



**AUDIT PLAN**  
**As of February 28, 2019**  
**OFFICE OF INSPECTOR GENERAL**  
**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

## *Overview*

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

On March 23, 2018, the President signed the omnibus appropriations for fiscal year 2018. The agreement includes a total of \$42.7 billion for HUD, an increase of \$3.9 billion, or 10 percent, over the fiscal year 2017 level. The budget provides

- \$230 billion for the Lead Hazard Reduction Program, which funds the remediation of lead paint in homes with young children.
- \$33.5 billion for tenant- and project-based Section 8 rental assistance to maintain existing rental assistance for nearly 3.5 million households.
- \$7.5 billion for public housing programs. The agreement also increases to 455,000 the number of public housing units that may participate in the Rental Assistance Demonstration Program (RAD).
- \$3.3 billion for the CDBG formula program.
- \$2.5 billion for homeless assistance grants, which includes \$80 million in grants for family unification vouchers targeted to youth in foster care and at risk of homelessness and \$40 million for new Veterans Affairs Supportive Housing program vouchers for homeless veterans.
- \$1.4 billion for the HOME Investment Partnerships program to create affordable housing for low-income households.
- \$907.6 million to continue existing housing projects in the Section 202 and Section 811 programs, which provide housing targeted to elderly and disabled households. The agreement includes \$105 million for the development of new elderly housing and \$82.6 million for new housing for the disabled.
- \$821 million for housing and community development programs for Native American



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tribes. The agreement includes \$7 million for training and technical assistance to improve program delivery for Native American families.

- \$375 million for the Housing Opportunities for Persons With AIDs program.
- \$55 million for housing counseling assistance.

On September 8, 2017, through Public Law 115-56, Congress appropriated \$7.4 billion in supplemental disaster funds. Of the \$7.4 billion appropriated, \$10 million is provided for HUD administrative costs. Of the \$7.4 billion appropriated,

- \$5 billion was allocated for Disaster Harvey.
- \$615 million was allocated for Disaster Irma.
- \$243 million was allocated for Disasters Irma and Maria.
- \$1.5 billion was allocated for Disasters Irma and Maria.

On February 9, 2018, through Public Law 115-123, Congress appropriated \$28 billion for CDBG Disaster Recovery (CDBG-DR) grants. Of the \$28 billion appropriated,

- \$16 billion is for unmet recovery needs from 2017 disasters, of which \$11 billion is for areas affected by Hurricane Maria and includes \$2 billion for electrical system repairs or enhancements.
- \$12 billion is for mitigation activities in communities that received CDBG-DR grants in 2014-2017.

HUD is focused on helping Americans to secure and maintain quality, affordable housing; ending homelessness; making our communities more resilient after natural disasters; and protecting people from discrimination. HUD's work is critical to strengthening communities, bolstering the economy, and improving the quality of life of the American people. This audit plan provides coverage of HUD's program areas and management and organizational reforms. It gives full consideration to the Office of Inspector General's (OIG) strategic plan and HUD's management challenges identified by OIG and reported to Congress annually.

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

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

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



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The Office of Audit is responsible for conducting audits, as well as civil fraud reviews. This work identifies, assesses, and reports on HUD's activities and programs. The Office of Audit recommends corrective actions to HUD, as necessary, to prevent program or operational problems, improve program operations, and help ensure that recipients of HUD assistance comply with applicable requirements. Auditors are assigned to headquarters and regional offices.

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

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

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

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

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

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

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

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



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While HUD is a relatively small agency in terms of staff, it relies on a large number of entities to administer its diverse programs. Among HUD's administrators are hundreds of cities and directly funded grantees that manage HUD's CDBG funds, thousands of PHAs and multifamily housing projects that provide housing assistance, and thousands of HUD-approved lenders that originate FHA-insured loans.

HUD's housing finance and subsidy programs represent more than \$1 trillion in long-term Federal financial commitments. HUD is actively involved in foreclosure mitigation, home-ownership counseling, and a myriad of efforts to curb mortgage abuse.

HUD's public and Indian housing and community development programs impact the lives of millions of low-income households and the condition of most American communities. A shrinking HUD staff has led to an ever-growing reliance on outside program partners and contractors to perform many critical program functions.

### *Audit Plan Objectives*

The audit plan has the following objectives:

- **promoting fiscal responsibility and financial accountability,**
- **strengthening the soundness of public and Indian housing,**
- **improving HUD's execution of and accountability for grant funds, and**
- **protecting the integrity of housing insurance and guarantee programs.**

### *Promoting Fiscal Responsibility and Financial Accountability*

HUD's program offices' and government corporations' strategic focus is on

- promoting economic opportunity,
- enhancing rental assistance,
- reducing the average length of homelessness,
- supporting sustainable home ownership and financial viability,
- removing lead-based paint hazards and other health risks from homes,
- organizing and delivering services more effectively, and
- strengthening fiscal responsibility and controls.

HUD plans to accomplish these goals through a decentralized structure of program offices and government corporations.



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

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

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

The Office of Public and Indian Housing provides funding for rent subsidies through its public housing operating subsidies and tenant-based Section 8 rental assistance programs. These programs are administered by about 3,900 PHAs, which are to provide housing to low-income families or make assistance payments to private owners that lease their rental units to assisted families. In fiscal year 2018, there were approximately 1 million public housing units occupied by tenants. These units are under the direct management of the PHAs.

