies Did Not Always Ensure That Borrowers Complied With Program Residency Requirements	12/20/2012	04/19/2013	Note 1
2013-SE-1001	The Idaho Housing and Finance Association Did Not Always Comply With HOME Investment Partnerships Program Match and Compliance Monitoring Requirements, Boise, ID	12/21/2012	12/21/2012	Note 1

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2013-LA-1003	Bay Vista Methodist Heights Violated Its Agreement With HUD When Administering Its Trust Funds, San Diego, CA	03/14/2013	05/15/2013	Note 1
2013-AT-1003	The Municipality of Arecibo Did Not Always Ensure Compliance With CDBG Program Requirements, Arecibo, PR	03/22/2013	06/14/2013	Note 1
2013-FW-1004	The Housing Authority of the City of El Paso Did Not Follow Recovery Act Obligation Requirements or Procurement Policies, El Paso, TX	04/12/2013	08/27/2013	Note 1
2013-LA-1004	The City of San Bernardino Did Not Administer Its CDBG and CDBG-Recovery Act Programs in Accordance With HUD Rules and Regulations, San Bernardino, CA	04/23/2013	09/06/2013	09/30/2017
2013-NY-1006	Nassau County Did Not Administer It's HOME Investment Partnerships Program in Accordance With HUD Requirements, Nassau County, NY	05/13/2013	09/06/2013	Note 1
2013-FW-1006	The Management and Board of Commissioners of the Harris County Housing Authority Mismanaged the Authority, Houston, TX	06/19/2013	02/11/2014	08/13/2017
2013-KC-0002	HUD Did Not Enforce the Reporting Requirements of Section 3 of the Housing and Urban Development Act of 1968 for Public Housing Authorities	06/26/2013	10/24/2013	Note 1
2013-CH-1003	The Stark Metropolitan Housing Authority Did Not Follow HUD's Requirements and Its Own Policies Regarding the Administration of Its Program, Canton, OH	07/15/2013	11/12/2013	10/31/2016
2013-NY-0003	HUD Officials Did Not Always Monitor Grantee Compliance With the CDBG Timeliness Spending Requirement	07/19/2013	11/26/2013	Note 1
2013-AT-1006	The Puerto Rico Housing Finance Authority Did Not Always Comply With HOME Requirements, San Juan, PR	07/23/2013	11/20/2013	Note 1

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2013-LA-1009	The City of Hawthorne Inappropriately Used Nearly \$1.6 Million in HOME Funds for Section 8 Tenants, Hawthorne, CA	09/13/2013	01/06/2014	Note 1
2013-CH-1006	The State of Michigan Lacked Adequate Controls Over Its NSP Under the American Recovery and Reinvestment Act of 2009, Lansing, MI	09/15/2013	01/13/2014	Note 2
2013-CH-1008	Community Advocates Did Not Properly Administer Its Program and Recovery Act Grant Funds, Milwaukee, WI	09/17/2013	01/15/2014	Note 2
2013-LA-1010	The City of Hawthorne Did Not Administer Its CDBG Program Cost Allocations in Accordance With HUD Rules and Requirements, Hawthorne, CA	09/20/2013	01/06/2014	Note 1
2013-FW-1805	The Malakoff Housing Authority Did Not Have Sufficient Controls Over Its Public Housing Programs, Including Its Recovery Act Funds, Malakoff, TX	09/26/2013	12/19/2013	04/30/2036
2013-NY-1010	The City of Auburn Did Not Always Administer Its CDBG Program in Accordance With HUD Requirements, Auburn, NY	09/26/2013	01/24/2014	Note 1
2013-CH-1009	The Flint Housing Commission Did Not Always Administer Its Grant in Accordance With Recovery Act, HUD's, and Its Own Requirements, Flint, MI	09/27/2013	01/14/2014	06/17/2017
2013-AT-1008	The City of West Palm Beach Did Not Always Properly Administer Its HOME Program, West Palm Beach, FL	09/30/2013	01/17/2014	Note 1
2013-CH-1010	The City of Toledo Did Not Always Administer Its CDBG-R Program in Accordance With HUD's and Its Own Requirements, Toledo, OH	09/30/2013	01/15/2014	Note 1
2013-CH-1011	The Michigan State Housing Development Authority Did Not Follow HUD's Requirements Regarding the Administration of Its Program, Lansing, MI	09/30/2013	01/15/2014	07/31/2029

