

OFFICE OF INSPECTOR GENERAL

# SEMIANNUAL REPORT TO CONGRESS

FOR THE PERIOD ENDING MARCH 31, 2018



## DISASTER OVERSIGHT



U.S. DEPARTMENT  
OF HOUSING  
AND URBAN  
DEVELOPMENT

# PROFILE OF PERFORMANCE

For the period October 1, 2017, to March 31, 2018

AUDIT RESULTS <sup>1</sup>	THIS REPORTING PERIOD
Recommendations that funds be put to better use	\$3,158,563,142
Recommended questioned costs	\$19,330,923
Collections from audits	\$17,187,021
Administrative sanctions	1
Civil actions	0
Subpoenas	75
Personnel action	0

INVESTIGATION RESULTS <sup>1</sup>	THIS REPORTING PERIOD
Total restitutions and judgments	\$89,128,052
Total recoveries and receivables to HUD programs <sup>2</sup>	\$59,781,898
Arrests	136
Indictments and informations	124
Convictions, pleas, and pretrial diversions	131
Civil actions	26
Total administrative sanctions	166
Suspensions	27
Debarments	50
Program Referrals	38
Removal from program participation	0
Evictions	33
Other <sup>3</sup>	18
Systemic implication reports	1
Search warrants	29
Subpoenas	450

JOINT CIVIL FRAUD RESULTS <sup>1</sup>	THIS REPORTING PERIOD
Recoveries and receivables to HUD programs or HUD program participants	\$45,500
Recoveries and receivables for other entities <sup>4</sup>	\$0
Recommendations that funds be put to better use	\$95,769
Civil actions	2
Administrative sanctions	1

<sup>1</sup> 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.

<sup>2</sup> Does not include civil settlements worked jointly with the Office of Audit

<sup>3</sup> 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.

<sup>4</sup> 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.

# HIGHLIGHTS

## OUR MISSION

We promote economy, efficiency, and effectiveness in the administration of HUD programs through the use of traditional and innovative approaches. We protect the integrity of HUD's programs and operations by identifying opportunities for HUD programs to progress and succeed.

## OUR VISION

We are a collaborative team of diverse, empowered professionals committed to excellence, innovation, our core values, and sharing our knowledge and best practices with the U.S. Department of Housing and Urban Development (HUD) and the Inspector General community. We leverage the specialized skill sets within the Office of Inspector General (OIG) to bring heightened awareness to HUD's toughest challenges. We support HUD's efforts to achieve stronger housing markets, quality and safer housing, and strengthened communities.

## OUR VALUES

### Accountability

Accountability is taking ownership of our decisions and actions. We hold one another accountable to a higher standard of conduct.

### Courage

Courage is doing what is right, no matter how difficult. We ask questions and raise concerns when needed.

### Respect

Respect is appreciating the uniqueness of our workforce. We treat others with dignity, civility, and mutual consideration.

### Stewardship

Stewardship is accepting our responsibility to serve the public good. We care about leaving things better than we found them.

### Trust

Trust is the result of promises kept. We deliver on our commitments and communicate honestly with our stakeholders.

DURING THE REPORTING PERIOD  
OCTOBER 1, 2017, TO MARCH 31, 2018

More than \$3 BILLION  
in recommendations  
that funds be put to  
better use



More than  
\$19 MILLION  
in recommended  
questioned costs

More than \$17  
MILLION in  
collections



Issued 36  
audit reports

Nearly \$60 MILLION  
in investigative efforts







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 first half of fiscal year 2018. This report describes the remarkable accomplishments of the dedicated employees

of HUD OIG. Also significant among our many accomplishments is our return on investment, which now exceeds a ratio of 55 to 1 for dollars spent for our work compared to dollars returned to HUD and the U.S. Treasury. By promoting better stewardship and accountability in HUD's programs, HUD OIG staff ensures that we have a lasting, positive impact on the Department and on our communities for the benefit of the American people.

In addition to the investigative cases mentioned below, for this reporting period, HUD OIG has conducted a number of significant and impactful audits and evaluations. Our Office of Audit identified that in a 1-year period, HUD's Federal Housing Administration (FHA) improperly insured nearly 10,000 loans, worth more than \$1.9 billion, to borrowers who were not eligible for insurance because they had been barred from obtaining Federal loans. These borrowers either had delinquent Federal debt or were subject to Federal administrative offset for delinquent child support.

We also continued our work on residential care facilities, including nursing homes. In an audit of the Riverside Health and Rehabilitation Center in East Hartford, CT, we determined that the entity had not operated with the proper management agent documents, resulting in more than \$2.6 million in unsupported management fees in a 2-year period. In another effort, our Civil Fraud Division issued a management alert notifying HUD that it had not provided acceptable oversight of the physical condition of residential care facilities to ensure sustainable properties for the life of the HUD-insured mortgage. The alert also identified that HUD had not verified that exigent health and safety violations were mitigated and that required repairs were made to facilities. Moreover, our audits of the financial statements of HUD, FHA, and the Government National Mortgage Association (Ginnie Mae) resulted in disclaimers of opinion for HUD and Ginnie Mae, and FHA received an unqualified opinion.

Our Office of Investigation continues to have significant impact on the Department through its investigative work. As part of one investigation in

Cleveland, OH, HUD OIG investigators uncovered a title agency executive who instructed lenders doing business with her company to wire incoming lending proceeds to an account she used as her personal bank account. The title agent then used the deposited funds for her own personal use and the operational expenses of her company. Over a 2-year period, the title agent closed 19 FHA-insured and conventionally financed real estate transactions, in which her company received escrow funds from lenders but failed to pay off the previous owners' mortgages. The title agent was sentenced to 60 months incarceration and 3 years supervised release and was ordered to pay to more than \$2.4 million in restitution to buyers, sellers, and the underwriter for her title agency.

In another investigation in Little Rock, AR, work by HUD OIG investigators led to a determination that an FHA direct endorsement lender violated the False Claims Act by falsely certifying that it complied with Federal regulations to obtain insurance on mortgage loans from the FHA. The lender paid underwriters commissions, which created a greater incentive to close FHA-insured loans. Additionally, the lender's quality control team identified mandatory reportable issues from randomly pulled FHA loan files; however, its senior management decided not to self-report those issues to HUD. Through a settlement, the lender agreed to pay more than \$11.6 million to resolve the allegations.

In an additional case in Detroit, MI, HUD OIG investigated a former executive director of a public housing agency (PHA), who embezzled, stole, or misused more than \$300,000 in Section 8 and public housing program funds. During her tenure, the executive director entered into housing assistance payments contracts for rental units, in which she had an interest, with and for the benefit of immediate family members. The executive director also fraudulently used the PHA's credit cards to purchase personal items for herself or for her family members and wrote PHA checks to petty cash for her own use. The former executive director was sentenced to 37 months incarceration and 2 years supervised release and was ordered to pay a forfeiture money judgment of \$336,240, representing the loss to HUD.

In closing, we in HUD OIG are committed to working with Congress and the Department to improve HUD's programs and operations and are proud of our many accomplishments, which are of consequence and impactful to our Nation's citizens.

A handwritten signature in black ink that reads "Helen M. Albert". The signature is written in a cursive, flowing style.

Helen M. Albert | Acting Inspector General





## TRENDING

### 2017 DISASTER RECOVERY

#### OVERVIEW

In the wake of the destruction and aftermath caused by the 2017 natural disasters, the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), continues to focus on the challenges and outcomes of the national Disaster Recovery Initiative. Congress provided \$35 billion in supplemental appropriations through HUD's Community Development Block Grant (CDBG) Disaster Recovery program to help communities recover from 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. These successive hurricanes were followed by devastating wildfires in northern and southern California. The culmination of these disasters resulted in massive destruction and loss of human life.

To address the enormous task of enforcement and oversight, HUD

OIG has designated its Atlanta, Fort Worth, and Los Angeles regional offices to perform the bulk of 2017 Disaster Recovery oversight. HUD OIG has initiated assignments to ensure that the lessons learned from previous disasters will be at the forefront in the approval of the grantees' Disaster Recovery action plans and HUD's Disaster Recovery guidance. OIG's audit, investigative, and evaluation staff will provide a continuing and comprehensive review of the expenditure of funds and administration.

#### AUDIT

During this reporting period, the Office of Audit (OA) opened six assignments related to the 2017 disasters. Based on congressional concerns regarding the Commonwealth of Puerto Rico's ability to administer disaster funds, OA issued a time-sensitive memorandum in November 2017 addressing the Commonwealth's proposed framework for administering its disaster funds. OA is now conducting and preparing for audits to assess and recommend improvements to the

capacity of grantees that administer disaster funding in Texas, Florida, Puerto Rico, and the Virgin Islands. OA is also reviewing the process for relocating tenants from a multifamily project in Miami, FL, as a result of Hurricane Irma. Finally, the HUD OIG Kansas City Region has initiated a cross-cutting review in coordination with several other OIGs to determine whether the process for appropriating and distributing disaster preparedness, response, and recovery funding efficiently and effectively provides a universally understood and organized continuing means of disaster assistance.

#### INVESTIGATION

The Office of Investigation (OI) continues to provide impactful assistance to HUD's Disaster Recovery program through its work associated with Disaster Recovery efforts. While addressing the current Disaster Recovery Initiative, agents continue to seek financial recoveries for fraud involved with hurricanes from past years. In response to the fiscal years 2017 and 2018 disasters, OI agents provided on-the-ground

law enforcement support at several locations, as authorized by the President's disaster declaration. For example, during Hurricane Irma, OI provided 24-hour law enforcement assistance and coverage for a disaster medical assistance team (DMAT) in South Florida. OI agents assisted DMAT personnel with health and welfare checks within the community, coordinated with family members outside the impacted areas, and provided general law enforcement security.

Additionally, OI has been instrumental in assisting HUD with the damaged property assessments conducted throughout Puerto Rico and the U.S. Virgin Islands. For example, OI has been working collaboratively with HUD to develop customized training opportunities in fraud detection for damaged property assessment in Disaster Recovery efforts. Additionally, in an effort to develop a sound investigative strategy that integrates diverse perspectives, OI has leveraged the talent of a core team of agents and supervisory agents to serve as subject-matter experts in disaster-related investigations and initiatives.

### EVALUATION

During the next reporting period, the Office of Evaluation (OE) plans to launch an evaluation of the Office of Fair Housing and Equal Opportunity's (FHEO) discrimination complaint process following natural disasters. In 2008, OE found issues with FHEO's housing discrimination investigative process and documentation (Evaluation of FHEO Housing Discrimination Complaint Processing and Compliance (IED-07-001)). Since that time, OE has received information suggesting

that housing discrimination complaints increase following natural disasters. Separately, the Office of Community Planning and Development (CPD) requires grantees that receive Disaster Recovery grants to comply with fair housing and nondiscrimination requirements. The objectives for this evaluation are still in the planning phase; however, OE may examine (1) the extent to which housing discrimination complaints increase following natural disasters, (2) how FHEO is prepared to handle an increase in housing discrimination complaints following natural disasters, or (3) how CPD oversees Disaster Recovery grantee compliance with fair housing requirements.

### JOINT INITIATIVES AND COLLABORATION

HUD OIG extensively coordinates its disaster oversight activities with stakeholders by fostering partnerships within OIG and HUD. Within HUD OIG, its offices continue to leverage their expertise to tackle the most challenging and complex disaster-related issues.

During the reporting period, OIG disaster experts in OA, OI, and the Office of Legal Counsel worked with HUD on proposed funding notices to strengthen grant procurement requirements. The OIG team also worked closely with several congressional staff members to highlight lessons learned on prior disasters, to identify potential program and grantee risks, and to recommend legislative fixes to help address these concerns.

OI has also worked with OE's Integrated Data Analytical Division to support a joint project with the Small Business Administration's

Office of Investigation to detect fraudulent duplication of benefits schemes. In terms of coordination with HUD, OIG participates in bimonthly meetings with HUD's Office of Block Grant Assistance, Disaster Recovery and Special Issues Division, to ensure that it adequately coordinates and collaborates with HUD on disaster issues and efforts to detect and prevent fraud.

HUD OIG is active with other agencies involved in Federal disaster response. It participates in quarterly meetings of the Council of the Inspectors General on Integrity and Efficiency's (CIGIE) Disaster Assistance Working Group (DAWG), chaired by the Acting Inspector General, U.S. Department of Homeland Security. HUD OIG chairs the CIGIE DAWG Subcommittees for Audit and Inspections and Evaluations and Investigations. During these meetings with other OIGs, HUD OIG discusses ongoing activities and develops strategies for performing comprehensive analyses and joint initiatives in response to recovery and reconstruction efforts, as well as leveraging collective investigative efforts to identify and address disaster-related frauds. In addition, OIG participates in periodic coordination meetings with the U.S. Government Accountability Office and learns of local concerns from the National Association of State Auditors, Comptrollers, and Treasurers and the Association of Local Government Auditors. OI has also teamed up with U.S. Department of Justice task forces throughout the country, including the National Center for Disaster Fraud, to assist with investigative efforts and fraud prevention.





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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	3 audits	\$1,053,688	\$1,905,340,944

### REVIEW OF FHA-INSURED LOANS

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), audited FHA-insured loans from calendar year 2016 to determine whether FHA insured loans to borrowers with delinquent Federal debt or who were subject to Federal administrative offset for delinquent child support. FHA insured an estimated 9,507 loans, worth more than \$1.9 billion, which were not eligible for insurance because they were made to borrowers with delinquent Federal debt or who were subject to Federal administrative offset for delinquent child support.

OIG recommended that FHA put more than \$1.9 billion to better use by developing a method for using the U.S. Treasury Do Not Pay portal to identify delinquent Federal debt and delinquent child support to prevent future FHA-insured loans to ineligible borrowers. OIG also recommended that FHA revise the single-family handbook to comply with the regulation that prevents loans to borrowers with delinquent child support subject to Federal offset and schedule the timely renewal of data-sharing agreements to prevent data loss in the Credit Alert Interactive Voice Response System (CAIVRS) or discontinue the use of CAIVRS if the information duplicates the information available in the Do Not Pay portal. (Audit Report: **2018-KC-0001**)

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HUD OIG audited CitiMortgage in **O’Fallon, MO**, to determine whether it filed for partial claims only after completing the loan modifications and reinstating the loans. CitiMortgage improperly filed for 66 partial claims before completing the loan modifications and reinstating the loans. The FHA insurance fund paid out more than \$1.7 million for these improper partial claims, including the lender incentive fees. CitiMortgage had repaid nearly \$723,000 of these claims before the audit.

OIG recommended that HUD require CitiMortgage to (1) repay HUD for improperly filed partial claims and incentive fees totaling more than \$1 million, (2) work with HUD to ensure the release of the liens on the 66 properties with improper partial claims, and (3) perform an internal review of all FHA Home Affordable Modification Program partial claims that were combined with loan modifications to determine their eligibility and report the results to HUD for the repayment of improperly filed partial claims. (Audit Report: **2018-KC-1001**)

HUD OIG audited HUD's process for ensuring that nonpayment orders adequately prevented the payment of claims on FHA loans to determine whether HUD had adequate controls to prevent improper claims from being paid.

HUD's use of nonpayment orders adequately prevented claims on FHA loans from being paid. A review of 17 claims that had an active nonpayment order and 10 claims that had an inactive nonpayment order for the first entry did not identify any improper claims that were paid.

OIG made no recommendations. OIG further determined that some contents of the audit report would not be appropriate for public disclosure, and those items were redacted. (Audit Report: **2018-LA-0001**)

## INVESTIGATION

### Program Results

<b>Administrative - civil actions</b>	114
<b>Convictions - pleas - pretrial diversions</b>	33
<b>Financial recoveries</b>	\$74,265,008

### MORTGAGE COMPANY AGREES TO PAY ALMOST \$12 MILLION

In U.S. District Court, a mortgage lender entered into a settlement agreement with the U.S. Department of Justice, Civil Division, and the U.S. Attorney's Office to pay more than \$11.6 million, of which HUD would receive more than \$8.8 million. The lender, a direct endorsement lender, violated the False Claims Act by falsely certifying that it complied with Federal requirements to obtain insurance on mortgage loans from FHA. The lender paid underwriters commissions, which created a greater incentive to close FHA-insured loans. Additionally, the lender's quality control team identified mandatory reportable issues from randomly pulled FHA loan files. However, its senior management decided not to self-report those issues to HUD. HUD OIG conducted this investigation. (**Little Rock, AR**)

### TITLE AGENCY EXECUTIVE SENTENCED TO 5 YEARS INCARCERATION

A title agent was sentenced in U.S. District Court in connection with an earlier guilty plea to bank fraud and theft of government funds. The title agent, who ran her own title agency, was sentenced to 5 years incarceration and 3 years supervised release and ordered to pay more than \$2.4 million in restitution to buyers, sellers, and the underwriter for her title agency. The title agent instructed all lenders doing business with her company to wire incoming lending proceeds to an account she used as her personal bank account. The title agent then used the deposited funds for her own personal use and the operational expenses of her company. In an effort to conceal her misuse of the lenders' funds, the title agent voided and reissued her agency's checks to make it appear to the lenders that the funds were issued from the interest on trust account. Over a 2-year period, the title agent closed 19 FHA-insured and conventionally financed real estate transactions in which her company received escrow funds from lenders but failed to pay off the previous owners' mortgages. In one of the transactions, the title agent retained, for her own



personal use, \$152,000 in Neighborhood Stabilization Program funds intended for the City of Berea. HUD OIG and the Federal Bureau of Investigation conducted this investigation. **(Cleveland, OH)**

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## MAJOR BANK AGREES TO PAY \$3.4 MILLION FOR FALSE CLAIMS

A major bank settled a false claims case in U.S. District Court after the case was brought by a relater and joined by the U.S. Department of Justice, HUD, and FHA under the False Claims Act. The bank agreed to settle the case for \$3.4 million. The relater alleged that the bank violated the False Claims Act by processing foreclosures using surrogate signed endorsements placed on original notes. Using false statements and testimony regarding the timeline of the foreclosure process, the bank misled courts into believing it had good standing to foreclose when it did not. The settlement was calculated using losses HUD suffered on 39 FHA loans due to the bank's actions. HUD OIG conducted this investigation. **(Miami, FL)**

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## FRAUDSTER SENTENCED FOR ILLEGALLY SELLING FORECLOSED HOMES

A realtor was sentenced in U.S. District Court in connection with a previous guilty plea to conspiracy to commit wire fraud. The realtor was sentenced to 51 months incarceration and 3 years supervised release and ordered to pay \$65,000 in restitution to his victims. As part of this conspiracy, the realtor identified vacant foreclosed on FHA homes and conventionally insured properties and falsely represented to potential purchasers that he was authorized to sell these homes. The realtor then kept the proceeds from the illegal sales and converted the funds to his personal use. The realtor provided some of the potential purchasers with fictitious agreements of sale and other sale-supporting documents such as deeds. HUD OIG; the Internal Revenue Service, Criminal Investigations Division; the U.S. Department of Homeland Security, Investigations; and the Pennsylvania State Police conducted this investigation. **(Scranton, PA)**

## JOINT CIVIL FRAUD

Key program results		Questioned costs	Funds put to better use
Civil actions	1	\$5,500	\$95,769

HUD OIG conducted a review of an FHA home equity conversion mortgage (HECM) underwritten by MetLife Home Loans, LLC. MetLife is an FHA-approved mortgage lender with its principal place of business located in **Irving, TX**.

On June 9, 2017, HUD notified MetLife and the borrower's son of their potential liability under the Program Fraud Civil Remedies Act of 1986, 38 U.S.C. (United States Code) 3801-3812, for causing a false claim to be made regarding the eligibility of an FHA HECM loan. MetLife underwrote the loan and failed to ensure that the signatories to the loan had the legal authority to execute it. Specifically, the power of attorney through which the borrower's son executed the loan required his sister's signature as well as his own.