The Moving to Work Demonstration program gives PHAs the opportunity to design and test innovative, locally developed strategies that are designed to use Federal dollars more efficiently, help residents become self-sufficient, and increase housing choices for low-income families. The program gives PHAs exemptions from many public housing rules and more flexibility in how they use their Federal funds. There are currently 39 PHAs participating in the program. Under the 2016 MTW [Moving to Work] Expansion Statute, HUD is authorized to expand the program to an additional 100 PHAs over a period of 7 years. The statute has gone through departmental clearance and was published in the Federal Register for a 45-day comment period at the beginning of the fiscal year. The Department is currently reviewing comments received and expects to publish the final statute in the spring. OIG has issued a report on the Moving to Work Demonstration program, focusing on the need for HUD to develop criteria to evaluate the success of the program. OIG has also issued one report on lobbying expenses and one report on legal expenses at these agencies. OIG will continue to evaluate how well HUD monitors these PHAs.

RAD was developed to give PHAs a tool to preserve and improve public housing properties and address the \$26 billion nationwide backlog of deferred maintenance. RAD also gives owners of three HUD "legacy" programs (Rent Supplement, Rental Assistance Payment, and Section 8 Moderate Rehabilitation) the opportunity to enter into long-term contracts that facilitate the financing of improvements. Additionally, RAD allows PHAs to leverage public and private debt and equity in order to reinvest in the public housing stock. OIG has issued one internal report on RAD, focusing on HUD's completing an adequate front-end risk assessment for RAD. OIG will continue to evaluate HUD's administration of RAD.



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The Lead Safe Housing Rule (LSHR) regulates the evaluation and control of lead-based paint hazards in most federally assisted housing built before 1978. The specific requirements vary with the type and amount of Federal housing assistance. LSHR contains special requirements for units occupied by children under age 6. Under the rule, “lead poisoned” children are children age 6 or under who have environmental intervention blood lead levels. When a child is lead poisoned, the owner and PHA have specific requirements to meet to ensure that all lead-based paint hazards have been evaluated and controlled and that the unit is safe for continued occupancy. OIG has issued an internal report on lead-based paint reporting and remediation in HUD’s public housing programs and Housing Choice Voucher Program, which found that HUD lacked adequate oversight in this area. OIG will continue to evaluate HUD’s oversight of PHAs’ implementation of LSHR.

PHAs must implement and follow their admissions and continued occupancy policy, which includes requirements for the minimum and maximum number of persons who may live in a unit. This requirement maintains the usefulness of the units, while protecting them from both excessive wear and underutilization. OIG’s research has found that some PHAs misused the public housing stock as there were families living in units that were significantly too large for their family size. This practice could cause larger families on the PHAs’ waiting list that qualified for a larger unit to continue to wait or take a unit that was too small to meet their needs. OIG is performing an audit of HUD’s oversight of overhoused families in public housing. This audit will determine whether HUD had adequate oversight of overhoused families in public housing units.

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

HUD awards grants to all levels of government and to the private sector for developing viable communities by promoting integrated approaches that provide decent housing, suitable living environments, and expanded economic opportunities for low- and moderate-income persons. OIG plans to focus on significant areas related to the lack of controls over and accountability for grant funds.

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

FHA is the Federal Government’s single largest program to extend home ownership to individuals and families who lack the savings, credit history, or income to qualify for a conventional mortgage. HUD, through FHA, insures approximately 25 percent of all mortgages in the United States. FHA manages the largest mortgage insurance portfolio in the U.S. mortgage finance system. Single-family insurance in force for fiscal year 2018 totaled \$1.26 trillion, an increase of 3.08 percent from fiscal year 2017. Using the Mutual Mortgage Insurance fund (MMI), FHA insures lenders against losses when borrowers default on loans, which allows lenders to make loans to individuals who might otherwise not be eligible for a conventional mortgage. HUD is challenged in protecting the FHA mortgage insurance program. Without sufficient controls, oversight, and effective rules, FHA’s MMI is at risk of unnecessary losses.

In November 2018, FHA released its 2018 Annual Report to Congress on the economic condition of the agency’s MMI. FHA reported that, as of September 30, 2018, the combined



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capital ratio in the MMI for fiscal year 2018 was 2.76 percent, an increase from the restated 2.18 percent capital ratio in the MMI for fiscal year 2017. This is the fourth year in which the MMI has exceeded the minimum capital ratio of 2.00 percent—a minimum capital reserve level mandated by statute. According to HUD’s December 2018 production report, FHA had more than 8 million single-family mortgages in force with an amortized balance of more than \$1.2 trillion.

OIG plans to continue its efforts in external and internal audits of HUD’s activities in the single-family mortgage industry. OIG remains focused on audits that identify areas in which HUD can improve and strengthen its controls to ensure that claims paid are supported, reasonable, and eligible. Further, OIG is focused on areas that identify missed opportunities for HUD to bolster the insurance fund by pursuing collections such as partial claims.

The Office of Audit continues to review for civil mortgage fraud and will actively seek out instances involving false claims deserving civil complaints to recover Federal funds. Lenders are selected for audit through the use of data-mining techniques, along with prioritizing audit requests from outside sources. All appropriate enforcement actions will be pursued against lenders through referrals to the Mortgagee Review Board, the Office of Program Enforcement, the Departmental Enforcement Center, and OIG’s own Office of Investigation.