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2013-CH-1012	The Hamtramck Housing Commission Did Not Administer Its Grant in Accordance With Recovery Act, HUD's, and Its Own Requirements, Hamtramck, MI	09/30/2013	01/21/2014	06/17/2017
2013-DE-1005	The Jefferson County Housing Authority Did Not Properly Use Its Disposition Sales Proceeds, Wheat Ridge, CO	09/30/2013	01/24/2014	02/28/2020
2014-CH-1001	The City of Flint Lacked Adequate Controls Over Its HOME Investment Partnerships Program, Flint, MI	11/15/2013	03/13/2014	10/14/2016
2014-AT-1001	The Municipality of Arecibo Did Not Properly Administer Its HOME Program, Arecibo, PR	12/03/2013	01/24/2014	Note 1
2014-FO-0001	Government National Mortgage Association Fiscal Years 2013 and 2012 Financial Statements Audit	12/06/2013	05/02/2014	Note 1
2014-FO-0002	Federal Housing Administration Fiscal Years 2013 and 2012 Financial Statements Audit	12/13/2013	04/14/2014	Note 1
2014-FO-0003	Additional Details To Supplement Our Report on HUD's Fiscal Years 2013 and 2012 (Restated) Financial Statements	12/16/2013	07/09/2014	Note 3
2014-PH-1001	The City of Norfolk Generally Failed To Justify Its CDBG Activities, Norfolk, VA	12/17/2013	04/16/2014	Note 2
2014-AT-1004	The State of Mississippi Did Not Ensure That Its Subrecipient and Appraisers Complied With Requirements, and It Did Not Fully Implement Adequate Procedures for Its Disaster Infrastructure Program, Jackson, MS	12/30/2013	04/15/2014	Note 1
2014-CH-1002	The City of Detroit Lacked Adequate Controls Over Its Neighborhood Stabilization Program-Funded Demolition Activities Under the Housing and Economic Recovery Act of 2008, Detroit, MI	01/06/2014	05/05/2014	Note 1
2014-NY-1001	The Paterson Housing Authority Had Weaknesses in Administration of Its Housing Choice Voucher Program, Paterson, NJ	01/15/2014	06/12/2014	07/01/2025

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2014-FW-0001	The Boston Office of Public Housing Did Not Provide Adequate Oversight of Environmental Reviews of Three Housing Agencies, Including Reviews Involving Recovery Act Funds	02/07/2014	03/17/2015	10/01/2016
2014-NY-0001	HUD Did Not Provide Effective Oversight of Section 202 Multifamily Project Refinances	02/19/2014	06/10/2014	Note 1
2014-AT-0001	Violations Increased the Cost of Housing's Administration of Its Bond Refund Program	03/14/2014	07/11/2014	Note 1
2014-AT-1801	Vieques Sports City Complex, Office of the Commissioner for Municipal Affairs, Section 108 Loan Guarantee Program, San Juan, PR	03/20/2014	07/11/2014	Note 1
2014-FO-0004	HUD's Fiscal Year 2013 Compliance With the Improper Payments Elimination and Recovery Act of 2010	04/15/2014	01/07/2015	Note 3
2014-CH-1003	The Hamtramck Housing Commission Did Not Always Administer Its Grant in Accordance With Recovery Act, HUD's, or Its Own Requirements, Hamtramck, MI	04/30/2014	08/08/2014	06/17/2017
2014-DP-0005	Fiscal Year 2013 Review of Information Systems Controls in Support of the Financial Statements Audit	04/30/2014	02/09/2015	Note 2
2014-FW-0002	Improvements Are Needed Over Environmental Reviews of Public Housing and Recovery Act Funds in the Kansas City Office	05/12/2014	03/17/2015	10/01/2016
2014-AT-1005	The City of Huntsville, Community Development Department, Did Not Adequately Account for and Administer the Mirabeau Apartments Project, Huntsville, AL	05/29/2014	09/23/2014	Note 2
2014-NY-1005	Financial and Administrative Control Weaknesses Existed in Middlesex County, NJ's HOME Investment Partnerships Program, Middlesex County, NJ	06/10/2014	07/17/2014	Note 1

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2014-LA-0004	HUD Could Not Support the Reasonableness of the Operating and Capital Fund Programs' Fees and Did Not Adequately Monitor Central Office Cost Centers	06/30/2014	10/20/2014	12/31/2017
2014-KC-0002	The Data in CAIVRS Did Not Agree With the Data in FHA's Default and Claims Systems	07/02/2014	10/27/2014	Note 2
2014-LA-1004	The White Mountain Apache Housing Authority Did Not Always Comply With Its Indian Housing Block Grant Requirements, White River, AZ	07/08/2014	10/24/2014	Note 2
2014-NY-1008	Palladia, Inc., Did Not Administer Its Supportive Housing Program in Accordance With HUD Requirements, New York, NY	07/25/2014	11/21/2014	Note 2
2014-AT-1007	The Municipality of Carolina Did Not Properly Administer Its HOME Program, Carolina, PR	08/08/2014	12/05/2014	Note 2
2014-LA-0005	HUD Did Not Always Recover FHA Single-Family Indemnification Losses and Ensure That Indemnification Agreements Were Extended	08/08/2014	12/03/2014	Note 3
2014-FW-1805	The Kenner Housing Authority Did Not Administer Its Public Housing and Recovery Act Programs in Accordance With Regulations and Guidance, Kenner, LA	08/13/2014	11/10/2014	01/31/2017
2014-CH-1006	The Goshen Housing Authority Failed To Follow HUD's and Its Own Requirements Regarding the Administration of Its Program, Goshen, IN	08/14/2014	01/21/2015	12/31/2016
2014-LA-1005	The City of Richmond Did Not Administer Its NSP in Accordance With Requirements, Richmond, CA	08/22/2014	12/19/2014	Note 2
2014-PH-1008	The State of New Jersey Did Not Fully Comply With Federal Procurement and Cost Principle Requirements in Implementing Its Tourism Marketing Program	08/29/2014	09/02/2015	Note 2