On November 3, 2017, MetLife entered into a settlement agreement to pay HUD \$4,000 upon execution of the agreement. In addition, MetLife will indemnify and hold HUD harmless for any losses HUD incurs or has incurred in connection with the loan. The estimated potential loss is nearly \$96,000. On August 15, 2017, the borrower's son entered into a settlement agreement to pay HUD \$1,500. (Memorandum: **2018-CF-1801**)

## CHAPTER 2 – PUBLIC AND INDIAN HOUSING PROGRAMS

The U.S. Department of Housing and Urban Development (HUD) provides grants and subsidies to more than 3,300 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	7 audits	\$8,622,691	\$2,336,693

### REVIEW OF HUD'S HOUSING CHOICE VOUCHER PROGRAM

HUD's Office of Inspector General (OIG) audited the Housing Choice Voucher program of the Fairmont-Morgantown Housing Authority in **Fairmont, WV**, to determine whether the Authority adequately administered its program in compliance with HUD requirements regarding participant eligibility and applicant selection.

The Authority did not comply with HUD's and its own requirements when administering its Housing Choice Voucher program. Specifically, it (1) did not conduct criminal background checks of applicants and participants through State or local law enforcement or court records of the local jurisdiction, (2) made housing assistance payments for ineligible participants, (3) did not always obtain written citizenship declarations and properly report family citizenship status, and (4) did not maintain an accurate waiting list for applicant selection. As a result, it (1) made unsupported housing assistance payments totaling more than \$4.9 million, (2) made ineligible housing assistance payments totaling nearly \$20,000, (3) did not maintain and report correct family citizenship status, and (4) did not treat program applicants fairly and consistently.

OIG recommended that HUD require the Authority to (1) provide documentation to show that adult members of households for whom the Authority made housing assistance payments were not engaged in drug-related or violent criminal activity or repay its program from non-Federal funds for any amounts it cannot support and if the participants are deemed ineligible, follow applicable regulations to terminate or modify assistance; (2) repay its program from non-Federal funds for the ineligible housing assistance payments; (3) correct the errors identified by the audit; and (4) develop and implement controls to ensure that it follows policies and procedures required by its administrative plan. OIG also recommended that HUD review the Authority's waiting list to ensure that all areas comply with HUD requirements. (Audit Report: **2018-PH-1001**)

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HUD OIG audited the Housing Choice Voucher program of the Fairmont-Morgantown Housing Authority in **Fairmont, WV**, to determine whether the Authority ensured that its program units met HUD's housing quality standards and 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 did not always accurately calculate housing assistance payment abatements. Of 68 program units inspected, 63 did not meet HUD's housing quality standards. Further, 22 of the 63 were in material noncompliance with HUD's standards. The Authority disbursed nearly \$28,000 in housing assistance payments and received more than \$1,000 in administrative fees for these 22 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 \$1.2 million in housing assistance for units that materially fail to meet HUD's standards. Additionally, the Authority did not always accurately calculate housing assistance payment abatements for units that failed its inspections. It incorrectly calculated the abatement amount for 13 of 37 units reviewed. As a result, HUD made ineligible housing assistance payments totaling nearly \$4,000 that should have been abated, and unit owners did not receive nearly \$300 in housing assistance payments that should not have been abated.

OIG recommended that HUD require the Authority to (1) certify, along with the owners of the 63 units cited, that the applicable housing quality standards violations have been corrected; (2) reimburse its program from non-Federal funds for the 22 units that materially failed to meet HUD's housing quality standards; (3) develop and implement procedures and controls to monitor the inspection process to ensure that program units meet HUD's standards; (4) reimburse its program for payments that should have been abated; and (5) reimburse five owners for excess payments that it improperly abated. (Audit Report: **2018-PH-1002**)

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## REVIEW OF HUD'S PROPERTY DISPOSITION PROCEEDS

HUD OIG audited the Glen Cove Housing Authority in **Glen Cove, NY**, to determine whether the Authority used the property disposition proceeds it received from selling properties in accordance with applicable requirements, including its HUD-approved disposition application.

The Authority did not always use proceeds generated from the sale of 19 properties in accordance with requirements. Specifically, it loaned more than \$900,000 to its nonprofit entity for activities that did not benefit its residents and disbursed nearly \$170,000 in proceeds and nearly \$11,000 in other Federal funds for costs that were not eligible or supported, such as Rental Assistance Demonstration Program conversion costs that require prior HUD approval. Further, it did not ensure that the disposition application and related documentation were maintained and that it submitted required reports to HUD. As a result, HUD and the Authority did not have assurance that proceeds were used and available for use as intended to benefit the Authority's residents, and HUD could not fully monitor the Authority's use of the proceeds.

OIG recommended that HUD require the Authority to (1) obtain retroactive approval from HUD for the outstanding unauthorized loans and proceeds used for Rental Assistance Demonstration Program conversion costs or repay any amount for which it does not obtain approval, (2) provide documentation to show that proceeds were used for approved activities or repay any amount not supported, (3) repay proceeds and other Federal funds spent on ineligible activities, and (4) strengthen its controls to ensure that \$1 million in remaining proceeds and any funds to be repaid are put to better use to benefit the Authority's residents. (Audit Report: **2018-NY-1002**)

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## REVIEW OF HUD'S PUBLIC HOUSING OPERATING AND CAPITAL FUND PROGRAMS

HUD OIG audited the Housing Authority of the City of **Asbury Park, NJ**, to determine whether the Authority administered its Public Housing Operating and Capital Fund programs in accordance with applicable HUD, Federal, and Authority requirements.

The Authority did not always administer its operating and capital funds in accordance with HUD, Federal, and Authority requirements. Specifically, it did not (1) adequately support funds paid to the Long Branch Housing Authority for technical, administrative, maintenance, and redevelopment services; (2) follow applicable requirements when purchasing goods and services; and (3) properly support Capital Fund grant obligations. It also improperly used operating funds to pay a settlement with the State of New Jersey. As a result, HUD did not have assurance that (1) nearly \$1.3 million paid to Long Branch was for eligible, reasonable, necessary, and allocable costs; (2) more than \$451,000 paid for goods and services was reasonable and related to valid contracts; (3) more than \$119,000 in capital funds would be used for eligible activities in a timely manner; and (4) nearly \$76,000 was available to the Authority to operate and fulfill its mission.

OIG recommended that HUD require the Authority to (1) provide documentation to show that (a) the payments to Long Branch were for eligible, reasonable, necessary, and allocable costs; (b) the payments for goods and services were reasonable and related to valid contracts that were in place before disbursements were made; and (c) obligations of capital funds were supported; (2) reimburse the operating funds used for the settlement payment; and (3) update its policies and procedures to ensure (a) that additional payments for technical, administrative, maintenance, and redevelopment services are adequately supported and that services were provided in accordance with requirements; (b) compliance with HUD and Federal procurement requirements; and (c) that capital funds are obligated in a timely manner and adequately supported. (Audit Report: **2018-NY-1003**)

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## REVIEW OF HUD'S GUIDANCE CONCERNING FEDERAL ASSISTANCE APPLICATION

HUD OIG reviewed the guidance concerning HUD's Application for Federal Assistance (SF (standard form) 424) to determine whether HUD provided clear directions and whether the guidance contained specific certifications for PHAs.

HUD did not clearly define or provide guidance on what PHAs certified to when applying for operating subsidy funds on the Application. Additionally, it did not require PHAs to physically sign the certifications listed on form HUD-52723, Operating Fund Calculation of Operating Subsidy. As a result, HUD faced challenges when pursuing civil remedies against noncompliant public housing officials.

OIG recommended that HUD follow departmental clearance procedures and issue clarification to PHAs to explain what is being certified to in the Application. OIG also recommended that HUD require PHAs to sign the certifications on form HUD-52723 or remove the certification. (Audit Memorandum: **2018-FW-0801**)

## INVESTIGATION

### Program Results

<b>Administrative - civil actions</b>	166
<b>Convictions - pleas - pretrial diversions</b>	66
<b>Financial recoveries</b>	\$11,037,474

## FIVE SENTENCED FOR CONSPIRACY IN LONG-RUNNING BILLING SCHEME

Two public employees, an AMTRAK employee, and two contractors were sentenced in U.S. District Court for their earlier guilty pleas to conspiracy to commit mail fraud, bribery, and other crimes leading to a loss to HUD of approximately \$300,000. The contracting company owner was sentenced to 4 years incarceration and ordered to pay \$708,386 in restitution, and an employee of the contractor was sentenced to 12 months incarceration. A local board of education employee was ordered to forfeit \$9,108, and a local city employee was ordered to forfeit \$1,249. Over a period of 6 years, the conspirators took part in a contract, overbilling, and substitute products scheme that misused Federal funds, including Community Development Block Grant and PHA funds. Some of the schemes included providing substandard lumber in place of the billed construction lumber and inflating invoices in exchange for goods, such as computers, appliances, and gift cards. HUD OIG, AMTRAK OIG, and the Federal Bureau of Investigation (FBI) conducted this investigation. **(Newark, NJ)**

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## PUBLIC HOUSING AUTHORITY EXECUTIVE DIRECTOR SENTENCED FOR EMBEZZLEMENT

A former executive director of a public housing commission was sentenced in U.S. District Court in connection with her earlier guilty plea to conspiracy to commit Federal program fraud. The executive director was sentenced to 37 months incarceration and 2 years supervised release and ordered to pay \$336,240, the total loss to HUD. During her tenure, the executive director entered into Section 8 housing assistance payments contracts for rental units, in which she had a proprietary interest, with and for the benefit of immediate family members and paid subsidies relating to these contracts totaling \$161,927. She also fraudulently used the commission's two credit cards to purchase personal items for herself and her family members from Amazon.com, Walmart, and Sam's Club, totaling \$165,813 in public housing funds. Additionally, she fraudulently wrote approximately \$8,500 in commission checks to petty cash, which she negotiated and converted to her own use. HUD OIG and the FBI conducted this investigation. **(Detroit, MI)**

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## MAN INCARCERATED FOR HOUSING ASSISTANCE FRAUD

A former Section 8 tenant was sentenced in U.S. District Court following his guilty plea to false statements, mail fraud, and wire fraud. The man was sentenced to 24 months incarceration and 3 years supervised release and ordered to pay \$274,765 in restitution. Over a period of 20 years, the recipient fraudulently used the personally identifiable information of a deceased person to file for housing assistance, Social Security benefits, and international travel documents. As a result of his fraud scheme, the tenant received \$169,974 in HUD subsidies to which he was not eligible. HUD OIG; the Social Security Administration OIG; and the U.S. Department of State, Diplomatic Security Service, conducted this investigation. **(San Jose, CA)**

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## CHAPTER 3 – MULTIFAMILY HOUSING AND HEALTHCARE 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	5 audits	\$5,493,654	\$1,440,165

### REVIEW OF OFFICE OF HEALTHCARE PROGRAMS

HUD's Office of Inspector General (OIG) audited the Federal Housing Administration-insured nursing home, Riverside Health and Rehabilitation Center, in **East Hartford, CT**, to determine whether the project was operated in accordance with its regulatory agreement and HUD requirements.

Although the operator generally complied with the regulatory requirements tested, it did not operate in accordance with HUD requirements by not completing the required controlling documents. The uncompleted documents included the management agent agreement and management agent certification with a related management agent. The operator entered into a services agreement with the management agent, which did not have a fee structure that complied with HUD requirements. In addition, the operator did not have a HUD-compliant operating lease with the owner because the required operating lease addendum was not completed. As a result, the operator paid more than \$2.6 million in unsupported management fees in fiscal years 2015 and 2016. Also, without the required management agent documents or a HUD-compliant operating lease, HUD and the owner may not have had the authority to hold the operator accountable, and the operator may not have had the authority to hold the management agent accountable for improper business associated with the project.

OIG recommended that HUD require the owner to (1) require the operator to complete the management agent documents with the management agent or seek reimbursement for the more than \$2.6 million in unsupported management fees paid in fiscal years 2015 and 2016 and (2) submit the operating lease for HUD review and complete the operating lease addendum in accordance with HUD requirements. (Audit Report: **2018-BO-1001**)

### REVIEW OF HUD'S SECTION 202 SUPPORTIVE HOUSING PROGRAM

HUD OIG audited the Section 202 Supportive Housing for the Elderly Program of Yabucoa Volunteers of America Elderly Housing, Inc., in **Yabucoa, PR**, to determine whether Volunteers used Section 202 funds in accordance with HUD agreements and requirements.

Volunteers disbursed Section 202 funds for a housing project that was incomplete and charged the project unallowable construction costs. In addition, it was paid for duplicate construction costs. As a result, more than \$1.8 million was disbursed for a project that did not meet HUD requirements. Volunteers also received more than \$1 million in duplicate payments.

OIG recommended that HUD (1) track and ensure that Volunteers return to the U.S. Treasury any funds recovered through the ongoing litigation pertaining to the Yabucoa housing project, (2) deobligate and recapture more than \$1.4 million in undrawn Section 202 funds assigned to the project, (3) require Volunteers to reimburse the Treasury \$140,000 from non-Federal funds for ineligible project construction costs charged to the Section 202 project, and (4) instruct Volunteers to return to the Puerto Rico Department of Housing more than \$1 million plus any interest earned for the duplicate special escrow fund payments it received. (Audit Memorandum: **2018-AT-1802**)

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## REVIEW OF HUD'S MULTIFAMILY SECTION 8 PROGRAM

HUD OIG audited the multifamily Section 8 project-based rental assistance program at the Villa Main Apartments in **Port Arthur, TX**, to determine whether the owner administered its program in accordance with HUD regulations and guidance; specifically, whether tenants were eligible for the program, housing assistance subsidies were accurate, and units received required inspections.

The owner did not administer its Section 8 project-based rental assistance program at Villa Main in accordance with HUD regulations and guidance. It assisted at least 82 tenants who were ineligible for assistance because they did not exist or for whom the owner could not support their eligibility and that unit physical condition standards were met. As a result, HUD paid the owner nearly \$535,000 in subsidies for ineligible “ghost” tenants and incurred more than \$1 million in subsidies for which the owner could not support the tenants’ subsidy amounts or that the subsidized units were in decent, safe, and sanitary condition.

OIG recommended that HUD require the Villa Main owner to (1) repay HUD for the housing subsidies received for ineligible nonexistent “ghost” tenants and (2) support or repay HUD for tenants whose eligibility the owner could not support. In addition, HUD should require its contract administrator to ensure that the Villa Main owner’s recently implemented quality control program is working as designed and in accordance with HUD requirements. OIG also recommended that HUD consider whether taking administrative actions against the appropriate owner(s) is warranted. (Audit Report: **2018-FW-1002**)

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## REVIEW OF HUD'S HOUSING PRESERVATION AND RESIDENT HOME-OWNERSHIP PROGRAM

HUD OIG audited HUD’s oversight of grants funded through its resident home-ownership program under the Low-Income Housing Preservation and Resident Homeownership Act of 1990 to determine whether HUD had adequate oversight of grants funded through its program to ensure that the projects were operated in accordance with HUD’s requirements.

HUD did not have adequate oversight of grants to ensure that the projects were operated in accordance with HUD’s requirements. Specifically, it did not sufficiently monitor the projects and ensure that grantees submitted reports showing continued compliance with the program. It also had not provided technical assistance to the grantees or management agents, ensured that the grantees and management agents received training, or issued guidance

concerning requirements in the grant and use agreements. As a result, the grantees did not operate the projects in accordance with HUD's requirements and were at risk of having to reimburse HUD for the program grants.

OIG recommended that HUD (1) conduct onsite management reviews of the projects to ensure that they are operated in accordance with HUD's requirements and the grant agreements and (2) develop and issue guidance on requirements in the grant and use agreements. (Audit Report: **2018-CH-0001**)

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## REVIEW OF HUD'S POLICIES TO PREVENT MULTIFAMILY TENANTS FROM BYPASSING WAITING LISTS

HUD OIG audited HUD's multifamily housing program to determine whether HUD had adequate policies to prevent multifamily tenants from being able to move into units and become heads of household without being put on the established waiting list.

HUD did not have adequate policies to prevent multifamily tenants from improperly bypassing waiting lists. HUD policies did not address situations in which tenants improperly bypassed waiting lists to be placed into HUD-assisted multifamily units. HUD Handbook 4350.3, REV-1, section 4-16, required multifamily project owners to use a waiting list if appropriate-size units were not available for applicants. The Handbook also required owners to mark the date on which the application was received from the potential tenant and to select applicants from the waiting list in chronological order to fill vacancies. But HUD policies did not provide guidance to owners when there were indications of tenants bypassing waiting lists.

OIG recommended that HUD strengthen current written policies on occupancy requirements for subsidized multifamily housing programs to ensure that prospective tenants do not improperly bypass waiting lists. (Audit Memorandum: **2018-KC-0802**)

## INVESTIGATION

### Program Results

<b>Administrative - civil actions</b>	7
<b>Convictions - pleas - pretrial diversions</b>	6
<b>Financial recoveries</b>	\$267,550

## PROPERTY MANAGER SENTENCED FOR EMBEZZLEMENT

A property manager was sentenced in U.S. District Court in connection with a previous guilty plea to conspiracy to commit theft of government funds. The property manager was sentenced to 18 months incarceration, 3 years supervised release, and substance abuse counseling and was ordered to pay \$52,241 in restitution to a HUD-subsidized multifamily complex. Over a period of 2 years, the property manager diverted HUD funds for her personal benefit by making payments to fictitious vendors, stealing tenant cash payments and laundromat proceeds, making unauthorized purchases on the development's credit cards, and reimbursing herself for fictitious benefits. HUD OIG conducted this investigation. (**Shreveport, LA**)

## JOINT CIVIL FRAUD

Key program results		Questioned costs	Funds put to better use
Civil actions	3	\$40,000	\$0

HUD OIG reviewed concerns expressed in a complaint from a HUD employee regarding the physical condition of HUD-insured residential care facilities. At least 10 facilities had received a score below 31 out of a possible 100 on their most recent Real Estate Assessment Center (REAC) inspection performed between June 2016 and March 2017, suggesting that the physical condition of the facilities was unsatisfactory.

HUD failed to monitor the physical condition of residential care facilities in its portfolio to ensure sustainable properties for the life of the HUD-insured mortgage. HUD did not verify that exigent health and safety violations were mitigated and required repairs to the facilities were made. Additionally, although roof deficiencies are potentially devastating to the physical condition of properties, the REAC inspectors were not required to access the roof when a permanent means of access was not available. Further, HUD did not ensure that the routine inspection schedule was followed and had allowed skilled nursing facilities to be exempt from REAC physical inspections. Also, the REAC inspection scores did not accurately reflect the physical condition of the facilities and could not be used to compare the facilities.

OIG recommended that HUD implement procedures to ensure that deficiencies identified during the REAC inspections have been corrected, ensure that timely physical condition inspections of all Section 232 program facilities are performed, and reimplement the REAC physical condition inspections for the skilled nursing facilities that were exempted from routine physical inspections. OIG also recommended that HUD develop and implement an inspection process for the Section 232 program that better reflects those properties' physical conditions and ensure that all areas of the properties are inspected, including the roofs and all buildings located on the property that are insured by HUD. (Memorandum: **2018-CF-0801**)

## 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	8 audits	\$2,294,853	\$216,663

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), audited the Community Development Block Grant (CDBG) and HOME Investment Partnerships program.

### COMMUNITY DEVELOPMENT BLOCK GRANT

HUD OIG audited the **Jefferson Parish, LA**, Community Development Department to determine whether the Parish (1) ensured that payments to contractors were supported, reasonable, and necessary and (2) properly monitored and ensured completion of the contractors' work in accordance with contract and HUD requirements for its CDBG- and HOME-funded property rehabilitation program.