The National Flood Insurance Program (NFIP or Program) was established by Congress in 1968 to address challenges inherent in financing and managing flood risks in the private sector. The Program offers affordable flood insurance for property owners, renters, and businesses. Properties located in areas that have a high risk of flooding are required to have flood insurance. The Program currently covers more than 5.5 million households and businesses across the country for a total of nearly \$1.29 trillion in flood insurance coverage. On July 6, 2012, President Obama signed into law the Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters or BW-12). Biggert-Waters updated U.S. flood-control policy in the context of (1) reforming and reauthorizing the NFIP until September 30, 2017; (2) seeking resolution of many of the underlying economic and engineering challenges relative to the condition of flood-control protection infrastructures; and (3) strengthening the coordination among the Federal Emergency Management Agency, the U.S. Army Corps of Engineers, and the U.S. Department of Agriculture with local homeowners, businesses, and the American taxpayers.

Additional legislation, passed on March 21, 2014, known as the Homeowner Flood Insurance Affordability Act, repealed and modified certain provisions of BW-12 and made additional changes to the NFIP. Collectively, these acts authorize a national flood mapping program with several major expansions in scope and enhancements to community engagement and risk communications. There have been many extensions made to the Program. Congress must periodically renew the NFIP’s statutory authority to operate. On December 21, 2018, the President signed legislation passed by Congress that extends the NFIP’s authorization to May 31, 2019. Major reforms are expected to be made to the Program. The Program is about \$20.5 billion in debt. Congress has expressed concerns that HUD has not been applying its flood insurance rules and lenders have not required borrowers to get or keep flood insurance on properties with FHA-insured loans. OIG plans to start work in this area.





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### *Significant Mandated Audits*

Congress has tasked OIG with legislated reporting. For example, the Appropriations Committee tasked OIG with audit responsibility for the \$3.5 billion in Disaster Recovery Assistance funding provided to New York City as a result of the September 11, 2001, terrorist attacks. The task involves reporting once a year.

The Disaster Relief Requirements Appropriation Act of 2017 provided \$35 billion in CDBG funds to address the long-term recovery in the wake of a wide range of devastation caused by Hurricanes Harvey in Texas; Irma in Florida, Georgia, South Carolina, and the U.S. Virgin Islands; Maria in Puerto Rico and the Virgin Islands; and Nate along the coast of Mississippi during the hurricane season of 2017. These hurricanes were followed by devastating wildfires in northern and southern California, which also caused massive destruction and loss of human life. In December 2016, the HUD Secretary awarded an additional \$2.6 billion to help Louisiana, West Virginia, Texas, North Carolina, South Carolina, and Florida recover after severe flooding events that occurred earlier that year. OIG has oversight responsibilities for these CDBG funds and will perform disaster assistance reviews as part of its annual audit plan. OIG continues to be proactive in the oversight of Hurricane Sandy funding. Regarding Hurricane Sandy, OIG has issued 44 reports and 1 interim memorandum and has 4 ongoing audits in the affected States.

Regarding the 2017 hurricanes and 2016 severe flooding, OIG has conducted and will continue to conduct audits to assess and recommend improvements to the capacity of grantees that administer disaster funding in Texas, Florida, Puerto Rico, and the Virgin Islands. Additionally, OIG is leading the Council of the Inspectors General on Integrity and Efficiency cross-cutting review on disaster preparedness with several other OIGs. It has issued a capacity review report on the States of Texas and Florida as a result of Hurricane Irma and has issued a report on the disaster recovery program related to flooding in the State of Louisiana. During the 2018 Atlantic hurricane season, two of the most destructive storms in United States history, Hurricane Florence and Hurricane Michael, caused catastrophic damage from wind, storm surge, and flooding in Florida, Georgia, and North and South Carolina. HUD faces challenges in responding effectively to these natural disasters in terms of immediate response and long-term recovery efforts. Given the magnitude of the damage caused by these disasters and the extensive reconstruction and recovery efforts that will be needed, OIG's oversight of HUD's disaster assistance programs will continue and significantly increase over the next several years.

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

The Information Systems Audit Division assists the Financial Audit Division in completing the annual audit of HUD's financial statements using the U.S. Government Accountability Office's Federal Information System Controls Audit Manual (FISCAM). Once the significant accounting applications are identified and the computer systems involved in those



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applications are determined, FISCAM is used as a guide to assess computer-related controls. Components of internal control include general and application controls. General controls are security management, access control, configuration management, segregation of duties, and contingency planning. Application controls are those controls over the completeness, accuracy, validity, confidentiality, and availability of transactions and data during application processing. The effectiveness of application-level controls depends on the effectiveness of entitywide and system-level general controls. Application-level controls are divided into the following four control categories: application-level security controls, business process controls, interface controls, and data management system controls. FISCAM is used to assess these controls. Information system security controls are also addressed in Office of Management and Budget (OMB) Circular A-130, Management of Federal Information Resources; National Institute of Standards and Technology computer security handbooks; and other publications.

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

The Charge Card Abuse Prevention Act of 2012 requires OIG to (1) conduct periodic assessments of the agency charge card programs; (2) identify and analyze the risk of illegal, improper, or erroneous purchases and payments; (3) perform analyses or audits as necessary; (4) report to the head of the executive agency concerns regarding the results of such analyses or audits; and (5) report to the Director of OMB on the implementation of recommendations made to the head of the executive agency. In accordance with the Charge Card Act, OIG and HUD submit a semiannual joint purchase and integrated card violation report to the Director of OMB, which describes confirmed violations involving the misuse of charge cards and disciplinary actions taken.