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2014-NY-0003	Asset Repositioning Fees for Public Housing Authorities With Units Approved for Demolition or Disposition Were Not Always Accurately Calculated	09/04/2014	12/29/2014	12/31/2016
2014-AT-1010	Miami-Dade County Did Not Always Properly Administer Its HOME Program, Miami, FL	09/11/2014	12/11/2014	Note 2
2014-NY-1009	The City of Jersey City's HOME Investment Partnerships Program Administration Had Financial and Administrative Controls Weaknesses, City of Jersey City, NJ	09/18/2014	01/13/2015	Note 2
2014-FW-0005	Improvements Are Needed Over Environmental Reviews of Public Housing and Recovery Act Funds in the Detroit Office	09/24/2014	03/17/2015	10/01/2016
2014-KC-0004	Lenders Generated \$428 Million in Gains From Modifying Defaulted FHA Loans	09/24/2014	01/22/2015	Note 2
2014-LA-1007	The City of Los Angeles Did Not Always Ensure That CDBG-Funded Projects Met National Program Objectives, Los Angeles, CA	09/29/2014	01/27/2015	03/31/2017
2014-CH-0001	HUD Did Not Always Provide Adequate Oversight of Its Property-Flipping Waiver Requirements	09/30/2014	03/24/2015	Note 2
2014-CH-1011	The City of Chicago Lacked Adequate Controls Over Its HOME Investment Partnerships Program-Funded Rental New Construction Projects and Program Income, Chicago, IL	09/30/2014	01/28/2015	Note 2
2014-KC-0006	The HUD Office of the Chief Financial Officer Had Not Always Implemented Its User Fee Policy	09/30/2014	01/22/2015	11/30/2016
2014-PH-0001	HUD Policies Did Not Always Ensure That HECM Borrowers Complied With Residency Requirements	09/30/2014	01/28/2015	Note 2
2015-DP-0001	Information System Control Weaknesses Identified in the Single Family Housing Enterprise Data Warehouse	10/21/2014	12/12/2014	Note 2

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2015-FW-1802	The Rotan Housing Authority Did Not Administer Its Public Housing and Recovery Act Programs in Accordance With Regulations and Other Requirements, Rotan, TX	10/31/2014	02/20/2015	01/31/2017
2015-FO-0001	Audit of the Federal Housing Administration's Financial Statements for Fiscal Years 2014 and 2013	11/14/2014	04/14/2015	Note 2
2015-NY-1001	The City of New York Did Not Always Disburse CDBG Disaster Recovery Assistance Funds to Its Subrecipient in Accordance With Federal Regulations, New York, NY	11/24/2014	03/23/2015	Note 2
2015-AT-1001	The Office of the Commissioner for Municipal Affairs Needs To Make Improvements in Administering Its Section 108 Loan Guarantee Program, San Juan, PR	12/05/2014	04/03/2015	Note 2
2015-FO-0002	Interim Report on HUD's Internal Controls Over Financial Reporting	12/08/2014	09/28/2015	09/30/2017
2015-DP-0004	Office of the Chief Financial Officer Loan Accounting System	12/09/2014	04/17/2015	Note 2
2015-PH-0001	HUD Lacked Adequate Oversight To Ensure That Public Housing Agencies Complied With Federal Lobbying Disclosure Requirements and Restrictions	01/30/2015	07/10/2015	10/01/2016
2015-PH-1001	The County of Beaver Did Not Always Administer Its HOME Program in Accordance With Applicable HUD and Federal Requirements, Beaver Falls, PA	01/30/2015	08/31/2015	11/30/2016
2015-PH-1804	Final Civil Action: Court Ordered a Former Executive Director of the Philadelphia Housing Authority To Pay Civil Penalties for Violating Federal Lobbying Disclosure Requirements and Restrictions	02/19/2015	09/13/2016	10/07/2016
2015-CH-1001	The Chicago Housing Authority Moving to Work Housing Choice Voucher Program, Chicago, IL	02/24/2015	06/10/2015	04/01/2018

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2015-DP-0005	Fiscal Year 2014 Review of Information Systems Controls in Support of the Financial Statements Audit	02/24/2015	07/02/2015	01/21/2017
2015-FO-0003	Audit of the Government National Mortgage Association's Financial Statements for Fiscal Years 2014 and 2013	02/27/2015	06/25/2015	Note 3
2015-BO-1003	The State of Rhode Island Did Not Always Operate Its NSP in Compliance With HUD Regulations, Providence, RI	03/04/2015	07/01/2015	Note 2
2015-AT-0001	HUD's Office of Community Planning and Development Did Not Always Pursue Remedial Actions but Generally Implemented Sufficient Controls for Administering Its Neighborhood Stabilization Program	03/31/2015	08/28/2015	Note 2
2015-LA-1002	Veterans First, Santa Ana, CA, Did Not Administer and Spend Its HUD Funding in Accordance With HUD Requirements	04/16/2015	08/14/2015	01/15/2017
2015-LA-0001	HUD's Claim Payment System Did Not Always Identify Ineligible FHA-HAMP Partial Claims	04/20/2015	08/19/2015	11/01/2016
2015-NY-1005	The City of Paterson, NJ's HOME Investment Partnerships Program Controls Did Not Ensure Compliance With Regulations	04/30/2015	06/03/2015	Note 2
2015-FO-0005	Compliance With the Improper Payments Elimination and Recovery Act	05/15/2015	10/02/2015	08/31/2018
2015-NY-1006	First Niagara Bank, Lockport, NY, Did Not Always Properly Implement HUD's Loss Mitigation Requirements in Servicing FHA-Approved Mortgages	05/22/2015	11/19/2015	Note 2
2015-LA-1004	The Housing Authority of the County of San Bernardino, San Bernardino, CA, Used Shelter Plus Care Program Funds for Ineligible and Unsupported Participants	05/29/2015	09/16/2015	Note 2