The Parish did not always administer its rehabilitation program in accordance with program requirements. Specifically, it did not always ensure that payments to contractors were eligible, supported, and reasonable, as it made duplicate payments and overpayments and made payments (1) for work not completed and excessive material costs, (2) without adequate invoice documentation or cost analyses for change orders, (3) without performing independent cost estimates before the bidding process, and (4) for properties not brought up to code. In addition, the Parish did not properly monitor and ensure completion of its contractors' work. As a result, it could not provide reasonable assurance to HUD that its program met its purpose or that it followed HUD and other requirements, putting more than \$216,000 in allocated HOME funds at risk of mismanagement. In addition, the Parish paid more than \$1 million in questioned costs and left homeowners in unsafe and unsanitary living conditions.

OIG recommended that HUD require the Parish to (1) develop and implement written procedures and take actions to ensure that it better spends more than \$216,000 in HOME funds, (2) repay more than \$9,000 for duplicate payments to contractors, (3) support or repay more than \$1 million in questioned costs, (4) develop and implement written procedures and management controls, and (5) correct the deficiencies identified during the onsite inspections and in the remaining homes. (Audit Report: **2018-FW-1001**)

HUD OIG audited the City of **South Gate, CA**'s CDBG program to determine whether the City administered its CDBG funds in accordance with HUD requirements, focusing on code enforcement and graffiti abatement activities.

The City did not administer CDBG funds in accordance with HUD requirements. Specifically, it (1) did not meet HUD's code enforcement requirements and (2) did not ensure that code enforcement and graffiti abatement salary and benefit costs were adequately supported. As a result, it used more than \$811,000 in CDBG funds for unsupported code enforcement costs and more than \$285,000 for unsupported graffiti removal costs.

OIG recommended that HUD require the City to (1) provide documentation to support the eligibility of the code enforcement and graffiti abatement costs or repay the program from non-Federal funds; (2) develop and implement policies and procedures to ensure that code enforcement and graffiti abatement salaries and benefits are accurately charged to CDBG grants; and (3) develop and implement a targeted code enforcement strategy that would specify deteriorating or deteriorated areas where code enforcement would be expected to arrest decline, including a description of public or private improvements, rehabilitation, or services that would help facilitate code enforcement. (Audit Report: **2018-LA-1003**)

## INVESTIGATION

### Program Results

<b>Administrative - civil actions</b>	38
<b>Convictions - pleas - pretrial diversions</b>	8
<b>Financial recoveries</b>	\$2,268,038

### NONPROFIT CORPORATION FINANCE DIRECTOR SENTENCED FOR EMBEZZLEMENT OF HOPWA FUNDS

A former finance director and accountant for a nonprofit corporation was sentenced in U.S. District Court in connection with her earlier guilty plea to theft of Federal program funds and making and subscribing a false return. The accountant was sentenced to 30 months incarceration and 3 years supervised release and ordered to pay \$510,536 in restitution, with \$321,961 of that amount due to HUD. HUD awarded the nonprofit organization a 3-year grant for \$1.3 million under the Housing Opportunities for Persons with AIDS (HOPWA) program. Financial records showed that the accountant received wire payments of \$637,544 over a period of 3 years when her salary was \$62,500. HUD OIG; the U.S. Department of Health and Human Services OIG; and the Internal Revenue Service, Criminal Investigations Division, conducted this investigation. (**St. Thomas, USVI**)

### NONPROFIT AGENCY CHIEF FINANCIAL OFFICER SENTENCED FOR THEFT OF GOVERNMENT FUNDS

A former chief financial officer (CFO) of a HUD-funded nonprofit agency was sentenced in U.S. District Court for his earlier guilty plea to theft of government funds. The CFO was sentenced to 13 months incarceration, 36 months supervised release, and 6 months home detention and was ordered to pay \$84,308 in restitution. The wife and



mother-in-law of the CFO, who also held roles as director and chief executive officer, agreed to pretrial diversions of 12 and 9 months, respectively. The three subjects converted funds intended to be used for HUD's CDBG program to their own personal use by purchasing tickets to entertainment shows and sports events, for personal travel on a cruise ship, and for unallowed meals. HUD OIG, the Office of State Inspector General, and the Federal Bureau of Investigation conducted this investigation. **(New Orleans, LA)**

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### DISASTER RECIPIENT SENTENCED FOR THEFT BY DECEPTION

A homeowner was sentenced in New Jersey Superior Court in relation to his earlier guilty plea to theft by deception. The man was sentenced to 18 months probation, approved for the Pretrial Intervention Program, and ordered to pay \$137,826 in restitution. In applications for Hurricane Sandy disaster assistance, the recipient falsely claimed he was residing at a damaged location. The homeowner received a total of \$137,826 in disaster relief funds, \$113,001 of which included HUD funding. HUD OIG, the U.S. Department of Homeland Security (DHS) OIG, the Small Business Administration OIG, and the U.S. Department of Health and Human Services OIG conducted this investigation. **(Brick Township, NJ)**

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### HOMEOWNER ORDERED TO REPAY ALMOST \$200,000 IN DISASTER FUNDS

A homeowner and grant recipient was sentenced in New Jersey Superior Court after pleading guilty to multiple charges of theft by deception. The recipient was sentenced to 12 months probation and ordered to pay \$191,314 in restitution. The homeowner falsely claimed that a home she owned was damaged by Hurricane Sandy and was her primary residence at the time of the storm, for which she received \$159,830 in HUD funds. Her actual primary residence at the time of the storm was in another State, while the damaged home was a seasonal home, making it ineligible for HUD assistance. HUD OIG and the New Jersey Division of Criminal Justice conducted this investigation. **(Ventnor City, NJ)**

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### FAMILY SENTENCED FOR DISASTER FRAUD

A recipient of Hurricane Sandy disaster relief funds was sentenced in State Superior Court to 5 years probation and ordered to pay \$190,213 in restitution after being convicted of theft by deception. The homeowner filed false damage claims for his property and received disaster relief funds from HUD, the Federal Emergency Management Agency, and the New Jersey Department of Community Affairs. The property was determined not to be his primary residence, although he certified that it was. As part of the Judgment of Conviction, the homeowner was ordered to list the damaged property for sale. HUD OIG, DHS OIG, and the New Jersey Attorney General's Office conducted this investigation. **(Toms River, NJ)**

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## CHAPTER 5 – OTHER SIGNIFICANT AUDITS AND EVALUATIONS

### 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	9 audits	\$0	\$1,249,107,507

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

#### AUDIT OF HUD'S FISCAL YEARS 2017 AND 2016 FINANCIAL STATEMENTS

In accordance with the Chief Financial Officers Act of 1990, as amended, OIG is required to annually audit HUD's consolidated financial statements and the Federal Housing Administration's (FHA) and Government National Mortgage Association's (Ginnie Mae) stand-alone financial statements. OIG's objective was to express an opinion on the fairness of HUD's consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP) applicable to the Federal Government.

OIG expressed a disclaimer of opinion on HUD's fiscal years 2017 and 2016 (restated) consolidated financial statements because of the significant effects of certain unresolved audit matters, which restricted OIG's ability to obtain sufficient, appropriate evidence to express an opinion. These unresolved audit matters relate to (1) HUD's improper use of cumulative and first-in, first-out budgetary accounting methods of disbursing community planning and development program funds, (2) the \$3.6 billion in nonpooled loan assets from Ginnie Mae's stand-alone financial statements that OIG could not audit due to inadequate support, (3) unvalidated grant accrual estimates, and (4) the improper accounting for certain HUD assets and liabilities. Additionally, due to weaknesses in its financial reporting process, OIG was unable to review notes 3 and 7 to the consolidated financial statements.

OIG reported nine material weaknesses, six significant deficiencies, and three instances of noncompliance with applicable laws and regulations. Primarily, HUD (1) lacked adequate controls over its financial reporting preparation process; (2) inadequately accounted for assets, liabilities, commitments, and disbursements in accordance with GAAP; (3) delayed completion of significant reconciliations; (4) lacked adequate financial management systems to ensure accurate and reliable financial reporting; and (5) reported significant amounts of invalid obligations. HUD's weak customer complementary controls with its Federal shared service provider and continued weaknesses in its financial management governance structure were instrumental in causing these internal control weaknesses.

OIG recommended that HUD (1) properly account for all financial transactions in accordance with GAAP; (2) improve internal controls over the financial reporting process, including developing and implementing effective customer complementary controls; and (3) deobligate up to \$648.9 million in invalid or inactive obligations and return to the U.S. Treasury more than \$329.3 million in unapportioned funds that are not available for obligation.

Additionally, OIG made recommendations to FHA and Ginnie Mae to improve and strengthen internal control over financial reporting and governance of financial operations. (Audit Reports: **2018-FO-0004** and **2018-FO-0005**)

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## AUDIT OF THE FEDERAL HOUSING ADMINISTRATION'S FINANCIAL STATEMENTS FOR FISCAL YEARS 2017 AND 2016

HUD OIG audited FHA's fiscal years 2017 and 2016 (restated) financial statements, including its report on FHA's internal control and test of compliance with selected provisions of applicable laws and regulations.

In OIG's opinion, FHA's fiscal years 2017 and 2016 financial statements were presented fairly, in all material respects, in accordance with U.S. GAAP for the Federal Government. OIG's opinion is reported in FHA's Fiscal Year 2017 Annual Management Report. The results of OIG's audit of FHA's principal financial statements and notes for the fiscal years ending September 30, 2017 and 2016, including its report on FHA's internal control and test of compliance with selected provisions of laws and regulations applicable to FHA, are presented in this report. The audit disclosed two material weaknesses, two significant deficiencies in internal controls, and no instances of noncompliance with applicable laws and regulations. (Audit Report: **2018-FO-0003**)

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## AUDIT OF THE GOVERNMENT NATIONAL MORTGAGE ASSOCIATION FISCAL YEARS 2017 AND 2016 FINANCIAL STATEMENTS

HUD OIG audited Ginnie Mae's fiscal years 2017 and 2016 (restated) financial statements, including its report on Ginnie Mae's internal control and test of compliance with selected provisions of laws and regulations applicable to Ginnie Mae.

In fiscal year 2017, for the fourth consecutive year, OIG was unable to obtain sufficient, appropriate evidence to express an opinion on the fairness of the \$3.6 billion (net of allowance) in nonpooled loan assets from Ginnie Mae's defaulted issuers' portfolio as of September 30, 2017. Ginnie Mae also continued to improperly account for FHA reimbursable costs as an expense instead of capitalizing them. Additionally, critical information needed to perform the audit was not provided in sufficient time to audit the guaranty asset and guaranty liability financial statement line items. The combination of these unresolved issues for a number of years was both material and pervasive because it impacted multiple financial statement line items across all of Ginnie Mae's basic financial statements. As a result of the scope limitation in OIG's audit work and the effects of material weaknesses in internal control, OIG has not been able to obtain sufficient, appropriate evidence to provide a basis for an audit opinion on Ginnie Mae's fiscal years 2017 and 2016 (restated) financial statements. Based on the results of its work, OIG identified four material weaknesses, one significant deficiency, and one reportable noncompliance with selected provisions of laws and regulations. (Audit Report: **2018-FO-0002**)

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## FISCAL YEAR 2017 REVIEW OF INFORMATION SYSTEMS CONTROLS IN SUPPORT OF THE FINANCIAL STATEMENTS AUDIT

HUD OIG audited information system controls over HUD's computing environment as part of its audit of HUD's financial statements for fiscal year 2017 under the Chief Financial Officer's Act of 1990. The audit objective was to

assess general controls over HUD's computing environment 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 certain officials. (Audit Report: **2018-DP-0003**)

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## AUDIT OF SELECTED FHA INFORMATION SYSTEMS AND CREDIT REFORM ESTIMATION AND REESTIMATION PROCESS APPLICATIONS

HUD OIG audited general and application controls over selected FHA information systems and the credit reform estimation and reestimation process as part of the internal control assessments required for the fiscal year 2017 financial statement audit under the Chief Financial Officer's Act of 1990. The objective was to review the controls for compliance with HUD IT policies and Federal information system security and financial management requirements.

OIG has determined that the contents of the audit report would not be appropriate for public disclosure and has, therefore, limited its distribution to certain officials. (Audit Report: **2018-DP-0002**)

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## AUDIT OF INFORMATION SYSTEM CONTROLS OVER THE GINNIE MAE FINANCIAL ACCOUNTING SYSTEM

HUD OIG audited general and application controls over the Ginnie Mae Financial Accounting System (GFAS) as part of the internal control assessments required for the fiscal year 2017 financial statements audit under the Chief Financial Officer's Act of 1990. The audit objective was to review internal controls over the security, integrity, confidentiality, and availability of the data maintained in GFAS. OIG also reviewed the functionality and supporting business process application controls over GFAS.

OIG has determined that the contents of this audit report would not be appropriate for public disclosure and has, therefore, limited its distribution to certain officials. (Audit Report: **2018-DP-0001**)

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## ATTESTATION REVIEW OF HUD'S DATA ACT IMPLEMENTATION EFFORTS

In accordance with the statutory requirements of the Digital Accountability and Transparency Act of 2014 (DATA Act) and standards established by the Office of Management and Budget (OMB), HUD OIG audited HUD's compliance with the DATA Act for the second quarter of fiscal year 2017.

OIG assessed (1) the completeness, timeliness, quality, and accuracy of fiscal year 2017 second quarter 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.

HUD did not comply with the DATA Act for complete and accurate data submissions to USASpending.gov by the statutory May 2017 deadline. HUD underreported a total of \$17.9 billion in incurred obligations, \$16.9 billion in outlays, and \$4.2 billion in apportionments and did not comply with the DATA Act. Specifically, FHA operational activity contributed to an absolute value of \$17.3 billion in obligations incurred and \$16.6 billion in outlays, and

Ginnie Mae contributed an additional absolute value of \$558.3 million in obligations incurred and \$215.8 million in outlays being excluded from the submission. As a result, the stakeholders and end users accessing the agencies' data on USASpending.gov could not obtain a complete and accurate representation of HUD's financial positions and performance due to HUD's not reporting all activity associated with the U.S. Standard General Ledger accounts for each award.

OIG made five recommendations to improve HUD's future compliance with the DATA Act and remediate any issues identified by allocating sufficient resources, establishing a governance structure, ensuring that internal control policies and procedures are developed and implemented, and completing data quality and error resolution for programs that were excluded from HUD's second quarter submission. (Audit Report: **2018-FO-0001**)

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## ANNUAL RISK ASSESSMENT OF HUD'S USE OF CHARGE CARDS

HUD OIG completed its annual risk assessment of HUD's charge cards as required by the Government Charge Card Abuse Prevention Act of 2012, Public Law 112-194, and OMB Memorandum M-13-21. The objective was to analyze the risks of illegal, improper, or erroneous purchases in HUD's fiscal year 2016 travel and purchase card programs. OIG found that a moderate risk remained in HUD's travel card program and a low risk was associated with HUD's purchase card program.

HUD's travel card program had a moderate risk of susceptibility to illegal, improper, or erroneous purchases. Risk-increasing factors included a continuation of identified potentially unauthorized travel transactions from the prior year's OIG audit, unclear program guidance, and an increase in travel card use from fiscal year 2015. Risk-decreasing factors included HUD's timeliness in closing open travel card recommendations.

HUD's purchase card program had a low risk of susceptibility to illegal, improper, or erroneous purchases. Risk-increasing factors included noted difficulties with the Administrative Resource Center's ability to properly block certain restricted merchant category codes. Risk-decreasing factors included fewer identified transactions with control issues from the prior year's OIG audit, HUD's timeliness in closing open purchase card recommendations, and a decrease in purchase card use from fiscal year 2015.

OIG made no recommendations. It will use the risk assessment to determine the scope, frequency, and number of periodic audits or reviews of charge card programs. (Audit Memorandum: **2018-KC-0801**)

## EVALUATION

### E-DISCOVERY MANAGEMENT SYSTEM'S CAPACITY TO MEET CUSTOMER DEMAND FOR ELECTRONIC DATA

To meet mission needs, several HUD program offices request electronically stored information (ESI) using HUD's E-Discovery Management System. The collection of ESI does not meet customer demand because processing ESI requests takes too long to meet customers' needs. Several factors contribute to this result. Namely, (1) the contract for the system was not scoped using complete demand information, (2) demand for ESI has changed over time and may increase, and (3) technical issues create challenges for the timely delivery of ESI to customers. This condition poses several risks to HUD, including monetary and other sanctions, missed opportunities to perform investigative fieldwork, and litigation and associated costs. HUD planned several changes to its IT infrastructure, which over time, may increase its capacity to process ESI requests and decrease the time it takes to deliver collection results to customers.

OIG recommended that the Office of General Counsel (OGC) (1) conduct a study to project HUD's capacity needs for ESI collections and (2) give its completed study to the Office of the Chief Information Officer (OCIO) for consideration during future contract award decisions regarding E-Discovery services. In March 2018, OGC completed the study and provided it to OCIO. The recommendations are now closed. (Evaluation Report: **2017-OE-0008**)

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## CIGIE WEB APPLICATION SECURITY CROSS-CUTTING REVIEW

HUD OIG led an OIG cross-cutting Council of the Inspectors General on Integrity and Efficiency (CIGIE) review project group of 10 OIGs, which assessed the ability of Federal agencies and other designated Federal entities to identify, assess, and resolve security vulnerabilities on Government publicly accessible web applications. The testing and assessments of the review within the participating agencies identified the following three significant deficiencies: incomplete and inaccurate inventories, thousands of critical and high-severity vulnerabilities in Federal Government website environments, and inconsistent or poor implementation of Federal agency web security policies and processes. The resulting report included seven recommendations that all Federal agencies should implement. The final report also provided critical assessment criteria that were added to the fiscal year 2018 Federal Information Security Modernization Act of 2014 (FISMA) Inspectors General (IG) metrics. The report was publicly published on the CIGIE and oversight.gov websites. (Evaluation Report: **2016-OE-0006**)

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## FEDERAL AUDIT EXECUTIVE COUNCIL IT SUBCOMMITTEE FISMA MATURITY MODEL DEVELOPMENT

HUD OIG continued its collaboration with CIGIE and the Federal Audit Executive Council IT Subcommittee for the third year in a row by participating in the ongoing development of the maturity models and metric updates for the FISMA IG metrics. The maturity models and revised reporting approach allow IGs to measure and report on Federal agency cybersecurity programs more consistently. HUD OIG was one of only a handful of IG offices to maintain an ongoing volunteer status to help develop and update the metrics. To see the most recent FISMA metrics report, visit <https://www.dhs.gov/publication/fy17-fisma-documents>.



## CHAPTER 6 – LEGISLATION, REGULATIONS, 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 500 hours to reviewing 102 issuances. The draft directives consisted of 69 notices, 5 mortgagee letters, and 28 other directives. OIG provided comments on 37 (or 36 percent) of the issuances and nonconcurred on 3 but lifted one nonconurrence. Of the 28 other directives, OIG reviewed 3 final rules, 16 handbooks-guidebooks, 6 congressional status and research reports, 1 strategic plan, and 2 reference-guidance documents. On the three final rules, OIG had a comment on one and no position on two. Below is a summary of selected reviews for this 6-month period.*

### NOTICES, POLICY ISSUANCES, AND FINAL RULES

#### SINGLE-FAMILY HOUSING

**Foreclosure moratorium** – On October 20, 2017, the U.S. Department of Housing and Urban Development (HUD) published Mortgagee Letter 2017-15, which extends its initial 90-day foreclosure moratorium for Hurricanes Harvey, Irma, and Maria for an additional 90-day period as such period relates to each individual Presidentially Declared Major Disaster Area's (PDMDA) declaration date. This extension was in force until February 21, 2018, for Hurricane Harvey; March 9, 2018, for Hurricane Irma; and March 19, 2018, for Hurricane Maria. The extension of these three initial moratoriums applies to the initiation of foreclosures and foreclosures already in process.