The Office of National Drug Control Policy's (ONDCP) circular, Accounting of Drug Control Funding and Performance Summary of January 2013, and 21 U.S.C. (United States Code) 1704(d) direct inspectors general to report annually on their review of the drug-related obligations of their agency. OIG will conduct an attestation review of HUD's fiscal year 2018 ONDCP reporting.

The Digital Accountability and Transparency Act of 2014 (DATA Act) aims to make information on Federal expenditures more easily accessible and transparent. The law requires the U.S. Department of the Treasury to establish common standards for financial data provided



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by all government agencies and expand the amount of data that agencies must provide to the government website, USASpending.gov. The goal of the law is to improve the ability of Americans to track and understand how the government is spending money. The inspector general of each Federal agency is directed to (1) review a statistically valid sampling of the spending data submitted under this Act by the Federal agency and (2) submit to Congress and make publicly available a report assessing the completeness, timeliness, quality, and accuracy of the data sampled and the implementation and use of data standards by the Federal agency. **OIG's** first required report was issued in November 2017, with additional reports to follow on a 2-year cycle in November 2019 and November 2021.

The Grants Oversight and New Efficiency Act required OMB to instruct each agency to submit a report to Congress and the U.S. Department of Health and Human Services by December 31, 2016. The report lists each Federal grant award held and the challenges leading to delays in grant closeout. It also details why each of the 30 oldest Federal grant awards has not been closed out. Each agency, within 1 year after submitting its report, will report which awards have not been closed out. The inspector general of an agency with more than \$500 million in annual grant funding, within 1 year after such agency has provided the report, will conduct a risk assessment to determine whether an audit or review of the agency's grant closeout process is warranted. Although, the report was due by December 31, 2016, HUD issued its report as part of its Fiscal Year 2017 Annual Financial Report in November 2017.



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### ONGOING AND PLANNED INTERNAL AUDITS

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

Program areas and objectives	Lead region	Start date	Final report target date
<b>Single-family housing-FHA</b>			
**** <b>FHA Claims Without Conveyance of Title program (NY-18-0003):</b> To determine whether FHA's Claims Without Conveyance of Title program revisions were beneficial to the FHA insurance fund.	New York	December 2017	May 2019
**** <b>HUD's servicing of home equity conversion mortgage loans (AT-18-0008):</b> To determine whether HUD adequately ensured that its single-family servicing contractor, Novad Management Consulting, serviced home equity conversion mortgage loans in accordance with HUD's requirements.	Atlanta	February 2018	May 2019
**** <b>Home Equity Conversion Mortgage Program (FW-18-0015):</b> To determine whether HUD designed the Home Equity Conversion Mortgage program to control the risk of loss related to assignment claims and ensure program viability.	Fort Worth	June 2018	April 2019
**** <b>Improper partial claims that did not reinstate the loans (KC-18-0015):</b> To determine whether FHA paid improper partial claims that did not reinstate the loans in default.	Kansas City	July 2018	April 2019
**** <b>FHA partial claim eligibility (corrective action verification) (LA-19-0012):</b> To determine whether HUD implemented adequate controls to prevent or detect payment of partial claims that were ineligible due to a prior claim paid within 24 months.	Los Angeles	October 2018	May 2019



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Program areas and objectives	Lead region	Start date	Final report target date
**** <b>FHA loans to tax debtors (KC-19-0002):</b> To determine whether FHA insured loans made to individuals who owed tax debts to the Internal Revenue Service.	Kansas City	October 2018	July 2019
**** <b>Flood insurance underwriting:</b> To determine whether loans insured by FHA were underwritten in compliance with applicable law regarding properties in special flood hazard areas.	Kansas City	February 2019	October 2019
**** <b>Review of the Loan Review System:</b> To determine whether HUD adequately implemented the Loan Review System to manage loan review results across FHA's divisions and to improve its quality control efforts.	New York	March 2019	September 2019
**** <b>Reporting of nonincentivized loan modifications and filing of partial claims:</b> To determine whether HUD needs to issue regulations requiring servicers to report nonincentivized loan modifications and file the partial claims within specific timeframes.	Atlanta	March 2019	December 2019
**** <b>Corrective action verification-adequacy of controls over sales price variances on preforeclosure sales:</b> To determine whether sales price variances on preforeclosure sales were submitted for HUD approval when required.	Los Angeles	April 2019	September 2019
**** <b>HUD's procurement and contract administration for single-family housing:</b> To determine whether HUD procures and administers its single-family housing contracts effectively, efficiently, and in compliance with requirements.	Fort Worth	May 2019	December 2019
**** <b>HUD's oversight of recovering claims paid for reconveyed properties:</b> To determine whether HUD had adequate controls in place to recover claims paid for reconveyed properties.	Los Angeles	September 2019	May 2020
<b>Community planning and development</b>			
*** <b>HUD's monitoring of compliance with expenditure deadlines for Sandy and other eligible disaster grantees (FW-17-0015):</b> To ensure that Disaster Relief Appropriation Act of 2013 grantees complied with the 24-month statutory expenditure requirement.	Fort Worth	May 2017	April 2019