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2015-PH-1003	The State of New Jersey Did Not Comply With Federal Procurement and Cost Principle Requirements in Implementing Its Disaster Management System	06/04/2015	10/02/2015	Note 3
2015-FO-0801	Potential Antideficiency Act Violation HOME Investment Partnership Program	06/16/2015	12/11/2015	10/24/2016
2015-FW-0001	HUD Did Not Adequately Implement or Provide Adequate Oversight To Ensure Compliance With Environmental Requirements	06/16/2015	10/07/2015	10/14/2016
2015-FW-1002	The City of New Orleans, LA, Did Not Always Comply With Requirements When Administering Its 2013 Disaster Relief Grant	06/26/2015	09/29/2015	03/31/2017
2015-LA-0002	HUD Did Not Provide Adequate Oversight of the Section 184 Indian Home Loan Guarantee Program	07/06/2015	10/28/2015	11/02/2016
2015-AT-1005	The City of High Point Did Not Properly Administer Its Lead-Based Paint Hazard Control Grants in Compliance With Federal Requirements	07/09/2015	11/06/2015	11/07/2016
2015-LA-1005	NOVA Financial & Investment Corporation's FHA-Insured Loans With Downpayment Assistance Gifts Did Not Always Meet HUD Requirements	07/09/2015	09/11/2015	11/12/2016
2015-AT-1006	The State of Florida, Tallahassee, FL, Did Not Properly Support the Eligibility of Some Funds Used for the CDBG Disaster Recovery Program	07/27/2015	11/24/2015	11/23/2016
2015-PH-0003	HUD Did Not Adequately Oversee Enhanced Vouchers Administered by New York Agencies	07/29/2015	10/29/2015	10/28/2016
2015-CH-0001	HUD Did Not Always Provide Adequate Oversight of Its Section 203(k) Rehabilitation Loan Mortgage Insurance Program	07/31/2015	11/27/2015	11/24/2016
2015-KC-1005	Berkadia Approved a Mortgage for the Temtor Project That Was Not Economically Sound	08/04/2015	12/02/2015	11/16/2016

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2015-KC-0002	The Office of Community Planning and Development's Reviews of Matching Contributions Were Ineffective and Its Application of Match Reductions Was Not Always Correct	08/11/2015	12/09/2015	10/31/2016
2015-AT-0002	HUD's Office of Multifamily Asset Management and Portfolio Oversight Did Not Comply With Its Requirements for Monitoring Management Agents' Costs	08/21/2015	12/16/2015	Note 2
2015-PH-0004	HUD Policies Did Not Always Ensure That HECM Borrowers Complied With Residency Requirements	08/21/2015	12/18/2015	12/18/2016
2015-AT-1008	Broward County, Fort Lauderdale, FL, Did Not Properly Administer One of Its Projects and Did Not Comply With Some Match Requirements	08/23/2015	10/30/2015	10/25/2016
2015-CH-0802	HUD's Office of Public Housing Investments Could Improve Its Oversight of the Chicago Housing Authority's Exception Payment Standards Under Its Moving to Work Housing Choice Voucher Program	08/26/2015	10/29/2015	10/29/2016
2015-AT-1009	St. Francis Hospital, Inc., Did Not Comply With the Executed Regulatory Agreement and Federal Regulations for the HUD Section 242 Program	09/03/2015	10/17/2015	10/20/2016
2015-FW-1808	The Duson Housing Authority, Duson, LA, Failed To Administer Its Public Housing Program in Accordance With HUD Requirements	09/10/2015	11/05/2015	11/03/2016
2015-NY-1010	New York State Did Not Always Administer Its Rising Home Enhanced Buyout Program in Accordance With Federal and State Regulations	09/17/2015	03/01/2016	02/16/2017
2015-NY-1011	Program Control Weaknesses Lessened Assurance That New York Rising Housing Recovery Program Funds Were Always Disbursed for Eligible Costs	09/17/2015	03/18/2016	03/08/2017