**Property Assessed Clean Energy loans** – On December 7, 2017, HUD published Mortgagee Letter 2017-17, which revises its policies with respect to the insurance of mortgages on properties encumbered with Property Assessed Clean Energy (PACE) obligations. Specifically, properties encumbered with a PACE obligation will no longer be eligible for Federal Housing Administration (FHA)-insured forward mortgages.

**Foreclosure avoidance** – On December 20, 2017, HUD published a guide to help struggling homeowners avoid foreclosure as part of a public-private partnership between Federal agencies and industry partners. The guide provides homeowners with information on the critical first steps to take if they are at risk of missing a mortgage payment or facing foreclosure. OIG reviewed the draft publication during the last semiannual reporting period and provided a suggestion to define the terms “delinquent” and “default.” Further, OIG suggested that additional details be provided in the section explaining what happens when the mortgage payment is late. HUD implemented the suggestions.

**Loss mitigation in PDMDAs** – On February 22, 2018, HUD published Mortgagee Letter 2018-01, which amends the loss mitigation policies for disaster-affected borrowers located in the PDMDAs of Louisiana-Hurricane Harvey (DR-4345); Texas-Hurricane Harvey (DR-4332); Florida-Hurricane Irma (DR-4337); Georgia-Hurricane Irma (DR-4338); Puerto Rico-Hurricane Irma (DR-4336); South Carolina-Hurricane Irma (DR-4346); the Virgin Islands-Hurricane Irma (DR-4335); Puerto Rico-Hurricane Maria (DR-4339); the Virgin Islands-Hurricane Maria (DR-4340); California wildfires (DR-4344); or California wildfires, flooding, mud flows, and debris flows (FEMA-DR-4353). The mortgagee letter eases the requirements for loss mitigation services to help affected borrowers stay in their homes, while reducing losses to FHA's Mutual Mortgage Insurance fund.

**Foreclosure moratorium** – On March 1, 2018, HUD published Mortgagee Letter 2018-02, which extends its current 180-day foreclosure moratorium for Hurricane Maria-impacted areas for an additional 60 days. This

extension period relates to Hurricane Maria's PDMDAs' declaration date. This extension applies only to the individual assistance areas within the PDMDAs associated with Puerto Rico and the U.S. Virgin Islands.

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## PUBLIC AND INDIAN HOUSING

**Relief from HUD requirements available to PHAs to assist with recovery and relief efforts on behalf of families affected by Hurricanes Harvey, Irma, Maria, etc.** – On October 6, 2017, HUD published a notice advising the public that HUD, as a result of Presidential Major Disaster Declarations (MDD) following Hurricanes Harvey, Irma, and Maria, has established an expedited process for the review of requests for relief from HUD regulatory and administrative requirements for public housing agencies (PHA) and tribes or tribally designated housing entities (TDHE) located in Texas, the U.S. Virgin Islands, Puerto Rico, Florida, and Georgia. Specifically, these PHAs, tribes, and TDHEs may request waivers of HUD requirements and receive an expedited review of such requests. In addition, this notice advises that PHAs, tribes, and TDHEs located in areas covered by MDDs issued during the remainder of 2017 may use the flexibilities and expedited waiver process set out by this notice.

**Sections 184 and 184-A Loan Guarantee Program** – On January 31, 2018, HUD published a notice informing the public that HUD is seeking approval from Office of Management and Budget for information collection regarding the Sections 184 and 184-A Loan Guarantee Program. HUD's Office of Native American Programs (ONAP) is developing a system called the Loan Origination System (ONAP-LOS) to support the Section 184 Indian Home Loan Guarantee Program. ONAP-LOS will deliver automated processes for case registration, reservation of funds, issuance of loan guarantee certificates, and lender registration and recertification. This system will capture and maintain data across the following major information categories: lenders, borrowers, properties, and loans. The enhanced enterprise solution will provide participating lender partners with clarity and transparency regarding the ONAP enforcement efforts and will expand access to credit for eligible borrowers. ONAP designed the new system to reduce the number of forms needed and the time to prepare the forms while ensuring the highest level of security and privacy protections. ONAP-LOS is available to all lenders with direct guarantee approval upon completion of scheduled training.

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## MULTIFAMILY HOUSING

**Streamlining administrative regulations for multifamily housing programs and implementing family income reviews under the Fixing America's Surface Transportation Act** – On December 12, 2017, HUD published Federal Register Notice FR-5743-I-04, which amends the regulatory language to implement the Fixing America's Surface Transportation (FAST) Act and to align the current regulatory flexibilities with those provided in the FAST Act. In addition, this interim final rule seeks to extend to certain multifamily housing programs some of the streamlining changes that were proposed for and made only to the Housing Choice Voucher and public housing programs. HUD published a final rule on March 8, 2016, containing changes to streamline regulatory requirements pertaining to certain elements of the Housing Choice Voucher, public housing, and various multifamily housing rental assistance programs. The goal of the final rule was to reduce the administrative burden on PHAs and multifamily housing owners, including changes pertaining to annual income reviews in the Housing Choice Voucher, public housing, and Section 8 project-based rental assistance programs for families with sources of fixed income.

**Refinancing of pre-1974 Section 202 direct loans** – On March 22, 2018, HUD issued Housing Notice H 2018-02, which supplements Housing Notice H 2013-17, providing additional guidance to owners of pre-1974 Section 202 direct loan properties that have the option of refinancing the Section 202 direct loan for the purposes of reducing the

interest rate or making capital improvements. To prevent the displacement of unassisted, low-income elderly tenants following the refinancing of a pre-1974 Section 202 direct loan, HUD is authorized to provide rental assistance under the Housing Choice Voucher program or project-based rental assistance under a senior preservation rental assistance contract.

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## COMMUNITY PLANNING AND DEVELOPMENT

**CDBG-assisted properties** – On September 29, 2017, OIG issued Audit Report 2016-PH-0001, which found that HUD could improve its oversight of the disposition of real properties assisted with Community Development Block Grant (CDBG) funds. The report recommended that HUD issue guidance reminding grantees of the requirements to report address information for assisted properties and calculate and report program income related to the disposition of these properties. It also recommended that HUD develop a process to ensure that grantees properly report the addresses of assisted properties in its Integrated Disbursement and Information System and properly calculate and report program income from the disposition of the sale of these properties regularly. HUD responded that it already had such guidance in development and agreed to modify the guidance to incorporate OIG’s recommendations. On October 18, 2017, HUD published Notice CPD-17-09, Management of Community Development Block Grant Assisted Real Property. The notice addressed OIG’s recommendations.

**Disaster funding** – On December 27, 2017, HUD published a notice allocating \$57.8 million in CDBG Disaster Recovery (CDBG-DR) funds to the State of Texas in response to Hurricane Harvey. This allocation was made under the requirements of Public Law 115-31. The allocation was the amount remaining from the \$400 million appropriated under Public Law 115-13, which specified that funds allocated for disasters in 2017 or later be allocated and used under the same authority and conditions as those applicable to CDBG-DR funds appropriated by Public Law 114-223. Public Law 115-31 provides that the funds remain available until spent and became effective January 2018.

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## ADMINISTRATIVE-OTHER

**Establishment of performance review boards** – On November 21, 2017, HUD published Federal Register Notice FR 6065-N-01, which established two performance review boards to make recommendations to the appointing authority on the performance of its senior executives. One board has the responsibility to review career Senior Executive Service (SES) performance, while the other board has a responsibility to review noncareer SES performance.

**Withdrawal of proposed rules** – On December 22, 2017, HUD published Federal Notice FR-6071-N-01, in which, as part of the efforts of HUD’s Regulatory Reform Task Force, HUD informs the public that it has determined not to pursue five proposed rules published in the Federal Register and as a result, is withdrawing the rules from HUD’s Unified Agenda of Regulatory and Deregulatory Actions. HUD is taking this action consistent with Executive Order 13771, entitled “Reducing Regulation and Controlling Regulatory Costs,” and Executive Order 13777, entitled “Enforcing the Regulatory Reform Agenda,” which, among other things, require that the cost of planned regulations be prudently managed and controlled.

**Amendment of Freedom of Information Act** – On February 21, 2018, HUD issued Federal Register Notice FR-6048-F-01, which amends the Freedom of Information Act (FOIA) regulations for its OIG to align with HUD’s FOIA regulations, to implement the FOIA Improvement Act of 2016, and to explain current OIG policies and practices with respect to FOIA.

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## 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 website, [www.hudoig.gov](http://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 and consumers are well informed about the perils associated with emergent frauds and other illegal activities that jeopardize the integrity of otherwise legitimate programs. During this semiannual period, OIG issued one multifamily industry advisory and one consumer fraud alert, which are summarized below.*

**4 Keys for Multifamily Owners’ Oversight of Management Agent Activities** (issued October 6, 2017)—Owners of HUD-assisted or -insured properties should have a system of quality control over project operations, especially if they are absentee owners that leave daily operations to a management agent. Owners must be aware of the risks they face from the errors and frauds that may be committed by their agents. This bulletin emphasizes owners’ responsibility for asset management and ensuring that project funds are spent properly and distributions do not violate HUD rules. It also offers best practices for avoiding management agent violations and the potential consequences of not handling them appropriately. The bulletin provides examples of consequences that have occurred when owners failed to provide oversight to their management agents.

**Fraud Alert: Fake Hotline Callback** (issued October 24, 2017)—HUD OIG learned that HUD housing discrimination hotline numbers are being used as part of a telephone spoofing scam targeting individuals throughout the country. These scammers represent themselves as HUD hotline employees and can alter the appearance of the caller ID to make it seem as if the call is coming from a HUD hotline number. The perpetrator may use various tactics to obtain or verify the victim’s personal information, which can then be used to steal money from an individual’s bank account or for other fraudulent activity. HUD OIG takes this matter seriously. OIG encouraged the public to remain vigilant, protect their personal information, and guard against providing personal information during calls that purport to be from any HUD or HUD OIG hotline telephone number. OIG also reminded the public that it is still safe to call the HUD and HUD OIG hotlines to submit a request or report an incident.

## CHAPTER 7 – REPORT RESOLUTION

*In the 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 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 reports issued before the start of the period that do not have management decisions, have significantly revised management decisions, or have significant management decisions with which OIG disagrees. It also has a status report on HUD's implementation of the Federal Financial Management Improvement Act of 1996 (FFMIA). In addition to this chapter on resolution, see appendix 3, table B, "Significant 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 MARCH 31, 2018

#### 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. OIG 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). 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 Federal 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 from 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 stated that in coordination with Office of Chief Information Officer (OCIO), plans were being developed to address the recommendation. However, PIH did not provide a management decision, and it was difficult to determine when or whether these new systems would be implemented. OIG followed up with PIH and OCIO on September 19, 2017, about entering a management decision to reflect current plans, but as of September 30, 2017, OIG had not received a response. On February 21, 2018, OIG followed up with PIH again regarding this recommendation, but no management decision had been submitted as of March 31, 2018. (Audit Report: **2014-FO-0003**)



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## U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, 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 the 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 agreement. As of March 31, 2018, management decisions had been agreed upon for all recommendations except two.

OCFO submitted a new management decision for one of these recommendations on March 15, 2018. OIG disagreed with the management decision because OCFO stated that it was performing a program reset and this recommendation was based on estimating improper payments using a previous methodology. Additionally, OCFO stated that HUD does not make payments to tenants. The proposed management decision also requested that the recommendation be closed. OIG disagreed with the proposed management decision because it is too vague and does not reflect how the recommendation will be addressed in the program reset. Further, it does not acknowledge that one of its supplemental measures was to reduce improper payments made to deceased single-member households. While the program is being reset and new supplemental measures may be developed, OIG cannot agree to a proposed management decision for those reasons.

OCFO submitted several proposed management decisions for the other recommendation on September 30, 2014, March 31, 2016, March 30, 2017, and March 14, 2018. Originally, HUD disagreed with OIG's recommendation

and refused to provide a corrective action plan, which would ensure that the true error rate in certain programs was not masked when reported in the AFR. Most recently, OCFO decided to perform a program reset, which is expected to be implemented with fiscal year 2018 AFR reporting. OCFO has attempted to use the program reset as a basis for its proposed management decisions. However, OIG continued to disagree with the proposed management decisions because the plan and evidence to provide closure were too vague. OCFO has been unable to provide sufficient details in its proposed management decision to describe how the recommendation will be implemented, nor has it been able to provide sufficient justification for a final action target date of January 30, 2020. (Audit Report: **2014-FO-0004**)

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## 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 486 loans from January 2004 to February 2014 that had enforceable indemnification agreements and losses to HUD, but lenders were not billed. This condition occurred because HUD's Financial Operations Center was not able to determine loss amounts for loans that were part of the ACD program, was not aware of the CWCOT program, and considered only the final default date for billing. As a result, HUD did not attempt to recover a loss of \$37.1 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 into another FHA-insured loan. As a result, HUD incurred losses of \$373,228 for 5 loans, and 16 loans had a potential loss to HUD of approximately \$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 disagreed 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 the HUD Offices of General Counsel, Housing, Single Family Housing, and Finance and Budget on January 30, 2015. The meeting ended in disagreement; however, the HUD Office of General Counsel and OIG Office of Legal Counsel continued discussions.

Single Family Housing received two legal opinions from HUD's Office of General Counsel, 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 that supports OIG’s position.

OIG held discussions with HUD’s Offices of General Counsel, Single Family Housing, and Finance and Budget regarding the recommendations in question, but no agreeable management decisions were reached. On March 31, 2015, OIG referred the recommendations to the Deputy Secretary for a decision and as of March 31, 2018, was awaiting that decision. (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 audit recommendations to (1) correct the financial statement misstatements identified 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, but HUD’s corrective action plan to provide the oversight of Ginnie Mae lacked specificity. As of March 31, 2018, the Deputy Secretary had not provided a decision on the six recommendations referred. (Audit Report: **2015-FO-0003**)

### 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. Out of 11 audit recommendations, OIG did not reach consensus on the necessary corrective actions for 3 of these recommendations.

Ginnie Mae did not provide a response to OIG to explain Ginnie Mae’s refusal to implement one audit recommendation related to compliance with the 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 OIG’s (1) finding “that management had an ineffective monitoring tool in place” and (2) 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 to the Deputy Secretary on March 6, 2017. As of March 31, 2018, OIG was awaiting a decision on the remaining three recommendations referred to the Deputy Secretary. (Audit Report: **2016-FO-0001**)

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## 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, including the areas of (1) accounting for liabilities for PIH programs in accordance with GAAP and FFMIA and (2) HUD’s financial management governance structure and internal controls over financial reporting. HUD disagreed with several recommendations made in each of these areas, and as a result, OIG first referred them to the Principal Deputy Assistant Secretary for Public and Indian Housing and the Deputy Chief Financial Officer on April 21, 2016. OIG received a response to 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. OIG had received two new proposals as of March 31, 2018, but could not agree with them due to an insufficient proposal that was not clear on how to address the recommendations and insufficient evidence to support closure.

### Accounting for Liabilities for PIH Programs in Accordance With GAAP and FFMIA

OIG reported that HUD does not recognize the accounts payables arising from shortages identified in PIH’s cash management reconciliations. PIH’s position is that it does not record the payables because the cash management reconciliations are completed 45-60 days after each quarter. By the time they are conducted, the PHA could have used either restricted or unrestricted net position balances or requested frontload funding to cover the shortages. OIG does not agree that this practice complies with GAAP because adjusting the prepaid expense after payables have been paid is not accrual accounting. PIH has not submitted a revised position on this matter. OIG believes

that this recommendation cannot be resolved until PIH's cash management process is automated, which is discussed in Audit Report 2014-FO-0003 (discussed above).

Regarding 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 for eight recommendations because OCFO (1) requested final action target dates that were too far into the future, (2) claimed that the deficiencies had been addressed by the new processes implemented by New Core when they 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, and April 6, 2017. A new proposal was submitted for one recommendation but was rejected because management did not understand the intention of the recommendation and did not include an action plan to document its processes as indicated in the recommendation. New proposals were submitted for two recommendations on January 2 and February 22, 2018, but were rejected because (1) the proposed management decision did not sufficiently address the recommendation and (2) there was insufficient evidence for closure to support implementation of the planned management decision. As of March 31, 2018, OIG had received no new proposals for the remaining outstanding recommendations. (Audit Report: **2016-FO-0003**)

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## HUD DID NOT ALWAYS PROVIDE ADEQUATE OVERSIGHT OF PROPERTY ACQUISITION AND DISPOSITION ACTIVITIES, ISSUE DATE: JUNE 30, 2016

HUD OIG audited HUD's Community Development Block Grant (CDBG) program's property acquisition and disposition activities. OIG's audit objective was to determine whether HUD had adequate oversight of property acquisition and disposition activities under its CDBG program.

OIG found that 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.

These conditions occurred because HUD did not have adequate controls to ensure that it enforced its monitoring findings and its grantee risk assessment procedures did not specifically address oversight of property acquisition and disposition activities.

The OIG report included a recommendation that the Deputy Assistant Secretary for Grant Programs direct 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.

The Deputy Assistant Secretary for Grant Programs proposed a management decision in December 2016. However, after discussions with HUD, OIG rejected the proposed management decision because it did not specifically address directing 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 as recommended. For OIG to consider the proposed management decision as an acceptable alternative action, OIG requested clarification and documentation from HUD. However, HUD did not provide the requested information and documentation, and OIG referred this recommendation to the Assistant Secretary for Community Planning and Development on March 30, 2017. HUD proposed another management decision in April 2017; however, OIG rejected it because it also did not directly address the intent of the recommendation. OIG referred this



recommendation to the Deputy Secretary on August 23, 2017, and as of March 31, 2018, had not received a decision. (Audit Report: **2016-PH-0001**)

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## HUD DID NOT ALWAYS PROVIDE ACCURATE AND SUPPORTED CERTIFICATIONS OF STATE DISASTER GRANTEE PROCUREMENT PROCESSES, ISSUE DATE: SEPTEMBER 29, 2016

HUD OIG audited HUD's controls over its certifications of State disaster recovery grantee procurement processes to determine whether HUD's certifications were accurate and supported. OIG found that 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. These conditions occurred because HUD did not have adequate controls over the certification process. Due to the weaknesses identified, HUD did not have assurance that State grantees had proficient procurement processes, and the Secretary's certifications did not meet the intent of the Disaster Relief Appropriations Act of 2013.<sup>5</sup>

The report included five recommendations for the Deputy Assistant Secretary for Grant Programs. The Deputy Assistant Secretary for Grant Programs proposed corrective actions on January 11, 2017, and OIG rejected the proposed actions on January 27, 2017. OIG referred the recommendations to the General Deputy Assistant Secretary for Community Planning and Development on February 6, 2017. The General Deputy Assistant Secretary responded to the referral on February 21, 2017. For all of the recommendations, the General Deputy Assistant Secretary stated that OIG's disagreement regarding the definition of a proficient procurement process, as it relates to State disaster grantees, and the meaning of "equivalent," as it relates to a State's procurement policies and procedures being "equivalent to" or "aligned with" the Federal procurement standards, was closed by the Deputy Secretary in her decision regarding resolution of recommendations from OIG's audit of New Jersey's Sandy Integrated Recovery Operations and Management System.<sup>6</sup> In the January 10, 2017, decision, the Deputy Secretary wrote that the State certified that its procurement standards were equivalent to the Federal standards at 24 CFR 85.36 and HUD had also certified to the proficiency of the State's policies and procedures. The Deputy Secretary noted that two legal opinions from the Office of General Counsel concluded that the standards at 24 CFR 85.36 did not apply and, therefore, there was no legal basis for the finding and associated recommendations. The General Deputy Assistant Secretary asserted that the legal opinion for the New Jersey audit applied to this audit. Based on this information, the General Deputy Assistant Secretary believed it was appropriate to close all of the recommendations.