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Program areas and objectives	Lead region	Start date	Final report target date
<p><b>*** Continuum of Care award process:</b> To determine whether HUD's Continuum of Care competitive award review and award process is being performed in a reasonable manner and in accordance with the notice of funds availability and program requirements.</p>	Los Angeles	April 2019	January 2020
<p><b>*** HUD's oversight of inactive HOME-funded activities:</b> To determine whether HUD properly monitored the status of inactive HOME-funded projects.</p>	Atlanta	September 2019	May 2020
<b>Public and Indian housing</b>			
<p><b>** HUD's oversight of overhoused tenants in public housing (PH-18-0008):</b> To determine whether HUD had adequate oversight of overhoused families in public housing units.</p>	Philadelphia	April 2018	July 2019
<p><b>** PHA access to the Do Not Pay system (KC-18-0013):</b> To determine whether PHAs that administer rent subsidy programs had access to the information contained in the Do Not Pay system.</p>	Kansas City	April 2018	April 2019
<p><b>** PHA intergovernmental agreements (LA-19-0011):</b> To identify PHAs with intergovernmental agreements executed before September 30, 2018, for potential future reviews.</p>	Los Angeles	October 2018	February 2019
<p><b>** Corrective action verification for audit report 2014-LA-0006 Office of Native American Programs Grant Closeout (LA-19-0013):</b> To determine whether HUD satisfactorily completed the agreed-upon corrective actions for recommendations 1A, 1B, and 1C from OIG audit report 2014-LA-0006.</p>	Los Angeles	October 2018	May 2019
<p><b>** PHAs' expensing of employee benefits (BO-19-00001):</b> To determine whether HUD has issued adequate criteria for expensing employee benefits and the pension and postemployment benefit liability at PHAs.</p>	Boston	October 2018	June 2019
<p><b>** HUD's oversight lead in the water of Housing Choice Voucher Program and public housing units (CH-19-0010):</b> To determine whether the HUD Office of Public and Indian Housing has adequate policies, procedures, and controls to ensure that households living in Housing Choice Voucher Program and public housing units have a sufficient supply of safe and potable water.</p>	Chicago	December 2018	September 2019



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Program areas and objectives	Lead region	Start date	Final report target date
<b>** HUD's oversight of PHAs reporting public housing developments-units as exempt from the Lead Safe Housing Rule (CH-19-0011):</b> To determine whether HUD has adequate oversight of PHAs reporting public housing developments as exempt from the Lead Safe Housing Rule.	Chicago	February 2019	September 2019
<b>** HUD's oversight of portability in the Housing Choice Voucher Program (CH-19-0012):</b> To determine whether HUD has adequate oversight of Housing Choice Voucher Program portability to ensure that portability is used appropriately and does not negatively impact small PHAs or the low-income families residing in their jurisdictions.	Chicago	March 2019	September 2019
<b>** HUD's calculation of the asset repositioning fee:</b> To determine whether HUD ensured that asset repositioning fees were accurately calculated.	New York	March 2019	September 2019
<b>*** The Council of the Inspectors General on Integrity and Efficiency's cross-cutting joint initiative to assess rural housing programs:</b> To determine the mission and purpose of rural housing programs, identify the number of entities receiving funding from both HUD and the U.S. Department of Agriculture, and determine whether the agencies monitored these rural housing agencies.	Fort Worth	April 2019	October 2019
<b>** HUD's implementation of its smoke free policy in public housing:</b> To determine whether HUD ensured that PHAs adequately implemented its smoke free policy in the public housing program.	Atlanta	April 2019	December 2019
<b>** Registered sex offenders in Section 8 and public housing:</b> To determine whether HUD subsidized housing occupied by registered sex offenders.	Kansas City	November 2019	June 2020
<b>Multifamily housing-FHA</b>			
<b>**** Delays in submitting claims on Section 232 loans (CH-18-0021):</b> To determine the risk to HUD's general insurance-special risk insurance fund if lenders submit claims for HUD-insured Section 232 mortgages that are in default.	Chicago	July 2018	May 2019
<b>**** HUD's oversight of lead in the water of multifamily housing units:</b> To determine whether the HUD Office of Multifamily Housing Programs has adequate policies, procedures, and controls to ensure that households living in multifamily housing units have a sufficient supply of safe and potable water.	Chicago	February 2019	September 2019



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Program areas and objectives	Lead region	Start date	Final report target date
<p><b>**** Multifamily environmental oversight:</b> To determine whether the Office of Multifamily Housing Programs implemented environmental requirements and had oversight to ensure compliance with these requirements.</p>	Kansas City	March 2019	October 2019
<p><b>**** HUD's oversight of its project-based Section 8 program:</b> To determine whether HUD had adequate controls over the management activities of its project-based Section 8 program contract administrators in Region 6; specifically, whether HUD had effective controls over its administrators' processes for verification and payment of housing assistance payment subsidies.</p>	Fort Worth	March 2019	September 2019
<b>Office of Public and Indian Housing and Office of Multifamily Housing Programs</b>			
<p><b>**** Physical and environmental hazards in subsidized housing:</b> To determine whether HUD provides assistance to landlords, PHAs, and multifamily projects with properties containing dangerous levels of lead, mold, drug residue, or other environmental or physical hazards.</p>	Kansas City	March 2019	December 2019
<p><b>**** Housing program participants with Internal Revenue Service income discrepancies:</b> To determine which PHAs or multifamily properties had a higher number of participants whose HUD-reported income did not match the income reported to the Internal Revenue Service. Concurrently, the Treasury Inspector General for Tax Administration will be auditing to improve its systemic fraud detection programs to identify tax returns with a significant risk of fraud for additional review before refunds are paid.</p>	Kansas City	March 2019	October 2019
<b>Information systems (IS) audits</b>			
<p><b>* Review of Office of the Chief Financial Officer financial management system functionality (DP-18-0002):</b> To evaluate the effectiveness of application controls over selected information systems owned or controlled by the Office of the Chief Financial Officer for compliance with HUD information technology policies, Federal information system security, and financial management requirements.</p>	IS Audit	February 2018	February 2019