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2015-LA-0003	HUD Did Not Have Effective Controls or Clear Guidance in Place for the FHA-HAMP Partial Claim Loss Mitigation Option	09/18/2015	03/23/2016	12/15/2016
2015-CH-1007	The Jefferson Metropolitan Housing Authority, Steubenville, OH, Did Not Adequately Enforce HUD's Housing Quality Standards and Its Own Requirements	09/24/2015	01/13/2016	12/31/2016
2015-LA-1802	Veterans First Did Not Administer or Spend Its Supportive Housing Program Grants in Accordance With HUD Requirements	09/24/2015	10/29/2015	10/25/2016
2015-CH-1008	The Housing Authority of the City of South Bend, IN, Did Not Always Comply With HUD Requirements and Its Own Policies Regarding the Administration of Its Section 8 Housing Choice Voucher Program	09/25/2015	01/22/2016	12/31/2016
2015-PH-1005	The State of Maryland Could Not Show That Replacement Homes Complied With the Green Building Standard	09/25/2015	01/19/2016	01/19/2017
2015-CH-1009	The State of Illinois' Administrator Lacked Adequate Controls Over the State's Community Development Block Grant Disaster Recovery Program-Funded Projects	09/30/2015	01/28/2016	01/27/2017
2015-CH-1010	The Cooperative and Management Agent Lacked Adequate Controls Over the Operation of Carmen-Marine Apartments, Chicago, IL	09/30/2015	01/28/2016	01/28/2017
2015-KC-1012	LoanCare Did Not Always File Claims for Foreclosed-Upon Properties Held on Behalf of Ginnie Mae and Convey Them to FHA in a Timely Manner	09/30/2015	01/04/2016	12/21/2016
2015-LA-1009	loanDepot's FHA-Insured Loans With Downpayment Assistance Funds Did Not Always Meet HUD Requirements	09/30/2015	01/12/2016	Note 3
2015-LA-1010	loanDepot's FHA-Insured Loans With Golden State Finance Authority Downpayment Assistance Gifts Did Not Always Meet HUD Requirements	09/30/2015	01/12/2016	Note 3

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2015-LA-1803	The City of Richmond, CA, Did Not Adequately Support Its Use of HUD-Funded Expenses for Its Filbert Phase 1 and Filbert Phase 2 Activities	09/30/2015	01/08/2016	11/30/2016
2015-PH-1008	The Richmond Redevelopment and Housing Authority, Richmond, VA, Did Not Comply With HUD Requirements When Procuring Services	09/30/2015	10/29/2015	01/27/2017
2015-DE-1002	The City Used Grant Funds for Unsupported Salary and Project Costs and Did Not Properly Complete Environmental Reviews of Its Projects	06/30/2015	10/28/2015	05/31/2016

Significant audit reports issued within the past 12 months that were described in previous semiannual reports for which final action had not been completed as of 09/30/2016

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2016-DP-0001	Fiscal Year 2015 Review of Information System Controls in Support of the Financial Statements Audit	11/13/2015	02/01/2016	Note 2
2016-FO-0001	Audit of Fiscal Years 2015 and 2014 (Restated) Financial Statements	11/13/2015	03/24/2016	Note 3
2016-FO-0002	Fiscal Years 2015 and 2014 Financial Statements Audit	11/16/2015	03/16/2016	11/30/2016
2016-FO-0003	Additional Details To Supplement Our Fiscal Years 2015 and 2014 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	11/18/2015	03/22/2016	Note 3
2016-DP-0801	Review of Information System Controls Over the Government National Mortgage Association	11/30/2015	03/30/2016	01/02/2017
2016-NY-1001	Provident Bank, Iselin, NJ Needs To Improve Controls Over Its Servicing of FHA-Insured Mortgages and Loss Mitigation Efforts	11/30/2015	03/29/2016	11/30/2016
2016-AT-1002	The Municipality of Toa Alta, PR, Did Not Properly Administer Its Section 108 Loan Guarantee Program	12/17/2015	04/12/2016	03/31/2017
2016-DP-0002	Single Family Insurance System and Single Family Insurance Claims Subsystem	12/21/2015	03/31/2016	08/21/2017
2016-NY-1003	The City of Rochester, NY, Did Not Always Administer Its Community Development Block Grant Program in Accordance With HUD Requirements	02/05/2016	06/17/2016	12/30/2016
2016-KC-1001	The State of Missouri Did Not Correctly Allocate Salaries to Its Disaster Recovery Grants	02/22/2016	06/20/2016	05/30/2017
2016-CH-0001	HUD Lacked Adequate Oversight of Public Housing Agencies' Compliance With Its Declaration of Trust Requirements	02/26/2016	06/20/2016	10/01/2019

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2016-SE-1001	Homewood Terrace, Auburn, WA, Did Not Always Conduct Timely Reexaminations, Properly Request Assistance Payments, or Verify Income Information	03/09/2016	07/06/2016	07/06/2017
2016-AT-1004	The Puerto Rico Department of Housing, San Juan, PR, Did Not Adequately Enforce HUD's Housing Quality Standards	03/14/2016	04/15/2016	12/31/2016
2016-FW-1001	The City of Baton Rouge and Parish of East Baton Rouge, LA, Office of Community Development, Did Not Always Properly Administer Its Community Development Block Grant Program Activities	03/21/2016	05/03/2016	03/01/2017
2016-NY-1006	New York State Did Not Always Disburse Community Development Block Grant Disaster Recovery Funds in Accordance With Federal and State Regulations	03/29/2016	07/27/2016	07/25/2017
2016-NY-1007	The City of Jersey City, NJ's Community Development Block Grant Program Had Administrative and Financial Control Weaknesses	03/30/2016	06/08/2016	03/29/2017