OIG disagreed with the General Deputy Assistant Secretary's request to close the recommendations in this audit based on the Deputy Secretary's decision to resolve recommendations from OIG's audit of New Jersey's Sandy Integrated Recovery Operations and Management System. OIG has two main areas of disagreement with the decision: (1) OIG continues to assert that 24 CFR 85.36 was applicable to the State because its procedures needed to be equivalent to these Federal standards, and (2) OIG asserts that the applicability of 24 CFR 85.36 was not the only basis for the recommendations in the New Jersey audit report and believes that the decision failed to consider the other bases of the recommendations. Further, the Deputy Secretary's decision did not address all of the issues with HUD's process for certifying State disaster grantee procurement processes that were identified in the subject

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<sup>5</sup> Public Law 113-2, dated January 29, 2013

<sup>6</sup> 2015-PH-1003, dated June 4, 2015

audit report. OIG referred these recommendations to the Deputy Secretary on March 31, 2017, and as of March 31, 2018, had not received a decision. (Audit Report: **2016-PH-0005**)

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## AUDIT OF FISCAL YEARS 2016 AND 2015 (RESTATED) FINANCIAL STATEMENTS AUDIT, ISSUE DATE: NOVEMBER 14, 2016

HUD OIG audited Ginnie Mae's fiscal year 2016 stand-alone financial statements. OIG conducted this audit in accordance with the Chief Financial Officers Act of 1990 as amended. Of 19 recommendations issued, OIG did not reach consensus on the necessary corrective actions for 2 of these recommendations.

The first disagreement was associated with OIG's recommendation for Ginnie Mae to reverse the accounting writeoff of the advances account. In conjunction with the subledger data solution, Ginnie Mae needs to conduct a proper analysis to determine whether any of the \$248 million balances in the advances accounts are collectible. Ginnie Mae believed that it could not reverse the \$248 million residual balance in the advances account. Based on its analysis, Ginnie Mae explained that this residual balance should have been charged off by the realized losses incurred on liquidated loans from fiscal years 2009 through 2016 but was not. Therefore, according to Ginnie Mae, this residual balance was no longer supportable or collectible after the sale of the mortgage servicing rights. Additionally, Ginnie Mae stated that it cannot pursue additional collection from its MSSes based on the terms of the settlement with them. OIG has concerns about the reliability of Ginnie Mae's analysis because when OIG attempted to review Ginnie Mae's support for the advances writeoff, it was unable to validate the accuracy of the information used in Ginnie Mae's analysis. For example, of \$248 million, OIG could not validate the \$180 million in realized losses because this information was based on rough estimates (\$50 million) and MSSes' accounting reports that OIG considered unauditable (\$130 million). Ginnie Mae could not explain the other \$68 million. Further, OIG's audit showed that the \$248 million residual balance may contain advances related to unliquidated nonpooled loans. Specifically, in fiscal year 2016, Ginnie Mae informed OIG that all advance balances associated with liquidated loans were removed from the advances account and attached (carried forward) to the liquidated loans balance. However, in fiscal year 2017, OIG learned that this was not the case. According to Ginnie Mae, the advance balances associated with these loans were not carried forward. Therefore, there are legitimate collection action claims that Ginnie Mae can pursue on these unliquidated nonpooled loans.

The second disagreement was related to OIG's recommendation for Ginnie Mae to appropriately exclude the loan impairment allowance on other indebtedness instead of reporting it as part of the loan impairment allowance in its mortgage held for investment (MHI) account. Ginnie Mae partially agreed with OIG regarding the MHI allowance issue. Ginnie Mae agreed that it should have excluded from the MHI allowance account the allowance portion related to the reimbursable preforeclosure expense but not the nonreimbursable preforeclosure expense portion. According to Ginnie Mae, it included the nonreimbursable preforeclosure expense in the MHI allowance calculation because the expense was necessary to collect proceeds of the MHI loans. Ginnie Mae cited Accounting Standards Codification (ASC) 450-20 and the Interagency Policy Statement on the allowance for loan and lease losses as the bases for its conclusion with respect to the issue of nonreimbursable preforeclosure expense. Overall, Ginnie Mae concluded that in estimating the MHI allowance, the expected-anticipated recoveries and anticipated recoveries from insurance, as well as the expected but not yet incurred preforeclosure costs, will need to be included in determining the collectability of cash flows from these loans. Regarding nonreimbursable preforeclosure expenses, OIG does not agree with Ginnie Mae that its inclusion in the ASC 450-20 or ASC 310-10 components of the MHI allowance was in accordance with GAAP.

Both disagreements were referred to the Deputy Secretary on August 24, 2017. As of March 31, 2018, OIG was awaiting a decision. (Audit Report: **2017-FO-0001**)

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## ADDITIONAL DETAILS TO SUPPLEMENT OUR FISCAL YEARS 2016 AND 2015 (RESTATED) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FINANCIAL STATEMENT AUDIT, ISSUE DATE: NOVEMBER 15, 2016

HUD OIG audited HUD's consolidated financial statements and reported on deficiencies in the areas of (1) HUD's loan guarantee balances; (2) HUD's accounting for its property, plant, and equipment; (3) significant reconciliations not completed in a timely manner; (4) HUD's lack of a policy and procedure framework; and (5) invalid obligations that remained on HUD's books. OIG issued several referrals regarding these recommendations to HUD senior management for untimeliness and disagreement between May 31 and July 24, 2017. For recommendations regarding HUD's accounting for property, plant, and equipment, the Office of Administration needs to work with OCFO to develop an adequate management decision for one recommendation that remained unaddressed as of March 31, 2018. For the recommendation regarding HUD's loan guarantee balances, OIG rejected HUD's initial management decision on April 24, 2017, as it did not contain adequate evidence to provide closure. As of March 31, 2018, HUD had not submitted a revised management decision. For significant reconciliations not completed in a timely manner, OCFO submitted management decisions on September 5, 2017, but OIG did not agree with the evidence to provide closure. As of March 31, 2018, OIG had not received new proposed management decisions for the remaining recommendations. (Audit Report: **2017-FO-0003**)

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## HUD'S TRANSITION TO A FEDERAL SHARED SERVICE PROVIDER FAILED TO MEET EXPECTATIONS, ISSUE DATE: FEBRUARY 1, 2017

HUD OIG audited the effectiveness of the controls over the New Core Interface Solution (NCIS) and PRISM™ and the impact of the implementation of release 3 of phase 1 of the New Core Project on the preparation of HUD's financial statements.

HUD's transition to a Federal shared service provider (FSSP) did not significantly improve the handling of its financial management transactions. Weaknesses identified with the controls over NCIS and PRISM™ contributed to this issue. A year after the transition, HUD had inaccurate data resulting from the conversions and continued to execute programmatic transactions using its legacy applications. The transition increased the number of batch processes required to record programmatic financial transactions and introduced manual processes and delays for budget and procurement transactions. In addition, the interface program that allowed for and translated the financial transactions between HUD and the Administrative Resource Center (ARC) was not covered under HUD's disaster recovery plan. These conditions occurred because of funding shortfalls as well as HUD's decisions to (1) separate phase 1 of the project into smaller releases, (2) move forward with the implementation despite unresolved issues, and (3) terminate the project before its completion. These system issues and limitations inhibited HUD's ability to produce reliable, useful, and timely financial information.

While HUD considered its New Core Project implementation successful, it acknowledged that not all of the originally planned capabilities were deployed. HUD needs to pursue new process improvement projects to address the functionalities that were not achieved with phase 1 of New Core, which will require additional time and funding. HUD will also need to pursue process improvements for the functionality planned in the future phases of the project. In April 2016, HUD ended the New Core Project and the transition to an FSSP after spending \$96.3 million; however, the transition did not allow HUD to decommission all of the applications it wanted to or achieve the planned cost savings.

HUD OIG made two recommendations in this audit that were directed to the Deputy Secretary; specifically, (1) reevaluate the functionality initially planned under the New Core Project and determine how the agency will implement the functionality needed for budget formulation, cost accounting, property management, and the consolidation of HUD's financial statements and (2) take an active role in the implementation of financial management improvement initiatives-projects moving forward to ensure collaboration within HUD and that adequate funding and governance are in place.

OIG had not received a response or a proposed management decision related to the two recommendations. OIG referred these recommendations to the Deputy Secretary on June 6, 2017. As of March 31, 2018, HUD had not submitted management decisions for these recommendations. (Audit Report: **2017-DP-0001**)

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### HUD'S OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT DID NOT APPROPRIATELY ASSESS STATE CDBG GRANTEE'S RISK TO THE INTEGRITY OF CPD PROGRAMS OR ADEQUATELY MONITOR ITS GRANTEE'S, ISSUE DATE: JULY 10, 2017

HUD OIG audited HUD's Office of Community Planning and Development's (CPD) risk assessment and monitoring of its State CDBG recipients. OIG's reporting objective was to determine whether CPD appropriately assessed State CDBG grantees' risk to the integrity of CPD programs and adequately monitored its grantees.

OIG found that CPD did not appropriately assess State CDBG grantees' risk to the integrity of CPD programs or adequately monitor its grantees. This condition occurred because its field office staff did not follow CPD risk assessment and monitoring requirements and field office management responsible for reviewing staff performance did not correct the noncompliance of staff performing these responsibilities. In addition, the headquarters desk officer review function was administrative in focus and failed to note noncompliance. As a result, CPD could not be assured that its field offices correctly identified the high-risk grantees or conducted adequate monitoring to mitigate risk to the integrity of CPD programs.

The report included five recommendations, including recommendations to (1) develop and implement a policy requiring field offices to rate grantees of at least medium risk that have not been monitored in their respective program area within the last 3 years on factors that require assessments of capacity, program complexity, and monitoring findings resulting in repayment or grant reductions; (2) develop and implement guidance for field offices to maintain supporting documentation in their official files with an adequate explanation of procedures performed to verify risk scores assigned, which could include upgrading CPD's systems to allow for the attachment of supporting documentation for risk analyses; and (3) update monitoring exhibits to require staff to document procedures performed, provide sufficient explanation to verify procedures performed and conclusions drawn, and reference appropriate supporting documentation.

CPD provided proposed management decisions on October 19, 2017, for all five recommendations. OIG found that the response did not adequately address the three recommendations discussed above. OIG advised HUD of its concerns on October 27, 2017, but was unable to reach agreement within 120 days.

OIG referred the three recommendations without management decisions to the Assistant Secretary for Community Planning and Development on December 19, 2017. Following OIG's referral, CPD submitted proposed management decisions, along with additional documentation, on March 30, 2018. OIG is reviewing the proposed management decisions and documentation. (Audit Report: **2017-FW-0001**)

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## HUD NEEDS TO CLARIFY WHETHER ILLEGAL-UNDOCUMENTED ALIENS ARE ELIGIBLE FOR ASSISTANCE UNDER THE HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS PROGRAM, ISSUE DATE: AUGUST 21, 2017

HUD OIG assisted the U.S. Attorney's Office, Southern District of New York, in a civil investigation related to illegal-undocumented aliens receiving Housing Opportunities for Persons With AIDS (HOPWA) assistance. The HOPWA program at 24 CFR (Code of Federal Regulations) Part 574 is a HUD CPD grant program that provides formula allocations and competitively awarded grants to eligible States, cities, and nonprofit organizations to provide housing assistance and related supportive services to meet the housing needs of low-income persons and their families living with HIV-AIDS.

Noncitizen or alien ineligibility for federally funded programs is a recurring issue in Congress. Two laws primarily govern noncitizen or alien eligibility for housing programs: Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 - 8 U.S.C. (United States Code 1611) (PRWORA) and Section 214 of the Housing and Community Development Act of 1980 as amended. PRWORA states that aliens, who are not qualified aliens, are not eligible for "Federal public benefits," a term defined in the law to include public and assisted housing. Under this statute, illegal aliens do not meet the definition of qualified aliens and as a result, are ineligible for Federal public benefits. However, PRWORA exempted certain Federal public benefits from the alien eligibility restrictions, including programs, services, or assistance (such as soup kitchens, crisis counseling and intervention, and short-term shelters) specified by the Attorney General after consulting with the appropriate Federal agency.

The issue of nonqualified aliens receiving assistance under HOPWA or other homeless assistance programs has not been clearly addressed in HUD regulations and guidance. Specifically, OIG has not been able to identify clear guidance as to whether programs that are funded through HUD's community development programs and administered through nonprofits (such as HOPWA) have been clearly designated as a Federal public benefit. This designation is important because aliens, who have not been qualified to be considered "qualified aliens" under 8 U.S.C. 1611, are not eligible for Federal public benefits. Also, it is not clear whether homeless assistance grants are considered a Federal public benefit. There is a discord between "housing assistance," which is considered a Federal public benefit and is limited to qualified aliens, and "homeless assistance." If homeless assistance grants were considered a Federal public benefit, HOPWA would not be available to illegal-undocumented aliens. However, because it is unclear whether such grants are considered Federal public benefits, there is a potential for unqualified aliens to fall under the exceptions in 8 U.S.C. 1611 (which include emergency type programs) and qualify to receive benefits.

OIG recommended that HUD CPD (1) clarify whether assistance provided under its community development programs, such as HOPWA, are considered Federal public benefits and are, therefore, subject to PRWORA's noncitizen eligibility restrictions and (2) consult with the Office of the Attorney General to establish whether HOPWA and other homeless assistance programs are a Federal public benefit that meets the definition of "providing assistance for the protection of life or safety" and are, therefore, exempt from PRWORA noncitizen eligibility restrictions.

HUD CPD submitted management decisions for both recommendations on December 18, 2017, but the management decisions stated that CPD was not able to take action on the recommendations, and HUD OIG rejected them. This issue was referred to the Assistant Secretary on December 19, 2017. In January 2018, OIG attempted to meet with HUD regarding the recommendations but was unsuccessful. The issue was referred to the Deputy Secretary on February 27, 2018. As of March 31, 2018, OIG was awaiting a decision from the Deputy Secretary. (Memorandum: **2017-CF-0801**)



## HUD DID NOT PROVIDE SUFFICIENT GUIDANCE AND OVERSIGHT TO ENSURE THAT STATE DISASTER GRANTEES FOLLOWED PROFICIENT PROCUREMENT PROCESSES, ISSUE DATE: SEPTEMBER 22, 2017

HUD OIG audited HUD's oversight of disaster grantee procurement processes to determine whether HUD provided sufficient guidance and oversight to ensure that disaster grantees followed proficient procurement processes when purchasing products and services. OIG found that HUD did not provide sufficient guidance and oversight to ensure that State disaster grantees followed proficient procurement processes. Although HUD agreed to correct procurement issues identified in a previous audit,<sup>7</sup> OIG has since issued 17 audit reports on disaster grantees with questioned costs totaling nearly \$391.7 million related to procurement. These conditions occurred because HUD was so focused on providing maximum feasible deference to State grantees that it was unable to ensure that grantees followed proficient procurement processes. HUD also believed that State grantees were not required to have procurement standards that aligned with each of the Federal procurement standards. As a result, HUD lacked assurance that State grantees purchased necessary products and services competitively at fair and reasonable prices.

OIG made four recommendations to the Deputy Assistant Secretary for Grant Programs. The Deputy Assistant Secretary for Grant Programs proposed corrective actions on November 24, 2017. For two of the recommendations, the Deputy Assistant Secretary for Grant Programs stated that the matter of the applicability of the Federal procurement standards at 2 CFR 200.318 through 200.326<sup>8</sup> (or 24 CFR 85.36(b) through (i)) and the requirements of the Federal Register notices on procurement was closed by the Deputy Secretary in her decision regarding resolution of recommendations from OIG's audit of New Jersey's Sandy Integrated Recovery Operations and Management System.<sup>9</sup> In the January 10, 2017, decision, the Deputy Secretary wrote that the State certified that its procurement standards were equivalent to the standards at 24 CFR 85.36 and HUD had also certified to the proficiency of the State's policies and procedures. The Deputy Secretary noted that two legal opinions from the Office of General Counsel concluded that the standards at 24 CFR 85.36 did not apply and, therefore, there was no legal basis for the finding and associated recommendations. The Deputy Assistant Secretary for Grant Programs also noted that the Senate Appropriations Committee report on fiscal year 2018 U.S. Department of Transportation-HUD appropriations legislation<sup>10</sup> addressed this issue. The report stated that the Committee believed that as long as HUD provided consistent and rigorous oversight of the procurement processes employed by the State and local recipients, an equivalent, though not identical, procurement standard that upholds the principles of fair and open competition can prevent Federal dollars appropriated for disaster recovery from being spent irresponsibly. The Deputy Assistant Secretary for Grant Programs further stated that HUD clarified its definition of proficient procurement processes and policies when it published subsequent Federal Register notices allocating funds under Public Laws 114-113, 114-223, and 114-254. Based on this information, the Deputy Assistant Secretary believed it was appropriate to close these two recommendations.

OIG disagrees with the Deputy Assistant Secretary's request to close these two recommendations based on the Deputy Secretary's decision to resolve recommendations from OIG's audit of New Jersey's Sandy Integrated Recovery Operations and Management System. OIG continues to assert that the procurement standards at 24 CFR 85.36 were applicable to the State because its procedures needed to be equivalent to these Federal standards. OIG acknowledges the Senate Committee's belief that consistent and rigorous oversight of equivalent State procurement processes and standards that uphold the principles of fair and open competition can prevent Federal dollars from being spent irresponsibly. However, Federal procurement involves the acquisition of products and services at fair

<sup>7</sup> Audit Report 2013-FW-001, Generally, HUD's Hurricane Disaster Recovery Program Assisted the Gulf Coast States' Recovery; However, Some Program Improvements Are Needed, issued March 28, 2013

<sup>8</sup> Before December 26, 2014, the relevant procurement requirements were found at 24 CFR 85.36. HUD has since moved its uniform administrative requirements, cost principles, and audit requirements for Federal awards to 2 CFR Part 200.

<sup>9</sup> 2015-PH-1003, dated June 4, 2015

<sup>10</sup> Senate Report 1115-138, dated July 27, 2017

and reasonable prices, which OIG believes is a higher standard and requires cost estimates and cost analyses. OIG believes that HUD weakened its interpretation of Federal procurement standards in the subsequent Federal Register notices because rather than considering a State's procurement process proficient if its procurement standards were equivalent to the Federal standards, HUD considered a State's procurement process proficient if its procurement standards operated in a manner that provided for full and open competition. Because of the disagreement, OIG rejected the Deputy Assistant Secretary's request to close the recommendations.

In response to another recommendation, OIG rejected it because the proposed corrective action did not directly address improving controls by having HUD personnel who specialize in procurement evaluate the proficiency of State grantee procurement processes for those States that select the equivalency option to ensure that the State processes fully align with, or meet the intent of, each of the Federal procurement standards at 2 CFR 200.318 through 200.326.

In response to the remaining recommendation, OIG rejected it because the proposed guidance and training did not include State grantees that chose to certify that their procurement processes and standards were equivalent to the Federal procurement standards at 2 CFR 200.318 through 200.326.

OIG referred the recommendations to the Assistant Secretary for Community Planning and Development on January 25, 2018. The Assistant Secretary did not respond. OIG referred these recommendations to the Deputy Secretary on March 16, 2018, and as of March 31, 2018, had not received a response. (Audit Report: **2017-PH-0002**)

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## HUD COULD IMPROVE ITS CONTROLS OVER THE DISPOSITION OF PROPERTIES ASSISTED WITH CDBG FUNDS, ISSUE DATE: SEPTEMBER 29, 2017

HUD OIG audited HUD's oversight of the disposition of real properties assisted with CDBG funds. OIG's objective was to determine whether HUD had adequate controls over the disposition of real properties assisted with CDBG funds.