## AUDIT PLAN

Program areas and objectives	Lead region	Start date	Final report target date
<p><b>* Review of information systems controls over FHA (DP-18-0004):</b> To evaluate general and application controls for FHA’s compliance with HUD information technology policies and Federal information system security and financial management requirements; specifically, to assess the effectiveness of general and application controls over selected information systems.</p>	IS Audit	March 2018	March 2019
<p><b>* Fiscal year 2018 FISCAM audit (DP-18-0003):</b> To assess general controls over HUD’s computing environment for compliance with HUD information technology policies and Federal information system security and financial management requirements as part of the internal control assessments required for the fiscal year 2018 Consolidated Financial Statement Audit under the Chief Financial Officer’s Act of 1990.</p>	IS Audit	March 2018	March 2019
<p><b>**** Sufficiency of the HERMIT system for administering home equity conversion mortgage loans:</b> To determine whether the Home Equity Reverse Mortgage Information Technology (HERMIT) system was sufficient in accomplishing all aspects of home equity conversion mortgage loans.</p>	IS Audit	March 2019	December 2019
<b>Administrative-other</b>			
<p><b>*** HUD Disaster Preparedness (KC 18 0017):</b> To determine the extent to which HUD is prepared to respond to upcoming natural and man-made disasters.</p>	Kansas City	August 2018	July 2019
<p><b>(a) Charge Card Abuse Prevention Act - annual HUD OIG risk assessment of HUD (KC-19-0003):</b> To identify and analyze risks of illegal, improper, or erroneous purchases and payments in HUD’s purchase card program.</p>	Kansas City	October 2018	March 2019
<p><b>(a) Improper payment compliance audit (AT-19-0007):</b> To (1) determine HUD’s compliance with reporting and improper payment reduction requirements; (2) evaluate the accuracy and completeness of HUD’s reporting of improper payments data, including its performance in reducing and recapturing improper payments; and (3) evaluate the quality of the agency’s improper payment estimates and methodology.</p>	Atlanta	November 2018	June 2019



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Program areas and objectives	Lead region	Start date	Final report target date
<p><b>* HUD’s oversight of Davis-Bacon requirements (PH-19-0006):</b> To determine (1) whether HUD implemented the correct Davis-Bacon wage rates for its construction contracts and (2) whether HUD had adequate oversight to ensure that all of its program areas coordinated with the Office of Davis-Bacon and Labor Standards when executing applicable contracts.</p>	<b>Philadelphia</b>	<b>November 2018</b>	<b>August 2019</b>
<p><b>(a) Office of National Drug Control Policy attestation review (NY-19-0001):</b> To express a conclusion (negative assurance) on HUD’s detailed accounting for funds spent for National Drug Control Program activities in fiscal year 2018 and to obtain and review related written management representations and assertions for these amounts.</p>	<b>New York</b>	<b>November 2018</b>	<b>March 2019</b>
<p><b>(a) Grants Oversight and New Efficiency Act of 2016 (NY 19 0003):</b> To determine whether HUD (1) established adequate grant closeout processes to ensure compliance with the Grants Oversight and New Efficiency Act requirements and (2) ensured that reports related to its compliance with the Act were accurate.</p>	<b>New York</b>	<b>November 2018</b>	<b>August 2019</b>
<p><b>* HUD’s treatment of rent credits provided by the General Services Administration (GSA) in exchange for financial contributions to GSA building improvements (PH-19-0005):</b> To determine whether HUD complied with applicable requirements when it obtained and spent funds from GSA rent credits.</p>	<b>Philadelphia</b>	<b>December 2018</b>	<b>September 2019</b>
<p><b>(a) Fiscal year 2019 Ginnie Mae financial statement audit (FO-19-0200):</b> To express an opinion on Ginnie Mae’s principal financial statements. This audit may be outsourced for fiscal year 2019.</p>	<b>Financial Audit</b>	<b>January 2019</b>	<b>November 2019</b>
<p><b>(a) Fiscal year 2019 consolidated financial statement audit:</b> To express an opinion on HUD’s fiscal year 2018 consolidated financial statements.</p>	<b>Financial Audit</b>	<b>February 2019</b>	<b>November 2019</b>
<p><b>(a) Fiscal year 2019 FHA financial statement audit:</b> To express an opinion on FHA’s fiscal year 2018 financial statements.</p>	<b>Financial Audit</b>	<b>February 2019</b>	<b>November 2019</b>