Audits excluded:

79 audits under repayment plans

34 audits under debt claims collection processing, formal judicial review, investigation, or legislative solution

Notes:

1 Management did not meet the target date. The target date is more than 1 year old.

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

3 No management decision

TABLE C

Inspector General-issued reports with questioned and unsupported costs at 9/30/2016 (thousands)

AUDIT REPORTS		NUMBER OF AUDIT REPORTS	QUESTIONED COSTS	UNSUPPORTED COSTS
A1	For which no management decision had been made by the commencement of the reporting period	28	\$449,726	\$245,497
A2	For which litigation, legislation, or investigation was pending at the commencement of the reporting period	5	27,333	5,170
A3	For which additional costs were added to reports in beginning inventory	0	2,980	326
A4	For which costs were added to noncost reports	0	0	0
B1	Which were issued during the reporting period	88	1,100,551	158,761
B2	Which were reopened during the reporting period	0	0	0
SUBTOTALS (A + B)		121	1,580,590	409,754
C	For which a management decision was made during the reporting period	56 ¹⁷	1,287,117	212,597
	(1) Dollar value of disallowed costs:	36 ¹⁸	1,070,440	3
	Due HUD	20	216,442	212,550
	Due program participants			
	2) Dollar value of costs not disallowed	0 ¹⁹	0	0
D	For which a management decision had been made not to determine costs until completion of litigation, legislation, or investigation	5	27,333	5,170
E	For which no management decision had been made by the end of the reporting period	60 <159> ²⁰	266,140 <235,364> ²⁰	191,987 <188,568> ²⁰

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

¹⁸ One audit report also contains recommendations with funds due program participants.

¹⁹ Two audit reports also contain recommendations with funds agreed to by management.

²⁰ The figures in brackets represent data at the recommendation level as compared to the report level. See Explanations of Tables C and D.

TABLE D

Inspector General-issued reports with recommendations that funds be put to better use at 9/30/2016 (thousands)

AUDIT REPORTS		NUMBER OF AUDIT REPORTS	DOLLAR VALUE
A1	For which no management decision had been made by the commencement of the reporting period	22	\$3,627,284
A2	For which litigation, legislation, or investigation was pending at the commencement of the reporting period	2	1,854
A3	For which additional costs were added to reports in the beginning inventory	-	0
A4	For which costs were added to noncost reports	0	0
B1	Which were issued during the reporting period	37	5,152,635
B2	Which were reopened during the reporting period	0	0
SUBTOTALS (A + B)		61	8,781,773
C	For which a management decision was made during the reporting period	24 ²¹	1,600,420
	(1) Dollar value of recommendations that were agreed to by management:	9	1,169,593
	Due HUD	14	372,158
	Due program participants		
	2) Dollar value of recommendations that were not agreed to by management	3 ²²	58,669
D	For which a management decision had been made not to determine costs until completion of litigation, legislation, or investigation	1	1,694
E	For which no management decision had been made by the end of the reporting period	36 <53> ²³	7,179,659 <5,198,700> ²³

²¹ Thirteen audit reports also contain recommendations with questioned costs.

²² Two audit reports also contain recommendations with funds agreed to by management.

²³ The figures in brackets represent data at the recommendation level as compared to the report level. See Explanations of Tables C and D.

EXPLANATIONS OF TABLES C AND D

The Inspector General Act Amendments of 1988 require inspectors general and agency heads to report cost data on management decisions and final actions on audit reports. The current method of reporting at the “report” level rather than at the individual audit “recommendation” level results in misleading reporting of cost data. Under the Act, an audit “report” does not have a management decision or final action until all questioned cost items or other recommendations have a management decision or final action. Under these circumstances, the use of the “report” based rather than the “recommendation” based method of reporting distorts the actual agency efforts to resolve and complete action on audit recommendations. For example, certain cost items or recommendations could have a management decision and repayment (final action) in a short period of time. Other cost items or nonmonetary recommendation issues in the same audit report may be more complex, requiring a longer period of time for management’s decision or final action. Although management may have taken timely action on all but one of many recommendations in an audit report, the current “all or nothing” reporting format does not recognize its efforts.

The closing inventory for items with no management decision in tables C and D (line E) reflects figures at the report level as well as the recommendation level.