OIG found that HUD could improve its oversight of the disposition of real properties assisted with CDBG funds. Although HUD's drawdown and reporting system allowed grantees to enter identifying information for assisted properties and its field offices performed risk-based monitoring of grantees, HUD's controls were not always sufficient to ensure that grantees (1) entered addresses of assisted properties into its system, (2) provided proper notice to affected citizens before changing the use of assisted properties, (3) adequately determined the fair market value of assisted properties at the time of disposition, and (4) properly reported program income from the disposition of the properties. Further, HUD did not fully implement guidance related to the applicability of change of use requirements after voluntary grant reductions. OIG attributed these deficiencies to HUD's lack of emphasis on verifying address information, its field office staff's not being adequately trained to use data to monitor HUD's interest in properties, and the Milwaukee field office's incorrectly interpreting program requirements. As a result, HUD could not track and monitor its interest in the properties and did not have assurance that grantees properly handled changes in use and properly reported program income.

OIG recommended that the Deputy Assistant Secretary for Grant Programs develop a process to ensure that grantees properly report the addresses of assisted properties in HUD's Integrated Disbursement and Information System (IDIS) and properly calculate and report program income from the disposition of these properties regularly. OIG stated that this process could include but is not limited to developing a process to extract data reported in IDIS on activities with the matrix codes related to real property and training and instructing CPD's field office staff to extract these data and manually check for address and program income data on grantees' activities, particularly activities that are completed but have properties that could still be subject to program income requirements.

The Deputy Assistant Secretary for Grant Programs proposed a management decision in January 2018, which OIG rejected. OIG referred this recommendation to the Assistant Secretary for Community Planning and Development on February 6, 2018, and to the Deputy Secretary on March 26, 2018. In an attempt to reach agreement, OIG held discussions with CPD officials on February 13 and March 8, 2018. On March 28, the Deputy Assistant Secretary for Grant Programs submitted a revised proposal. It proposed to (1) ensure that staff is aware of a recent CPD notice; (2) ensure that staff and grantees are aware of the record retention requirements related to change-of-use and reversion-of-asset requirements; (3) present a webinar for field staff on the importance of requirements related to real property, especially those related to program income involving the acquisition and disposition of real properties, and to discuss the requirement to maintain inventories of real property; (4) identify, create, or revise a report that lists acquisition-related activities or that includes addresses and accomplishment data for staff to use for monitoring; and (5) evaluate the adequacy of several sections of the CDBG Single Audit Compliance Supplement to include reviews for real property acquisition and disposition and related to program income issues.

On March 28, 2018, HUD proposed a management decision, which OIG rejected for several reasons. For example, HUD's proposal (1) did not clearly cover all categories of activities related to real property assisted with CDBG funds but, rather, focused on those specifically related to acquisitions and dispositions and (2) did not commit to changes that would result in a process to ensure that grantees properly report the addresses of properties assisted with CDBG funds and properly calculate and report program income from the disposition of these properties regularly. While the proposal alluded to a report that could be used by field staff to prepare for monitoring, it did not state that its monitoring process would be updated to require field offices to consider the relevant information. Further, while HUD committed to reviewing the CDBG Single Audit Compliance Supplement requirements, it did not commit to this review, resulting in a process to ensure that grantees properly report the addresses of properties assisted with CDBG funds and that grantees properly calculate and report program income from the disposition of these properties. As of March 31, 2018, OIG had not reached a management decision. (Audit Report: **2017-NY-0002**)

## **EVALUATION REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AS OF MARCH 31, 2018**

### **RISK-BASED ENFORCEMENT COULD IMPROVE PROGRAM EFFECTIVENESS, ISSUE DATE: FEBRUARY 12, 2016**

HUD OIG evaluated the effectiveness of the Departmental Enforcement Center (DEC). Historically, HUD program managers have not wanted to enforce program requirements. That reluctance increases the risk that program funds will not provide maximum benefits to recipients and allows serious noncompliances to go unchecked. When it was created, DEC had independent enforcement authority, but it lost that authority when it moved from the Deputy Secretary's office to the Office of General Counsel (OGC). DEC lost control of funding and staffing levels and contended with inadequate IT systems and support. Although program offices were asking for more DEC financial analyses, they did not consistently use enforcement actions to remedy noncompliances. Further, managers' reluctance to enforce program requirements limited DEC's effectiveness in most programs. Turnover, retirements, and hiring limitations could leave DEC without enough skilled staff to support future workloads needed to service HUD programs and enforce program requirements. Risk-based monitoring and enforcement offer the opportunity to provide quality, affordable rental housing, improve the quality of life, and build strong, resilient communities.

OIG made eight recommendations, all of which remain open. In general, OGC initially disagreed that DEC could be more effective if it had more authority and independence. OIG met with the General Counsel on December 9, 2015, to discuss the findings, recommendations, and OGC's response. Following the meeting, OGC generally agreed with the recommendations. To date, HUD has agreed with three of the recommendations but has not concurred or nonconcurred with the remaining five. Further, HUD has not provided action plans or estimated

completion dates for final action on any of the recommendations. In March 2018, OIG formally requested such information. HUD's response is due by April 18, 2018. (Evaluation Report: **2014-OE-0002**)

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## COMPREHENSIVE STRATEGY NEEDED TO ADDRESS HUD ACQUISITION CHALLENGE, ISSUE DATE: FEBRUARY 2, 2016

HUD OIG evaluated the Office of the Chief Procurement Officer's (OCPO) acquisition improvement initiatives. HUD has faced many acquisition challenges over the years, and OIG found that HUD had not made progress in addressing those challenges. OIG observed that HUD had not developed a sound, cohesive strategy to address improvement initiatives, offices did not communicate or coordinate effectively, and offices did not agree on the best way to address acquisition challenges.

OIG made 10 recommendations, 1 of which remains open. The open recommendation requires OCPO to reach agreement on the staffing model and resources needed to implement the contracting officer's representative professionalization initiative. OCPO concurred but has not provided OIG with an estimated completion date for final action. OCPO said it has developed the professionalization initiative as part of a greater reform plan, but HUD senior leadership has not implemented it. OCPO could not estimate when it may be implemented. (Evaluation Report: **2015-OE-0004**)

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## DEPARTMENT APPROACH NEEDED TO ADDRESS HUD CONTRACTOR EMPLOYEE SECURITY RISKS, ISSUE DATE: MARCH 30, 2016

HUD OIG evaluated security policies and operations for contractor employees performed primarily by HUD's Office of the Chief Human Capital Officer. OIG reviewed HUD's progress in addressing previously identified background investigation issues. The Personnel Security Division had reduced the backlog of suitability adjudication cases, but on average, it took about four times longer than the Office of Personnel Management standard of 90 days to complete a case—resulting in several hundred contractor employees working at HUD without a final suitability determination. The Personnel Security Division had not issued comprehensive policies and procedures or implemented an automated case management system. Administrative and program offices within HUD that were responsible for personnel, physical, and information security did not collaborate effectively at the policy-making level. During the evaluation, the Office of Administration established a security council to identify and address cross-HUD security issues. OIG identified successful practices of other Federal agencies that would address HUD's contractor employee security risks and made recommendations to improve the timeliness and reliability of security processes.

OIG made nine recommendations, two of which remain open. HUD did not comment on the recommendations in its response to the draft report. Rather, HUD provided additional information on process improvements or actions it planned to initiate. HUD has not formally concurred with OIG's recommendations or provided a necessary estimated completion date for final action.

One recommendation requires the Personnel Security Division to develop a comprehensive policy and clear guidance for all HUD personnel with roles and responsibilities related to contractor employee security. HUD has drafted a handbook for this purpose, but its ability to release the handbook depends on resolving a bargaining unit issue. HUD officials told OIG they could not estimate when the bargaining unit issue would be resolved or when the handbook would be released to close the recommendation.

The other recommendation requires the Personnel Security Division to take steps to reduce the employee suitability adjudication backlog and implement an automated case management system. The Personnel Security Division intends to implement the system within the next reporting period. (Evaluation Report: **2015-OE-0008**)

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## OPPORTUNITIES FOR IMPROVEMENT WITHIN CPD'S RISK MANAGEMENT PROCESS FOR HURRICANE SANDY GRANTS, ISSUE DATE: MARCH 29, 2017

HUD OIG evaluated the risk analysis process for Hurricane Sandy grants performed by HUD CPD. CPD uses a risk analysis process to rank grantees that pose the greatest risk to the integrity of its programs. According to CPD, the risk analysis results guide how the monitoring phase of the risk management process is conducted. After CPD management certifies the risk analysis results, management develops a monitoring strategy. By monitoring grantees, CPD aims to ensure that a grantee performs and delivers on the terms of the grant while reducing the possibility of fraud, waste, and mismanagement.

OIG observed that (1) CPD's risk analysis worksheet did not consider risk related to performance outputs, (2) the risk analysis did not consider the likelihood of risk events occurring, (3) there was no clear correlation between the risk analysis and monitoring, (4) CPD made limited use of data analytics in its risk management process, and (5) CPD staff was not trained to conduct a risk analysis.

OIG made five recommendations, four of which remain open. To date, CPD actively disagrees with two of the recommendations. OIG has attempted to meet and discuss the recommendations with CPD officials on multiple occasions but remains at an impasse. OIG will elevate these recommendations to senior officials with the goal of reaching management decisions.

The Disaster Response and Special Issues Division concurred with the remaining two recommendations but has not provided a complete action plan with estimated completion dates for final action. (Evaluation Report: **2016-OE-0004S**)

## 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, there were no significantly revised management decisions.

## SIGNIFICANT MANAGEMENT DECISION WITH WHICH OIG DISAGREES

Section 5(a)(12) of the Inspector General Act, as amended, requires that OIG report information concerning any significant management decision with which the Inspector General disagrees. During the reporting period, OIG did not disagree with any significant management decision.

## FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT OF 1996

Section 804 of FFMIA requires OIG to report in its Semiannual Reports to 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.

In fiscal year 2017, OIG noted continued noncompliance with the three section 803(a) elements of FFMIA within HUD's financial management system. HUD's continued noncompliance is due to a high volume of material weaknesses, ineffective internal controls over financial reporting, and longstanding issues related to legacy component and program office system weaknesses that remain unresolved.

HUD has struggled for more than a decade to modernize outdated legacy financial systems. While HUD expected its fiscal year 2016 transition to an FSSP to remediate instances of FFMIA noncompliance, significant financial management and IT governance weaknesses hindered planned gains. 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 2017, HUD took the important step of restarting FFMIA system compliance reviews. The compliance reviews, however, identified additional FFMIA noncompliance within three Office of Housing systems and one additional CPD system.

During fiscal year 2017, HUD made limited progress in addressing a multitude of material weaknesses from HUD OIG's fiscal year 2016 financial statement audit. HUD's material weaknesses include issues related to information processing and the completeness and accuracy of data among HUD's environment, OCFO's NCIS, and the FSSP environment. HUD's implementation of OMB A-123, appendix A, review results from fiscal year 2017 concluded that unresolved material weaknesses previously cited by OIG require a statement of "no assurance" that internal controls are in place and operating effectively. HUD will need to address weaknesses related to its IT governance and project management practices to remediate system noncompliance with FFMIA.

Additional unremediated prior-year noncompliance with FFMIA requirements is related to CPD's use of the first-in, first-out method to account for grant disbursements within the IDIS application. CPD has yet to complete system configuration changes that will partially address FFMIA noncompliance. While CPD completed system configuration updates in October 2017, full remediation may not be possible for a number of years due to management's decision to implement correct grant accounting prospectively, thereby enabling continued noncompliance with laws and regulations.

As of September 30, 2017, OIG noted continuing FFMIA noncompliance within HUD's Ginnie Mae component. Ginnie Mae's continued noncompliance is due primarily to unremediated material weaknesses in internal control over financial reporting, its inability to properly account for its defaulted issuer loan portfolio, and its inability to implement effective controls over budgetary accounting.

In addition to the specific financial system weaknesses identified above, unremediated material weaknesses stemming from a lack of systems and deficiencies related to manual processes continue to exist.

## CHAPTER 8 – WHISTLEBLOWER OMBUDSMAN

*Whistleblowers play a critical role in keeping our government programs 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 also investigates complaints of whistleblower retaliation by government contractors and grantees.*

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.

The HUD OIG Whistleblower Ombudsman Program continued its focus on staff training and individual assistance. The mandatory whistleblower training is presented in conjunction with the OIG annual ethics training. The 2018 training will be presented in the fall. It will be presented live, with an interactive training posted on HUD OIG's website for employees who cannot attend in person.

In October 2017, Congress enacted the Dr. Chris Kirkpatrick Whistleblower Protection Act of 2017, which contains new training and performance standards for supervisors regarding the handling of whistleblowers. HUD OIG is participating with the Inspector General community to develop consistent, new training and supervisor requirements in conjunction with the Office of Special Counsel and the Office of Personnel Management. HUD OIG plans to have the new elements and training in place by the end of the fiscal year.

The Whistleblower Ombudsman meets with HUD employees individually upon request. Generally, HUD OIG will refer HUD employees with whistleblower retaliation complaints to the Office of Special Counsel. HUD OIG does not track these matters unless the Office of Special Counsel requests HUD OIG assistance in investigating a complaint. During this semiannual reporting period, HUD OIG did not substantiate any whistleblower retaliation complaints against HUD employees.

HUD OIG did receive a number of complaints filed under 41 U.S.C. (United States Code) 4712. In December 2016, Congress passed the Enhancement of Whistleblower Protection Act. It made the whistleblower protections under 41 U.S.C. 4712 permanent. Section 4712 extends whistleblower protection to employees of Federal contractors, subcontractors, grantees, and subgrantees. If the employee of a grantee or contractor believes he or she has been retaliated against for whistleblowing, he or she may file a complaint with OIG, and OIG will investigate the complaint. OIG is required to complete its investigation within 180 days, unless the complainant agrees to an extension. The chart below provides further information on those complaints.

<b>Number of complainants asserting whistleblower status<sup>11</sup></b>	28
<b>Complaints referred for investigation to the HUD OIG Office of Investigation (OI)</b>	15
<b>Complaint investigations opened by OI</b>	15
<b>Complaints declined by OI</b>	0
<b>Complaints currently under review by OI</b>	10
<b>Employee complaint investigations closed by OI</b>	5

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<sup>11</sup> Thirteen cases were referred to the hotline and determined to not have whistleblower status. Many complainants raise questions regarding treatment by public housing agencies (PHA) following alleging wrongdoing by the same PHA. They define themselves as whistleblowers but are not employees of the PHA. These complaints are referred to OIG's hotline for appropriate referral and disposition. Not all complainants are found to be whistleblowers under Section 4712. For example, many complainants raise questions regarding treatment by PHAs following their alleged disclosures of wrongdoing by the same PHA. They claim to be whistleblowers, but they are not employees of the grantee. These complaints are referred to OIG's hotline for appropriate referral and disposition.

## APPENDIX 1 – PEER REVIEW REPORTING

### BACKGROUND

The Dodd-Frank Wall Street Reform and Consumer Protection Act (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.

### OFFICE OF AUDIT

#### PEER REVIEW CONDUCTED ON HUD OIG BY TIGTA

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 (TIGTA) 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 on 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 [https://www.uspsoig.gov/sites/default/files/document-library-files/2015/2015\\_HUD-OIG\\_System\\_Review\\_Report.pdf](https://www.uspsoig.gov/sites/default/files/document-library-files/2015/2015_HUD-OIG_System_Review_Report.pdf).

### OFFICE OF INVESTIGATION

#### PEER REVIEW CONDUCTED ON HUD OIG BY DHS OIG

The U.S. Department of Homeland Security (DHS) OIG conducted a peer review of the HUD OIG, Office of Investigation, and issued a final report on July 3, 2017. DHS 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.

#### PEER REVIEW CONDUCTED BY HUD OIG ON USDA OIG

HUD OIG conducted an external peer review of the U.S. Department of Agriculture (USDA) OIG, Office of Investigation, and issued a final report on October 4, 2016. HUD OIG determined that USDA OIG was in compliance with the quality standards established by the Council of the Inspectors General on Integrity and Efficiency.

## APPENDIX 2 – AUDIT REPORTS ISSUED

### Internal Reports

AUDIT REPORTS	
CHIEF FINANCIAL OFFICER	
2018-FO-0001	HUD's Office of the Chief Financial Officer Did Not Comply With the Digital Accountability and Transparency Act of 2014, 11/03/2017.
2018-FO-0004	Additional Details To Supplement Our Fiscal Years 2017 and 2016 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit, 11/15/2017. Better use: \$978,360,226.
2018-FO-0005	HUD's Fiscal Years 2017 and 2016 (Restated) Consolidated Financial Statements Audit, 11/16/2017.
CHIEF INFORMATION OFFICER	
2018-DP-0003	Fiscal Year 2017 Review of Information Systems Controls in Support of the Financial Statements Audit, 03/09/2018.
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION	
2018-DP-0001	Information System Controls Over the Ginnie Mae Financial Accounting System, 12/15/2017.
2018-FO-0002	Audit of the Government National Mortgage Association's Financial Statements for Fiscal Years 2017 and 2016 (Restated), 11/14/2017.
HOUSING	
2018-CH-0001	HUD Needs To Improve Its Oversight of Grants Funded Through Its Resident Home-Ownership Program, 12/22/2017.
2018-DP-0002	Review of Selected FHA Information Systems and Credit Reform Estimation and Reestimation Process Applications, 02/13/2018.
2018-FO-0003	Fiscal Years 2017 and 2016 (Restated) Financial Statements Audit, 11/15/2017. Better use: \$270,747,281.
2018-KC-0001	FHA Insured \$1.9 Billion in Loans to Borrowers Barred by Federal Requirements, 03/26/2018. Better use: \$1,905,340,944.
2018-LA-0001	HUD's Use of Nonpayment Orders Adequately Prevented Claims on FHA Loans From Being Paid, 02/27/2018.



AUDIT-RELATED MEMORANDUMS<sup>12</sup>

## CHIEF FINANCIAL OFFICER

2018-KC-0801	Risk Assessment of Fiscal Year 2016 HUD Charge Card Programs, 02/05/2018.
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## HOUSING

2018-CF-0801	Management Alert: HUD Did Not Provide Acceptable Oversight of the Physical Condition of Residential Care Facilities, 01/05/2018.
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2018-KC-0802	Limited Review of HUD Multifamily Waiting List Administration, 03/22/2018.
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## PUBLIC AND INDIAN HOUSING

2018-FW-0801	HUD's Office of Public Housing Did Not Clearly Define or Provide Guidance for Public Housing Agency Certifications, 11/06/2017.
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## External Reports

## AUDIT REPORTS

## COMMUNITY PLANNING AND DEVELOPMENT

2018-AT-1001	The Commonwealth of Kentucky Generally Administered Its Neighborhood Stabilization Program in Accordance With HUD Requirements, 12/21/2017. Questioned: \$53,760. Unsupported: \$53,760.
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2018-AT-1002	The Municipality of San Juan, PR, Did Not Always Administer Its Emergency Solutions Grants Program in Accordance With HUD Requirements, 12/29/2017. Questioned: \$47,720. Unsupported: \$47,720.
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2018-FW-1001	Jefferson Parish, Jefferson, LA, Did Not Always Properly Administer Its Rehabilitation Program, 01/29/2018. Questioned: \$1,029,970. Unsupported: \$1,020,121. Better use: \$216,663.
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2018-LA-1001	The Town of Apple Valley, CA, Administered Its Community Development Block Grant Program in Accordance With HUD Requirements, 01/05/2018.
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2018-LA-1002	The County of San Diego, San Diego, CA, Did Not Support Continuum of Care Match and Payroll Costs in Accordance With Requirements, 02/23/2018. Questioned: \$66,582. Unsupported: \$66,582.
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<sup>12</sup> 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.