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Program areas and objectives	Lead region	Start date	Final report target date
(a) <b>DATA Act compliance (CH-19-0013):</b> To assess (1) the completeness, timeliness, quality, and accuracy of fiscal year 2019 financial and award data submitted for publication on USASpending.gov and (2) HUD’s implementation and use of the governmentwide financial data standards established by OMB and the U.S. Department of the Treasury.	<b>Chicago</b>	<b>February 2019</b>	<b>November 2019</b>
* <b>HUD employees with delinquent debt reported to the Do Not Pay system:</b> To determine whether HUD had taken steps to reduce payments to employees with delinquent Federal debt reported in the Do Not Pay system.	<b>Kansas City</b>	<b>March 2019</b>	<b>September 2019</b>
(a) <b>HUD travel cards:</b> To determine whether HUD travel cards were used for illegal, improper, or erroneous purchases.	<b>Kansas City</b>	<b>March 2019</b>	<b>September 2019</b>
* <b>The Fair Housing Organizations Initiative, a subset of the Fair Housing Initiatives Program:</b> To determine whether the Fair Housing Organizations Initiative was building capacity as intended.	<b>Boston</b>	<b>May 2019</b>	<b>February 2020</b>
* <b>HUD’s oversight of grantee compliance with lead hazard program requirements:</b> To determine whether HUD provided adequate oversight to ensure that grantees are protecting grant funds used to assist housing units.	<b>Chicago</b>	<b>December 2019</b>	<b>September 2020</b>



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## EXTERNAL AUDITS

Planning for external audits is subject to a number of factors, such as complaints, requests from HUD and congressional staff, and media attention, none of which can be predicted. The planning of external audits, therefore, is intended to be flexible to enable OIG to perform the highest priority work at hand. Depending on the volume and nature of audit requests, OIG intends to selectively target high-risk programs and jurisdictions. Priorities have also been determined based on the areas of interest to OIG's stakeholders, particularly Congress. With this in mind, the following types of external audits have been identified as priority areas during this planning cycle. As the opportunity permits, OIG audit managers will focus their audit resources on the following areas.

**Single-family:** Single-family lender origination and servicing reviews are of interest to OIG for fiscal year 2019 due to the abuses being experienced in single-family programs. Underwriting reviews are important in identifying the extent of lender compliance with endorsement requirements. Servicing reviews are crucial to ensure that lenders use required loss mitigation efforts to assist homeowners facing hardships, including natural disasters, and that properties are properly conveyed, preserved, and marketed for maximum return. Mortgagee Letter 2018-01 authorized lenders to provide permanent loss mitigation solutions for FHA-insured homeowners who live or work in areas impacted by Hurricanes Harvey, Irma, and Maria, as well as by the California wildfires and resulting mudslides, and who were provided temporary loss mitigation postdisaster in the form of forbearance. These reviews will help identify the abuses of and noncompliance with FHA's requirement to protect the integrity of the insurance fund.

**Community planning and development:** In an effort to continue its emphasis on improving efficiency and effectiveness, OIG continues to emphasize this program area. Congress has taken an interest in improving the efficiency of the HOME program. OIG believes that efficient use of HOME funding includes requiring participating jurisdictions to commit HOME funds within 24 months of receiving the funds. The Fiscal Year 2017 Consolidated Appropriations Act (Public Law 115-31) suspended the 24-month HOME commitment requirement for deadlines occurring in 2016, 2017, 2018, and 2019. The Fiscal Year 2018 Consolidated Appropriations Act (Public Law 115-141) extended the suspension to include deadlines occurring in 2020. HUD OIG has longstanding concerns regarding the financial management controls over community planning and development formula grant programs and will continue to perform audits of HOME grantees and HUD's monitoring of the grantees as well as oversight of CDBG-DR funds.

OIG's external audit work regarding grantees commonly finds a lack of adequate controls, including issues with subgrantee activities, ineligible transitional shelter assistance payments, disbursing disaster funds to eligible homeowners, performance of independent cost estimates and adequate cost analyses, inadequate supporting documentation, and ineligible expenses. Grantees are also challenged by unfamiliarity with HUD rules and regulations, controls over their rehabilitation and reimbursement program, noncompliance with policies and procedures, and failure to follow State and Federal procurement regulations. Our audits have



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found that in some instances, little or no monitoring occurred and there was no internal audit function, particularly at the subgrantee level. HUD focuses its monitoring activities at the grantee level through its field offices. Grantees, in turn, are responsible for monitoring their subgrantees. OIG has concerns regarding the capacity of grantees and subgrantees receiving funding from HUD programs, including \$35 billion in CDBG-DR funds to address the long-term recovery in the wake of a wide range of devastation during the hurricane season of 2017 and \$15 million granted to the Commonwealth of Puerto Rico to promote tourism and attract new businesses. OIG believes the money would be better spent to address Puerto Rico's housing crisis. Therefore, audits of grantees and their subgrantee activities will continue to be given emphasis this fiscal year.

OIG has issued 17 CDBG-DR audit reports, which found that HUD did not provide sufficient guidance and oversight to ensure that disaster grantees followed proficient procurement processes when purchasing goods and services. Of major concern is that HUD is weakening the requirements for State grantees that chose to certify that their procurement processes were equivalent to the Federal procurement standards at 24 CFR (Code of Federal Regulations) 85.36 (now 2 CFR 200.318 through 326). Initially, HUD gave grantees the option of adopting the Federal procurement standards or using the State's procurement standards if the State certified that its standards were equivalent to the Federal standards. HUD now requires grantees to document only that the State's procurement process provides for full and open competition and not that it meets all Federal procurement requirements. On January 10, 2017, HUD's former Deputy Secretary issued a memorandum stating that a State grantee that followed its procurement policy was not required to follow the Federal requirements. OIG disagrees with this decision and will continue to perform audits in this area. OIG issued a rollup report on CDBG-DR procurement issues in September 2017, in which it concluded that HUD did not provide sufficient guidance and oversight to ensure that disaster grantees followed proficient procurement processes when purchasing goods and services.