OIG TELEPHONE DIRECTORY

OFFICE OF AUDIT

HEADQUARTERS OFFICE

Washington, DC	202-402-0364
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OFFICE OF AUDIT

REGION 1

Boston, MA	617-994-8380
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Hartford, CT	860-240-4837
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REGION 2

New York, NY	212-264-4174
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Buffalo, NY	716-551-5755
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Newark, NJ	973-776-7339
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REGION 3

Philadelphia, PA	215-656-0500
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Baltimore, MD	410-962-2520
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Pittsburgh, PA	412-644-6372
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Richmond, VA	804-771-2100
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REGION 4

Atlanta, GA	404-331-3369
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Greensboro, NC	336-547-4001
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Miami, FL	305-536-5387
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San Juan, PR	787-766-5540
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REGION 5

Chicago, IL	312-353-7832
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Columbus, OH	614-280-6138
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Detroit, MI	313-226-6280
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REGION 6

Fort Worth, TX	817-978-9309
Baton Rouge, LA	225-448-3976
Houston, TX	713-718-3199
New Orleans, LA	504-671-3715
Albuquerque, NM	505-346-7270
Oklahoma City, OK	405-609-8606
San Antonio, TX	210-475-6800

REGION 7-8-10

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

REGION 9

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

OFFICE OF INVESTIGATION**HEADQUARTERS**

Washington, DC	202-708-5998
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OFFICE OF INVESTIGATION**REGION 1-2**

New York, NY	212-264-8062
Boston, MA	617-994-8450
Hartford, CT	860-240-4800
Manchester, NH	603-666-7988
Newark, NJ	973-776-7355

REGION 3

Philadelphia, PA	215-430-6758
Baltimore, MD	410-209-6533
Pittsburgh, PA	412-644-6598
Richmond, VA	804-822-4890

REGION 4

Atlanta, GA	404-331-5001
Birmingham, AL	205-745-4314
Columbia, SC	803-451-4318
Greensboro, NC	336-547-4000
Memphis, TN	901-554-3148
Miami, FL	305-536-3087
San Juan, PR	787-766-5868
Tampa, FL	813-228-2026
Jackson, MS	601-329-6924

REGION 5

Chicago, IL	312-353-4196
Cleveland, OH	216-357-7800
Columbus, OH	614-469-6677
Detroit, MI	313-226-6280
Grand Rapids, MI	313-226-6280
Indianapolis, IN	317-957-7377
Minneapolis-St. Paul, MN	612-370-3130

REGION 6

Fort Worth, TX	817-978-5440
Baton Rouge, LA	225-448-3941
Houston, TX	713-718-3227
Little Rock, AR	501-324-5931
New Orleans, LA	504-671-3700
Oklahoma City, OK	405-609-8601
San Antonio, TX	210-475-6822

REGION 7-8-10

Denver, CO	303-672-5350
Billings, MT	406-247-4080
Kansas City, KS	913-551-5566
Salt Lake City, UT	801-524-6090
St. Louis, MO	314-539-6559
Seattle, WA	206-220-5380

REGION 9

Los Angeles, CA	213-894-0219
Las Vegas, NV	702-366-2144
Phoenix, AZ	602-379-7252
Sacramento, CA	916-930-5691
San Francisco, CA	415-489-6683

JOINT CIVIL FRAUD DIVISION

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

ACRONYMS AND ABBREVIATIONS LIST

ACD	Accelerated Claims Disposition program
AFR	agency financial report
ARC	Administrative Resource Center
CAIVRS	Credit Alert Verification Reporting System
CDBG	Community Development Block Grant
CDBG-DR	Community Development Block Grant Disaster Recovery
CFR	Code of Federal Regulations
CIGIE	Counsel of the Inspectors General on Integrity and Efficiency
CNCS	Corporation for National and Community Service
CPD	Office of Community Planning and Development
CWCOT	Claims Without Conveyance of Title program
DCIA	Debt Collection Improvement Act of 1996
DOJ	U.S. Department of Justice
EJW	Equal Justice Works
FAEC	Federal Audit Executive Counsel
FAR	Federal Acquisition Regulations
FFMIA	Federal Financial Management Improvement Act of 1996
FHA	Federal Housing Administration
FIFO	first-in, first-out
FISMA	Federal Information Security Modernization Act
FSS	Family Self-Sufficiency program
FSSP	Federal shared service provider
GAAP	generally accepted accounting principles
GAO	U.S. Government Accountability Office
GFAS	Ginnie Mae Financial and Accounting System
Ginnie Mae	Government National Mortgage Association
GLO-DR	General Land Office Disaster Recovery

HAMP	Home Affordable Modification Program
HECM	home equity conversion mortgage
HIAMS	HUD Integrated Acquisition Management System
HPS	HUD Procurement System
HUD	U.S. Department of Housing and Urban Development
HUDCAPS	HUD's Central Accounting and Program System
ICP	Integrity and Compliance Program
IDIS	Integrated Disbursement and Information System
IG	Inspector General
IPA	Intergovernmental Personnel Act
IPERA	Improper Payments Elimination and Recovery Act of 2010
IT	information technology
MAP	multifamily accelerated processing
MRB	Mortgagee Review Board
MSS	master subservicer
NAHASDA	Native American Housing Assistance and Self-Determination Act
NCIS	New Core Interface Solution
NEPA	National Environmental Policy Act
NSP	Neighborhood Stabilization Program
OCFO	Office of the Chief Financial Officer
OCPO	Office of the Chief Procurement Officer
OGC	Office of General Counsel
OHF	Office of Hospital Facilities
OI	Office of Investigation
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPHI	Office of Public Housing Investments

ACRONYMS AND ABBREVIATIONS LIST (CONTINUED)