2018-LA-1003	The City of South Gate, CA, Did Not Administer Its Community Development Block Grant Program in Accordance With HUD Requirements, 03/29/2018. Questioned: \$1,096,821. Unsupported: \$1,096,821.
2018-NY-1001	Hudson County, NJ, Generally Committed and Disbursed HOME Program Funds in Accordance With HUD and Federal Requirements, 01/12/2018.
<b>HOUSING</b>	
2018-BO-1001	The Riverside Health and Rehabilitation Center, East Hartford, CT, Was Not Operated Under the Required Controlling Documents of the Section 232 Program, 11/13/2017. Questioned: \$2,666,082. Unsupported: \$2,666,082.
2018-FW-1002	Villa Main Apartments, Port Arthur, TX, Subsidized Nonexistent Tenants, Unsupported Tenants, and Uninspected Units, 01/31/2018. Questioned: \$1,630,105. Unsupported: \$1,095,364.
2018-KC-1001	CitiMortgage, Inc., O'Fallon, MO, Improperly Filed for FHA-HAMP Partial Claims Before Completing the Loan Modifications and Reinstating the Loans, 03/05/2018. Questioned: \$1,053,688.
<b>PUBLIC AND INDIAN HOUSING</b>	
2018-BO-1002	The Housing Authority of the City of New Haven, CT, Made Ineligible Housing Assistance Payments From Its Housing Choice Voucher Program, 11/16/2017. Questioned: \$314,611.
2018-NY-1002	Glen Cove Housing Authority, Glen Cove, NY, Did Not Always Use Property Disposition Proceeds in Accordance With Requirements, 01/19/2018. Questioned: \$996,177. Unsupported: \$985,004. Better use: \$1,074,979.
2018-NY-1003	The Housing Authority of the City of Asbury Park, NJ, Did Not Always Administer Its Operating and Capital Funds in Accordance With Requirements, 02/08/2018. Questioned: \$1,921,965. Unsupported: \$1,846,243. Better use: \$18,913.
2018-PH-1001	The Fairmont-Morgantown Housing Authority, Fairmont, WV, Did Not Always Administer Its Housing Choice Voucher Program in Accordance With Applicable Program Requirements, 02/12/2018. Questioned: \$4,940,205. Unsupported: \$4,920,685.
2018-PH-1002	The Fairmont-Morgantown Housing Authority, Fairmont, WV, Did Not Always Ensure That Its Program Units Met Housing Quality Standards and That It Accurately Calculated Housing Assistance Payment Abatements, 02/16/2018. Questioned: \$33,048. Better use: \$1,241,817.
2018-PH-1003	The Crisfield Housing Authority, Crisfield, MD, Did Not Properly Administer Its Housing Choice Voucher Program, 03/30/2018. Questioned: \$416,685. Unsupported: \$280,561. Better use: \$984.

AUDIT-RELATED MEMORANDUMS<sup>13</sup>

## COMMUNITY PLANNING AND DEVELOPMENT

2018-AT-1801	Interim Memorandum Special Review, Office for the Socioeconomic and Community Development, San Juan, PR, State Block Grant Disaster Recovery Program, 11/17/2017.
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## GENERAL COUNSEL

2018-CF-1801	MetLife Home Loans, LLC, and a Borrower's Son Settled Allegations of Failing To Comply With HUD's Federal Housing Administration HECM Loan Requirements, 03/23/2018. Questioned: \$5,500. Better use: \$95,769.
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2018-CF-1802	Independent Public Accountant Debarred for Violating Federal Housing Administration Requirements for Multifamily Properties, 03/23/2018.
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2018-CF-1803	Southern Blvd I, L.P., Settled Allegations of Making False Certifications Related to Section 8 Housing Assistance Payments, 03/30/2018. Questioned: \$40,000.
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## HOUSING

2018-AT-1802	Yabucoa Housing Project, Yabucoa Volunteers of America Elderly Housing, Inc., Yabucoa, PR, Section 202 Supportive Housing for the Elderly Program, 12/29/2017. Questioned: \$1,197,467. Better use: \$1,440,165.
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<sup>13</sup> 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, an attestation engagement, or civil actions or settlements.

## APPENDIX 3 – TABLES

### TABLE A

#### AUDIT REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AT 3/31/2018

\*Significant audit reports described in previous Semiannual Reports

REPORT NUMBER AND 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 7, page 25	12/16/2013
* 2014-FO-0004 HUD's Fiscal Year 2013 Compliance With the Improper Payments Elimination and Recovery Act of 2010	See chapter 7, page 26	04/15/2014
* 2014-LA-0005 HUD Did Not Always Recover FHA Single-Family Indemnification Losses and Ensure That Indemnification Agreements Were Extended	See chapter 7, page 27	08/08/2014
* 2015-FO-0003 Audit of the Government National Mortgage Association's Financial Statements for Fiscal Years 2014 and 2013	See chapter 7, page 28	02/27/2015
* 2016-FO-0001 Audit of Fiscal Years 2015 and 2014 (Restated) Financial Statements	See chapter 7, page 28	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 7, page 29	11/18/2015
* 2016-PH-0001 HUD Did Not Always Provide Adequate Oversight of Property Acquisition and Disposition Activities	See chapter 7, page 30	06/30/2016
* 2016-PH-0005 HUD Did Not Always Provide Accurate and Supported Certifications of State Disaster Grantee Procurement Processes	See chapter 7, page 31	09/29/2016
* 2017-FO-0001 Audit of Fiscal Years 2016 and 2015 (Restated) Financial Statements	See chapter 7, page 32	11/14/2016
* 2017-FO-0003 Additional Details To Supplement Our Fiscal Years 2016 and 2015 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	See chapter 7, page 33	11/15/2016

REPORT NUMBER AND TITLE	REASON FOR LACK OF MANAGEMENT DECISION	ISSUE DATE
* 2017-DP-0001 HUD's Transition to a Federal Shared Service Provider Failed To Meet Expectations	See chapter 7, page 33	02/01/2017
2017-FW-0001 HUD's Office of Community Planning and Development Did Not Appropriately Assess State CDBG Grantees' Risk to the Integrity of CPD Programs or Adequately Monitor Its Grantees	See chapter 7, page 34	07/10/2017
2017-CF-0801 HUD Needs To Clarify Whether Illegal-Undocumented Aliens Are Eligible for Assistance Under the Housing Opportunities for Persons With AIDS Program	See chapter 7, page 35	08/21/2017
* 2017-PH-0002 HUD Did Not Provide Sufficient Guidance and Oversight To Ensure That State Disaster Grantees Followed Proficient Procurement Processes	See chapter 7, page 36	09/22/2017
* 2017-NY-0002 HUD Could Improve Its Controls Over the Disposition of Real Properties Assisted With Community Development Block Grant Funds	See chapter 7, page 37	09/29/2017

### EVALUATION REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AT 3/31/2018

REPORT NUMBER AND TITLE	REASON FOR LACK OF MANAGEMENT DECISION	ISSUE DATE
2014-OE-0002 Risk Based Enforcement Could Improve Program Effectiveness	See chapter 7, page 38	2/12/2016
2015-OE-0004 Comprehensive Strategy Needed To Address HUD Acquisition Challenges	See chapter 7, page 39	2/2/2016
2015-OE-0008 Department Approach Needed To Address HUD Contractor Employee Security Risks	See chapter 7, page 39	3/20/2016
2016-OE-0004S Opportunities for Improvement Within CPD's Risk Management Process for Hurricane Sandy Grants	See chapter 7, page 40	3/29/2017



## 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	Note 2
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-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 2
2010-CH-1008	The DuPage Housing Authority Inappropriately Administered Its Section 8 Project-Based Voucher Program, Wheaton, IL	06/15/2010	10/08/2010	04/18/2018
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-1006	The DuPage Housing Authority Inappropriately Administered Its Section 8 Housing Choice Voucher Program, Wheaton, IL	03/23/2011	07/28/2011	04/18/2018

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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 2
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	09/12/2018
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-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	Note 2
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
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-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	Note 2
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 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-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-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-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-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	04/30/2018
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	04/30/2018
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-AT-1001	The Municipality of Arecibo Did Not Properly Administer Its HOME Program	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-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	11/01/2018
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 2
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	12/31/2018
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

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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	04/30/2018
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	12/31/2018
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 1
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	Note 2
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	10/12/2018
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 1
2014-AT-1007	The Municipality of Carolina Did Not Properly Administer Its HOME Program, Carolina, PR	08/08/2014	12/05/2014	Note 1
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-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	Note 2

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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 1
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	12/31/2020
2014-AT-1010	Miami-Dade County Did Not Always Properly Administer Its HOME Program, Miami, FL	09/11/2014	12/11/2014	Note 1
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 1
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	12/31/2018
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	Note 2
2014-CH-0001	HUD Did Not Always Provide Adequate Oversight of Its Property-Flipping Waiver Requirements	09/30/2014	03/24/2015	Note 1
2015-DP-0001	Information System Control Weaknesses Identified in the Single Family Housing Enterprise Data Warehouse	10/21/2014	12/12/2014	Note 1
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 1
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 1
2015-FO-0002	Interim Report on HUD's Internal Controls Over Financial Reporting	12/08/2014	09/28/2015	Note 2



REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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	Note 1
2015-CH-1001	The Chicago Housing Authority Moving to Work Housing Choice Voucher Program, Chicago, IL	02/24/2015	06/10/2015	04/30/2019
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-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 1
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	10/12/2018
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 1
2015-FO-0005	Compliance With the Improper Payments Elimination and Recovery Act	05/15/2015	10/02/2015	Note 2
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 1
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
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 1

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2015-FW-0001	HUD Did Not Adequately Implement or Provide Adequate Oversight To Ensure Compliance With Environmental Requirements	06/16/2015	10/07/2015	Note 1
2015-LA-0002	HUD Did Not Provide Adequate Oversight of the Section 184 Indian Home Loan Guarantee Program	07/06/2015	10/28/2015	Note 2
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	Note 1
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	Note 2
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	Note 1
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 1
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	Note 1
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	Note 1
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	04/02/2018

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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	06/30/2018
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	Note 2
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 2
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 2
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	12/31/2018
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	Note 1
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	Note 1
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	Note 2
2016-DP-0002	Single Family Insurance System and Single Family Insurance Claims Subsystem	12/21/2015	03/31/2016	Note 2

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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	Note 2
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
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	Note 2
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	09/30/2018
2016-FW-0001	HUD Did Not Effectively Negotiate, Execute, or Manage Its Agreements Under the Intergovernmental Personnel Act	03/30/2016	05/04/2017	10/02/2018
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	Note 2
2016-FO-0005	Compliance With the Improper Payments Elimination and Recovery Act	05/13/2016	10/04/2016	09/30/2018
2016-AT-0001	HUD Did Not Enforce and Sufficiently Revise Its Underwriting Requirements for Multifamily Accelerated Processing Loans	05/20/2016	09/16/2016	Note 2
2016-LA-1006	The Richmond Housing Authority, Richmond, CA, Mismanaged Its Financial Operations	06/03/2016	09/21/2016	04/01/2018
2016-AT-1006	The City of Miami Beach Did Not Always Properly Administer Its HOME Program	06/17/2016	10/05/2016	Note 2
2016-BO-1003	The State of Connecticut Did Not Always Administer Its Neighborhood Stabilization Program in Compliance With HUD Regulations	06/28/2016	10/25/2016	Note 2

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2016-PH-0001	HUD Did Not Always Provide Adequate Oversight of Property Acquisition and Disposition Activities	06/30/2016	02/16/2017	Note 3
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	11/30/2016	Note 2
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	11/17/2016	08/31/2019
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	11/18/2016	11/30/2018
2016-NY-1009	The State of New York Had Weaknesses in Its Administration of the Tourism and Marketing Program	08/12/2016	12/09/2016	Note 2
2016-KC-0001	HUD Did Not Collect an Estimated 1,361 Partial Claims Upon Termination of Their Related FHA-Insured Mortgages	08/17/2016	12/09/2016	Note 2
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	12/13/2016	11/01/2075
2016-FO-0802	Independent Attestation Review: U.S. Department of Housing and Urban Development, DATA Act Implementation Efforts	08/26/2016	03/29/2018	09/30/2018
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	12/12/2016	Note 2

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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	12/12/2016	06/15/2018
2016-AT-1012	The Municipality of Bayamon, PR, Did Not Always Ensure Compliance With HUD Program Requirements	08/29/2016	12/15/2016	Note 2
2016-DP-0003	Additional Review of Information System Controls Over FHA Information Systems	08/31/2016	12/22/2016	Note 2
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	12/16/2016	Note 2
2016-LA-1011	Evergreen Home Loans, Las Vegas, NV, Branch Did Not Always Comply With HUD FHA Origination Regulations	09/12/2016	01/04/2017	Note 2
2016-NY-0001	Operating Fund Calculations Were Not Always Adequately Verified	09/12/2016	12/22/2016	10/31/2018
2016-DP-0004	HUD Rushed the Implementation of Phase 1 Release 3 of the New Core Project	09/20/2016	01/10/2017	Note 2
2016-KC-0002	Ginnie Mae Improperly Allowed Uninsured Loans To Remain in Mortgage-Backed Securities Pools	09/21/2016	01/04/2017	Note 2
2016-PH-1007	The Housing Authority of the City of Annapolis, MD, Did Not Always Follow Applicable Procurement Requirements	09/27/2016	01/25/2017	05/31/2018
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	01/20/2017	04/30/2018
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	03/28/2017	12/31/2018



REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
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	01/25/2017	08/15/2018
2016-FW-1010	The State of Oklahoma Did Not Obligate and Spend Its Community Development Block Grant Disaster Recovery Funds in Accordance With Requirements	09/30/2016	01/17/2017	Note 2
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	01/27/2017	Note 2
2017-BO-1001	The State of Connecticut Did Not Always Comply With CDBG Disaster Recovery Assistance Requirements	10/12/2016	02/01/2017	Note 2
2017-KC-0001	FHA Paid Claims for an Estimated 239,000 Properties That Servicers Did Not Foreclose Upon or Convey on Time	10/14/2016	02/28/2017	02/24/2019
2017-BO-1002	The City of Springfield, MA, Needs To Improve Its Compliance With Federal Regulations for Its CDBG Disaster Recovery Assistance Grant	10/17/2016	01/04/2017	01/11/2019
2017-CH-0001	HUD Needs To Improve Its Oversight of Funds Covered Under the Low-Income Housing Preservation and Resident Homeownership Act of 1990	10/25/2016	02/22/2017	Note 2
2017-NY-1001	The City of New York, NY, Implemented Policies That Did Not Always Ensure That CDBG Disaster Recovery Funds Were Disbursed in Accordance With Its Action Plan and Federal Requirements	11/02/2016	05/08/2017	05/08/2018
2017-FO-0001	Audit of Fiscal Years 2016 and 2015 (Restated) Financial Statements	11/14/2016	04/06/2017	Note 3
2017-FO-0002	Audit of the Federal Housing Administration's Financial Statements for Fiscal Years 2016 and 2015 (Restated)	11/14/2016	07/13/2017	06/20/2018

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2017-FO-0003	Additional Details To Supplement Our Fiscal Years 2016 and 2015 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	11/15/2016	09/13/2017	Note 3
2017-KC-1001	Majestic Management, LLC, a Multifamily Housing Management Agent in St. Louis, MO, Did Not Always Comply With HUD's Requirements When Disbursing Project Funds	12/16/2016	04/14/2017	04/30/2018
2017-NY-1004	The City of New York, NY, Lacked Adequate Controls To Ensure That the Use of CDBG-DR Funds Was Always Consistent With the Action Plan and Applicable Federal and State Requirements	12/21/2016	04/17/2017	Note 2
2017-PH-1801	Final Civil Action: Borrower Settled Alleged Violations of Home Equity Conversion Mortgage Program	01/06/2017	01/06/2017	Note 2
2017-NY-1005	Union County, NJ'S HOME Investment Partnerships Program Was Not Always Administered in Compliance With Program Requirements	01/13/2017	05/11/2017	05/07/2019
2017-KC-0002	The U.S. Department of Housing and Urban Development Did Not Always Prevent Program Participants From Receiving Multiple Subsidies	01/20/2017	05/09/2017	12/31/2018
2017-CH-1001	The Port Huron Housing Commission, Port Huron, MI, Did Not Properly Implement Asset Management	01/24/2017	05/03/2017	05/03/2018
2017-LA-0002	HUD Failed To Follow Departmental Clearance Protocols for FHA Programs, Policies, and Operations	01/25/2017	09/22/2017	05/31/2018
2017-DP-0001	HUD's Transition to a Federal Shared Service Provider Failed To Meet Expectations	02/01/2017	05/25/2017	Note 3
2017-DP-0002	Review of Information Systems Controls Over FHA's Single Family Premiums Collection Subsystem – Periodic and the Single Family Acquired Asset Management System	02/09/2017	06/12/2017	06/12/2018

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2017-KC-1801	Final Action Memorandum: Purchaser of HUD-Insured Single-Family Property Settled Allegations of Causing the Submission of a False Claim	02/23/2017	02/23/2017	06/15/2021
2017-FO-0005	HUD's Fiscal Years 2016 and 2015 (Restated) Consolidated Financial Statements Audit (Reissued)	03/01/2017	07/03/2017	Note 2
2017-FO-0801	Independent Attestation Review: U.S. Department of Housing and Urban Development, DATA Act Implementation Efforts	03/02/2017	06/19/2017	06/19/2018
2017-LA-0003	HUD Failed To Adequately Oversee FHA-Insured Loans With Borrower-Financed Downpayment Assistance	03/03/2017	06/22/2017	06/15/2019
2017-NY-1008	The Irvington, NJ, Housing Authority Did Not Always Administer Its Public Housing Program in Accordance With Program Requirements	03/10/2017	07/07/2017	07/07/2018
2017-BO-0001	HUD's OCPO Did Not Always Comply With Acquisition Requirements When Planning and Monitoring Major Service Contracts	03/22/2017	06/28/2017	04/30/2018
2017-PH-1001	The City of Pittsburgh, PA, Did Not Always Administer Its CDBG Program in Accordance With HUD and Federal Requirements	03/22/2017	07/19/2017	07/19/2018
2017-CF-1803	United Shore Financial Services, LLC, Settled Allegations of Failing To Comply With HUD's Federal Housing Administration Loan Requirements	03/29/2017	03/29/2017	03/27/2022
2017-CH-1801	Final Civil Action: Judgment Imposed on the Former President and Founder of MDR Mortgage Corporation Regarding Allegations of Failing To Comply With HUD's Federal Housing Administration Requirements	03/31/2017	08/31/2017	08/21/2018

**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 03/31/2018**

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2017-FW-1004	St. Tammany Parish, Mandeville LA, Did Not Always Administer Its CDBG Disaster Recovery Grant in Accordance With HUD Requirements or as Certified	04/06/2017	08/02/2017	04/02/2018
2017-LA-1001	Clark County, NV, Did Not Always Use Community Development Block Grant Funds in Accordance With HUD Requirements	04/13/2017	08/03/2017	05/31/2018
2017-AT-0001	HUD's Oversight of Section 108 Loans Was Not Adequate To Ensure Compliance With Program Requirements	04/27/2017	10/06/2017	09/30/2018
2017-FO-0006	HUD Did Not Comply With the Improper Payments Elimination and Recovery Act of 2010	05/11/2017	03/27/2018	01/15/2019
2017-NY-0001	HUD PIH's Required Conversion Program Was Not Adequately Implemented	05/18/2017	09/15/2017	12/31/2018
2017-KC-0003	HUD Did Not Ensure That Lenders Properly Processed Voluntary Terminations of Insurance Coverage on FHA Loans and Disclosed All Implications of the Terminations to the Borrowers	05/22/2017	09/19/2017	11/01/2019
2017-PH-1003	The Yorkville Cooperative, Fairfax, VA, Did Not Administer Its HUD-Insured Property and Housing Assistance Contract According to Applicable Requirements	05/22/2017	09/19/2017	09/21/2018
2017-AT-1006	The Housing Authority of DeKalb County, Decatur, GA, Generally Administered RAD Appropriately but Did Not Accurately Report on Its Capital Fund Program	06/09/2017	10/05/2017	10/04/2018
2017-KC-0005	Owners of Cooperative Housing Properties Generally Charged More for Their Section 8 Units Than for Their Non-Section 8 Units	06/12/2017	10/06/2017	09/14/2018