OIG has issued capacity reviews of the Texas General Land Office and the Florida Department of Economic Opportunity, which found that they should strengthen their capacity to administer their CDBG-DR grants in accordance with applicable regulations and requirements. OIG also issued a report on the State of Louisiana's Restore Louisiana Homeowner Assistance program, which received CDBG-DR funds. OIG found that the State did not always ensure that it complied with (1) its eligibility requirements for its Homeowner Assistance program or (2) website reporting requirements. Specifically, it did not always maintain adequate documentation to support that (1) applicants owned and occupied properties and (2) it considered or completed the elevation of properties when required. In addition, although it did not affect applicant eligibility, the State did not always maintain adequate and accurate file documentation to support applicant status determinations.

In another review, OIG found that HUD should formalize the CDBG-DR funding as a program in the Code of Federal Regulations. Congress has historically provided HUD's disaster funding through supplemental appropriations. Since 2002, HUD's Office of Block Grant Assistance (OBGA) has managed billions in Disaster Recovery funds, but it has not codified the CDBG-DR program. Instead, HUD has issued multiple requirements and waivers for each



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Disaster Recovery supplemental appropriation in Federal Register notices, many of which were repeated from disaster to disaster. HUD contends that it did not codify the program because it believed it did not have the authority under the Robert T. Stafford Disaster Relief and Emergency Assistance Act and it had not determined whether it had the authority under the Housing and Community Development Act of 1974 as amended. It also believed a Presidential Executive order presented a barrier to codification, as it required the Office of Community and Planning Development to identify two rules to eliminate in order to create a new codified rule. OIG believes OBGA has the authority under the Housing Act of 1974 and it should codify the program. Codifying the CDBG-DR program would (1) ensure that a permanent framework is in place for future disasters, (2) reduce the existing volume of Federal Register notices, (3) standardize the rules for all grantees, and (4) ensure that grants are closed in a timely manner.

OIG and HUD's Office of Community Planning and Development continue their joint collaboration, which began in February 2016, to assist grantees and subgrantees in the areas in which OIG audit reports determined that the grantees and subgrantees were most vulnerable. OIG and HUD's Office of Community Planning and Development continue to work on developing more industry advisory bulletins.

**Public and Indian housing:** The low-income program serves approximately 984,000 households. The Section 8 Housing Choice Voucher Program serves approximately 2.2 million households. As part of an overall OIG initiative, tenant eligibility and accuracy of rental assistance payments will remain an area of audit focus. The quality of housing and the cost of administering these programs are other areas of emphasis that will be addressed as resources permit. OIG will take a close look at various PHAs to ensure that they sufficiently administer HUD's programs in accordance with regulations and guidance.

OIG will also continue to focus on the administration of RAD. OIG has completed 10 audits, which found that 6 PHAs generally administered their RAD conversion in accordance with HUD's requirements for written agreements, project financing sources, reporting of financial data, the expenditure of HUD funding, tenant occupancy, the calculation of contract rents, and physical condition assessments. However, of the six PHAs, OIG found that the one PHA failed to accurately report on the obligation and authorization of its Public Housing Capital Fund and two PHAs did not fully comply with HUD's program requirements to use an independent third party after their RAD conversion to perform rent reasonableness determinations and conduct unit inspections. The last three PHAs administered their RAD conversion in accordance with the requirements. OIG completed four other audits, which found that the PHAs (1) did not certify new tenants or recertify former PHA residents who moved into the converted rental units, (2) did not properly establish and follow waiting lists after the RAD conversion, (3) did not always correctly calculate and pay housing assistance for the units converted under the program, (4) did not always maintain documentation to support their calculations of households' housing assistance payments and program eligibility, (5) did not properly plan and execute permanent tenant relocation associated with their RAD conversion, (6) did not ensure that units complied with HUD's housing quality standards before they entered into a housing assistance payments contract, and (7) did not apply the correct contract rents for the converted units. OIG has five open assignments regarding RAD. The main objective of these



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reviews is to determine whether the PHAs administered RAD in accordance with HUD's requirements.

**Multifamily and insured healthcare project audits:** FHA's multifamily and healthcare programs are a critical component of HUD's efforts to meet the Nation's need for decent, safe, and affordable housing. In fiscal year 2019 to date, the Office of Multifamily Housing Programs has issued 82 firm commitments for a total amount of more than \$1.3 billion, and as of October 2018, the FHA multifamily-insured portfolio consisted of 11,549 loans with unpaid principal balances of more than \$95 billion. OIG will continue to focus on multifamily programs to ensure that HUD limits its risk. It will also continue to focus on the misuse of project operating funds, also known as equity skimming.

In fiscal year 2019 to date, the Office of Residential Care Facilities has issued 30 firm commitments totaling more than \$440 million. As of October 2018, the FHA residential care facilities' insured portfolio consisted of 3,634 loans with unpaid principal balances of more than \$28.8 billion. OIG will continue to evaluate lenders and focus on owners and operators participating in healthcare programs.

Further, HUD is offering Sections 242 and 223(f) refinance loans, which allow nonportfolio hospitals to refinance capital debt through FHA. In fiscal year 2019 to date, the Office of Hospital Facilities has issued two commitments totaling more than \$87 million. As of October 2018, the FHA hospital facilities' insured portfolio consisted of 92 loans with unpaid principal balances of \$6.4 billion. OIG will continue to monitor this program.