PHA	public housing agency
PIH	Office of Public and Indian Housing
PII	personally identifiable information
PKMG	P.K. Management Group, Inc.
SFIS	Single Family Insurance System
SPS	Small Purchase System
SSA	Social Security Administration
UPCS	uniform physical condition standard
USPS	United States Postal Service
USSGL	United States Standard General Ledger

REPORTING REQUIREMENTS

The specific reporting requirements as prescribed by the Inspector General Act of 1978, as amended by the Inspector General Act of 1988, are listed below:

SOURCE-REQUIREMENT	PAGES
Section 4(a)(2)-review of existing and proposed legislation and regulations	45
Section 5(a)(1)-description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of the Department.	14 - 41, 68 - 69
Section 5(a)(2)-description of recommendations for corrective action with respect to significant problems, abuses, and deficiencies.	49
Section 5(a)(3) ²⁴ -identification of each significant recommendation described in previous Semiannual Report on which corrective action has not been completed.	Appendix 3, Table B, Page 83
Section 5(a)(4)-summary of matters referred to prosecutive authorities and the prosecutions and convictions that have resulted.	14 - 41
Section 5(a)(5)-summary of reports made on instances where information or assistance was unreasonably refused or not provided, as required by Section 6(b)(2) of the Act.	No Instances
Section 5(a)(6)-listing of each audit report completed during the reporting period, and for each report, where applicable, the total dollar value of questioned and unsupported costs and the dollar value of recommendations that funds be put to better use.	Appendix 2, 71
Section 5(a)(7)-summary of each particularly significant report.	14 - 41
Section 5(a)(8)-statistical tables showing the total number of audit reports and the total dollar value of questioned and unsupported costs.	Appendix 3 Table C, 101
Section 5(a)(9)-statistical tables showing the total number of audit reports and the dollar value of recommendations that funds be put to better use by management.	Appendix 3, Table D, 102
Section 5(a)(10)-summary of each audit report issued before the commencement of the reporting period for which no management decision had been made by the end of the period.	Appendix 3, Table A, 82
Section 5(a)(11)-a description and explanation of the reasons for any significant revised management decisions made during the reporting period.	60
Section 5(a)(12)-information concerning any significant management decision with which the Inspector General is in disagreement.	61
Section 5(a)(13)-the information described under section 05(b) of the Federal Financial Management Improvement Act of 1996.	66

²⁴ Unsupported costs are a subset of questioned costs that the IG Act requires be identified separately from the cumulative questioned costs identified.

FRAUD ALERT

Every day, loan modification and foreclosure rescue scams rob vulnerable homeowners of their money and their homes. The U.S. Department of Housing and Urban Development (HUD), Office of Inspector General, is the Department's law enforcement arm and is responsible for investigating complaints and allegations of mortgage fraud. Following are some of the more common scams:

COMMON LOAN MODIFICATION SCAMS

Phony counseling scams: The scam artist says that he or she can negotiate a deal with the lender to modify the mortgage — for an upfront fee.

Phony foreclosure rescue scams: Some scammers advise homeowners to make their mortgage payments directly to the scammer while he or she negotiates with the lender. Once the homeowner has made a few mortgage payments, the scammer disappears with the homeowner's money.

Fake “government” modification programs: Some scammers claim to be affiliated with or approved by the government. The scammer's company name and Web site may appear to be a real government agency, but the Web site address will end with .com or .net instead of .gov.

Forensic loan audit: Because advance fees for loan counseling services are prohibited, scammers may sell their services as “forensic mortgage audits.” The scammer will say that the audit report can be used to avoid foreclosure, force a mortgage modification, or even cancel a loan. The fraudster typically will request an upfront fee for this service.

Mass joinder lawsuit: The scam artist, usually a lawyer, law firm, or marketing partner, will promise that he or she can force lenders to modify loans. The scammers will try to “sell” participation in a lawsuit against the mortgage lender, claiming that the homeowner cannot participate in the lawsuit until he or she pays some type of upfront fee.

Rent-to-own or leaseback scheme: The homeowner surrenders the title or deed as part of a deal that will let the homeowner stay in the home as a renter and then buy it back in a few years. However, the scammer has no intention of selling the home back to the homeowner and, instead, takes the monthly “rent” payments and allows the home to go into foreclosure.

Remember, only work with a HUD-approved housing counselor to understand your options for assistance. HUD-approved housing counseling agencies are available to provide information and assistance. Call 888-995-HOPE to speak with an expert about your situation. HUD-approved counseling is free of charge.

If you suspect fraud, call the U.S. Department of Housing and Urban Development, Office of Inspector General.



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

Faxing the OIG hotline: 202-708-4829

Emailing the OIG hotline: hotline@hudoig.gov

Sending written information to

Department of Housing and Urban Development

Inspector General Hotline (GFI)

451 7th Street, SW

Washington, DC 20410

Internet

<http://www.hudoig.gov/hotline/index.php>

ALL INFORMATION IS CONFIDENTIAL, AND YOU MAY REMAIN ANONYMOUS.



U.S. DEPARTMENT
OF HOUSING
AND URBAN
DEVELOPMENT

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www.hudoig.gov