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2017-LA-1004	Cypress Meadows Assisted Living, Antioch, CA, Was Not Administered in Accordance With Its Regulatory Agreement and HUD Requirements	06/13/2017	09/29/2017	09/28/2018
2017-LA-1005	The City of Huntington Park, CA, Did Not Administer Its Community Development Block Grant Program in Accordance With Requirements	06/16/2017	10/17/2017	10/13/2018
2017-FW-1009	Beverly Place Apartments, Groves, TX, Subsidized Nonexistent Tenants, Unqualified Tenants, and Tenants With Questionable Qualifications	06/29/2017	10/20/2017	09/01/2018
2017-CH-1002	The Youngstown Metropolitan Housing Authority, Youngstown, OH, Did Not Always Comply With HUD's and Its Own Requirements Regarding the Administration of Its Housing Choice Voucher Program	07/07/2017	11/03/2017	11/03/2018
2017-KC-0006	HUD Did Not Conduct Rulemaking or Develop Formal Procedures for Its Single-Family Note Sales Program	07/14/2017	10/19/2017	09/30/2019
2017-AT-1010	The Louisville Metro Housing Authority, Louisville, KY, Did Not Comply With HUD's and Its Own Section 8 Housing Choice Voucher Program Requirements	08/04/2017	12/01/2017	08/02/2018
2017-LA-1006	The City of Fresno, CA, Did Not Administer Its Community Development Block Grant in Accordance With HUD Requirements	08/09/2017	11/21/2017	05/15/2018
2017-PH-1005	The State of New Jersey Did Not Always Disburse Disaster Funds for Its Sandy Homebuyer Assistance Program To Assist Eligible Home Buyers	08/14/2017	11/15/2017	05/01/2018
2017-FW-1010	The City of Albuquerque, NM, Did Not Administer Its Community Development Block Grant Program in Accordance With Requirements	08/16/2017	11/14/2017	02/28/2019

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2017-BO-1006	The West Warwick Housing Authority, West Warwick, RI, Needs To Improve Its Compliance With Federal Regulations for Its Housing Choice Voucher and Public Housing Programs	08/18/2017	12/15/2017	12/31/2018
2017-AT-1011	The Lexington Housing Authority, Lexington, NC, Did Not Administer Its RAD Conversion in Accordance With HUD Requirements	08/21/2017	12/11/2017	08/21/2018
2017-AT-1801	Final Civil Action: Prospect Mortgage, LLC, Settled Alleged Violations of Federal Housing Administration Loan Requirements	08/21/2017	08/21/2017	Note 2
2017-LA-1007	The Chukchansi Indian Housing Authority, Oakhurst, CA, Did Not Always Follow HUD's Requirements for Its Indian Housing Block Grant Program	08/24/2017	11/15/2017	10/15/2018
2017-FW-1011	BLM Companies LLC Failed To Ensure That It Protected and Preserved HUD Properties Under Its Field Service Manager Contract for Area 1D	08/29/2017	12/26/2017	11/30/2018
2017-CH-1006	The Cooperative and Management Agent Lacked Adequate Controls Over the Operation of Lakeview East Cooperative	09/05/2017	12/19/2017	09/01/2018
2017-FW-1012	The City of New Orleans, New Orleans, LA, Did Not Always Properly Administer Its HOME Program	09/06/2017	12/19/2017	11/30/2018
2017-KC-0007	HUD Subsidized 10,119 Units for Tenants Who Were Undercharged Flat Rents	09/12/2017	12/01/2017	12/31/2018
2017-LA-0004	HUD Did Not Have Adequate Controls To Ensure That Servicers Properly Engaged in Loss Mitigation	09/14/2017	01/11/2018	12/14/2018
2017-NY-1010	The State of New York Did Not Show That Disaster Recovery Funds Under Its Non-Federal Share Match Program Were Used for Eligible and Supported Costs	09/15/2017	01/12/2018	08/31/2018
2017-BO-1007	The Housing Authority of the City of Hartford, CT, Did Not Always Comply With Procurement Requirements	09/21/2017	12/19/2017	12/07/2018



REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2017-KC-0008	Ginnie Mae Did Not Adequately Respond to Changes in Its Issuer Base	09/21/2017	01/18/2018	01/02/2019
2017-LA-0005	HUD Did Not Always Follow Applicable Requirements When Forgiving Debts and Terminating Debt Collections	09/21/2017	01/17/2018	09/28/2018
2017-LA-0006	HUD Did Not Administer Economic Development Initiative – Special Project and Neighborhood Initiative Congressional Grants in Accordance With Program Requirements	09/21/2017	01/18/2018	01/03/2019
2017-PH-1006	The Owner of Schwenckfeld Manor, Lansdale, PA, Did Not Always Manage Its HUD-Insured Property in Accordance With Applicable HUD Requirements	09/25/2017	01/23/2018	01/21/2019
2017-KC-1003	Majestic Management, LLC, St. Louis, MO, a Management Agent for the East St. Louis Housing Authority, Mismanaged Its Public Housing Program	09/26/2017	01/12/2018	06/15/2018
2017-CF-1806	Final Civil Action: PHH Corporation Settled Allegations of Failing To Comply With HUD’s Federal Housing Administration Loan Requirements	09/28/2017	09/28/2017	Note 2
2017-CF-1807	Residential Home Funding Corp. Settled Allegations of Failing To Comply With HUD’s Federal Housing Administration Loan Requirements	09/28/2017	09/28/2017	09/30/2021
2017-CH-1007	The Menard County Housing Authority, Petersburg, IL, Did Not Comply With HUD’s and Its Own Requirements Regarding the Administration of Its Housing Choice Voucher Program	09/28/2017	01/25/2018	01/24/2019
2017-CH-1008	Travelers Aid Society of Metropolitan Detroit, Detroit, MI, Did Not Always Administer Its Continuum of Care Program in Accordance With Federal Regulations	09/28/2017	02/15/2018	06/30/2018
2017-DP-0003	New Core Project: Although Transaction Processing Had Improved Weaknesses Remained	09/28/2017	01/25/2018	09/28/2018

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2017-LA-1803	RMS & Associates, Las Vegas, NV, Improperly Originated FHA-Insured Loans With Restrictive Covenants	09/28/2017	01/05/2018	12/28/2018
2017-NY-1013	The New Brunswick Housing Authority, NJ, Did Not Always Administer Its Operating and Capital Funds In Accordance With HUD Requirements	09/28/2017	01/26/2018	12/28/2018
2017-PH-1007	The Chester Housing Authority, Chester, PA, Did Not Always Ensure That Its Program Units Met Housing Quality Standards	09/28/2017	12/22/2017	07/31/2018
2017-NY-0002	HUD Could Improve Its Controls Over the Disposition of Real Properties Assisted With Community Development Block Grant Funds	09/29/2017	01/26/2018	Note 3
2017-PH-0003	HUD Did Not Provide Sufficient Guidance and Oversight To Ensure That FHA-Insured Properties Nationwide Had Safe Water	09/29/2017	01/26/2018	07/19/2019
2017-CH-1009	The Owner and Management Agents Lacked Adequate Controls Over the Operation of Mary Scott Nursing Center, Dayton, OH	09/30/2017	01/26/2018	06/30/2019
2017-CH-1011	BLM Companies LLC, Hurricane, UT, Did Not Provide Property Preservation and Protection Services in Accordance With Its Contract With HUD and Its Own Requirements	09/30/2017	01/25/2018	01/10/2019

### Audits excluded:

87 audits under repayment plans

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

### Notes:

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

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

3 No management decision

## SIGNIFICANT EVALUATION 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
2013-ITED-0001	FY 2013 Federal Information Security Management Act (FY13 FISMA)	11/29/2013	11/29/2013	TBD <sup>14</sup>
2014-ITED-0001	HUD Cybersecurity Privacy Programs (Privacy)	4/30/2014	4/30/2014	TBD
2014-OE-0003	FY 2014 Federal Information Security Modernization Act (FY14 FISMA)	11/15/2014	11/15/2014	TBD
2015-OE-0001	FY 2015 Federal Information Security Modernization Act (FY15 FISMA)	11/15/2015	11/15/2015	TBD
2015-OE-0002	HUD IT Modernization	9/28/2015	9/25/2015	TBD
2016-OE-0001	Records Management in the Office of Hospital Facilities Needs Improvement	9/23/2016	11/3/2016	4/11/2018
2016-OE-0002	CIGIE Web Application Security Cross-Cutting	6/6/2017	6/2/2017	TBD
2016-OE-0006	FY 16 Federal Information Security Modernization Act of 2014 (FY16 FISMA)	11/10/2016	11/10/2016	TBD
2017-OE-0007	FY 17 Federal Information Security Modernization Act of 2014 (FY17 FISMA)	10/31/2017	12/4/2017	TBD

<sup>14</sup> The final action date is currently listed as TBD because HUD discontinued the use of the centralized information security management tool. OE is working with the Department to manually update the final action dates for these recommendations. The final action dates will be reported in our next Semiannual Report.

**SIGNIFICANT EVALUATION REPORTS ISSUED WITHIN THE PAST 12 MONTHS THAT WERE DESCRIBED IN PREVIOUS SEMIANNUAL REPORTS FOR WHICH FINAL ACTION HAD NOT BEEN COMPLETED AS OF 03/31/2018**

REPORT NUMBER	REPORT TITLE	ISSUE DATE	DECISION DATE	FINAL ACTION
2016-OE-0002	HUD Web Application Security Evaluation Report	6/6/2017	6/2/2017	TBD <sup>15</sup>
2016-OE-0006	Federal Information Security Modernization Act (FISMA) Fiscal Year 2016 Evaluation Report (FY16 FISMA)	11/10/2016	11/10/2016	TBD
2016-OE-0010	Assessing HUD Plans for Evaluating Urban Promise Zones and HUD Grant Programs Participating in Promise Zones	4/19/2017	3/27/2017	7/31/2018

<sup>15</sup> The final action date is currently listed as TBD because HUD discontinued the use of the centralized information security management tool. OE is working with the Department to manually update the final action dates for these recommendations. The final action dates will be reported in our next Semiannual Report.

## TABLE C

### INSPECTOR GENERAL-ISSUED REPORTS WITH QUESTIONED AND UNSUPPORTED COSTS AT 3/31/2018 (IN THOUSANDS)

AUDIT REPORTS		NUMBER OF AUDIT REPORTS	QUESTIONED COSTS	UNSUPPORTED COSTS
<b>A1</b>	For which no management decision had been made by the beginning of the reporting period	46	\$137,986	\$87,904
<b>A2</b>	For which litigation, legislation, or investigation was pending at the beginning of the reporting period	3	25,110	2,946
<b>A3</b>	For which additional costs were added to reports in beginning inventory	-	1,866	1,133
<b>A4</b>	For which costs were added to noncost reports	0	0	0
<b>B1</b>	Which were issued during the reporting period	17	17,510	14,079
<b>B2</b>	Which were reopened during the reporting period	0	0	0
<b>Subtotals (A+B)</b>		<b>66</b>	<b>182,472</b>	<b>106,062</b>
<b>C</b>	For which a management decision was made during the reporting period	45 <sup>16</sup>	89,308	75,769
	(1) Dollar value of disallowed costs:			
	Due HUD	13 <sup>17</sup>	15,738	10,704
	Due program participants	30	57,281	48,855
	(2) Dollar value of costs not disallowed	8 <sup>18</sup>	16,289	16,210
<b>D</b>	For which a management decision had been made not to determine costs until completion of litigation, legislation, or investigation	3	25,110	2,946
<b>E</b>	For which no management decision had made by the end of the reporting period	18 <33> <sup>19</sup>	68,054 <31,192> <sup>19</sup>	27,347 <14,079> <sup>19</sup>

<sup>16</sup> Twenty-seven audit reports also contain recommendations with funds to be put to better use.

<sup>17</sup> Two audit reports also contain recommendations with funds due program participants.

<sup>18</sup> Four audit reports also contain recommendations with funds agreed to by management.

<sup>19</sup> The figures in brackets represent data at the recommendation level as compared to the report level. See explanations of tables C and D below table D.

## TABLE D

## INSPECTOR GENERAL-ISSUED REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE AT 3/31/2018 (IN THOUSANDS)

AUDIT REPORTS		NUMBER OF AUDIT REPORTS	DOLLAR VALUE
<b>A1</b>	For which no management decision had been made by the beginning of the reporting period	39	\$8,072,236
<b>A2</b>	For which litigation, legislation, or investigation was pending at the beginning of the reporting period	1	1,694
<b>A3</b>	For which additional costs were added to reports in beginning inventory	-	121
<b>A4</b>	For which costs were added to noncost reports	0	0
<b>B1</b>	Which were issued during the reporting period	10	3,158,538
<b>B2</b>	Which were reopened during the reporting period	0	0
<b>Subtotals (A+B)</b>		<b>50</b>	<b>11,232,589</b>
<b>C</b>	For which a management decision was made during the reporting period	33 <sup>20</sup>	452,957
	(1) Dollar value of recommendations that were agreed to by management:		
	Due HUD	15	396,201
	Due program participants	20	56,756
	(2) Dollar value of recommendations that were not agreed to by management	0	0
<b>D</b>	For which a management decision had been made not to determine costs until completion of litigation, legislation, or investigation	1	1,694
<b>E</b>	For which no management decision had made by the end of the reporting period	16 <13> <sup>21</sup>	10,777,938 <7,192,394 > <sup>21</sup>

<sup>20</sup> Twenty-seven audit reports also contain recommendations with questioned costs.

<sup>21</sup> The figures in brackets represent data at the recommendation level as compared to the report level. See the explanations of tables C and D below.



## 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 these 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.

## APPENDIX 4 – INSPECTOR GENERAL EMPOWERMENT ACT

*The Inspector General Empowerment Act (Public Law 114-317) (IGEA), enacted in December 2016, contains several reporting requirements in the Offices of Inspector General's (OIG) Semiannual Reports to Congress (SAR). Below are the U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), statutory requirements as stipulated in the IGEA, with hyperlinks to the detailed information located on its website at [www.hudoig.gov](http://www.hudoig.gov).*

### Summary of Reports With No Establishment Comment

*The IGEA requires OIGs to report on each audit and evaluation report for which the Department did not return comments within 60 days of HUD OIG's providing the report to the Department.*

There are no instances to report this period.

### Summary of Reports With Open Recommendations

*The IGEA requires OIGs to report on each audit and evaluation report for which there are any outstanding unimplemented recommendations, including the combined potential cost savings of these recommendations. Summaries for the Office of Audit and Office of Evaluation are presented below.*

The details of each open recommendation can be found on OIG's website at <https://www.hudoig.gov/open-recommendations>.

## AUDIT

The Department currently has 2,028 outstanding (open) unimplemented recommendations with a combined potential cost savings of more than \$17 billion. The following list and table reflect the reasons the listed recommendations remain unimplemented:

- 1,825 recommendations have active corrective action plans in place and valid repayment plans, but HUD has not finished implementing the recommendation.
- 203 recommendations are currently without management decisions (agreement between the Department and OIG). Fifty-one recommendations are beyond the 180-day statutory limit due to disagreement and were reported in table A of this SAR. The remainder are within the 180-day limit, during which time management and OIG can arrive at an agreed-upon corrective action plan.
- 416 open recommendations have management decisions in place but are currently under investigative, legislative, or judicial action or under a valid repayment plan and are, therefore, suspended pending resolution.

<b>OFFICE OF AUDIT OPEN RECOMMENDATIONS</b>		
<b>Calendar year</b>	<b>Number of open recommendations</b>	<b>Cumulative estimated cost savings from open recommendations</b>
<b>Pre-2001</b>	6	\$3,992,169
<b>2001</b>	1	320,000
<b>2002</b>	7	1,382,626
<b>2003</b>	14	1,901,072
<b>2004</b>	8	8,303,357
<b>2005</b>	5	3,148,423
<b>2006</b>	36	18,979,092
<b>2007</b>	27	6,227,340
<b>2008</b>	38	72,607,328
<b>2009</b>	33	80,067,611
<b>2010</b>	36	52,281,628
<b>2011</b>	61	108,254,076
<b>2012</b>	49	22,830,545
<b>2013</b>	136	439,127,593
<b>2014</b>	219	2,052,747,185
<b>2015</b>	213	1,375,845,544
<b>2016</b>	358	8,962,407,748
<b>2017</b>	667	2,011,997,984
<b>2018</b>	114	1,921,175,415
<b>Total</b>	2028	17,143,596,736

## EVALUATION

The following table summarizes Office of Evaluation reports with open recommendations:

OFFICE OF EVALUATION OPEN RECOMMENDATIONS	
Reporting period	Number of open recommendations
Pre-2013	0
2013	11
2014	24
2015	25
2016	30
2017	25
2018	0
Total	115

The Office of Evaluation conducts evaluations focused on improving departmental processes and programs. Its recommendations have not focused on producing direct cost savings but, rather, on improved program effectiveness and a reduced likelihood of negative outcomes. For example, during this reporting period, some of the Office of Evaluation's recommendations addressed HUD's ability to better estimate needs for consideration in future contract award decisions.

### Statistical Table Showing Investigative Report Metrics

The IGEA requires the SAR to include statistical tables and metrics for investigative cases. For the information below, the data used in this statistical table were extracted from HUD OIG's Case Management System (CMS). CMS and its underlying infrastructure allow for data input and maintain data integrity during the complete investigative case cycle, while ensuring data privacy and confidentiality. The system was developed in .Net 4.5.1, and the database is SQL 2012. HUD OIG develops queries to extract data from CMS to meet business requirements, such as the information used to create this statistical table. The table below provides additional guidance pertaining to each requested category of information. HUD OIG's CMS is not currently configured to quantify persons referred for prosecution or differentiate whether a case or person was referred for Federal prosecution or State or local prosecution. HUD OIG is developing a solution to the system configuration to allow a query to quantify persons referred for State and Federal prosecution.

OFFICE OF INVESTIGATION IGEA STATISTICAL TABLE	
Requirement	Total
A. Total number of investigative reports issued during the reporting period. <sup>22</sup>	213
B. Total number of persons referred to the U.S. Department of Justice for criminal prosecution during the reporting period. <sup>23</sup>	148
C. Total number of persons referred to State and local prosecuting authorities for criminal prosecution during the reporting period. <sup>24</sup>	148
D. Total number of indictments and criminal informations during the reporting period that resulted from any prior referral to prosecuting authorities. <sup>25</sup>	124

### Investigations of Senior Government Employees

*The IGEA requires OIG to summarize in the SAR each investigation involving a senior government employee when allegations of misconduct were substantiated. Listed below are the cases for this reporting period:*

- It was alleged that a senior HUD official granted two separate time-off incentive awards in an attempt to obtain concessions during union contract negotiations. HUD OIG referred the case to the United States Attorney's Office; however, the matter was declined for prosecution. The HUD official retired as a result of the HUD OIG investigation.
- It was alleged that a former HUD OIG employee performed unauthorized searches using an agency LexisNexis account. As a result of the investigation, it was determined that proper protocols were not followed to ensure that the former employee's access was revoked. HUD OIG referred the case to the United States Attorney's Office; however, the matter was declined for prosecution. Disciplinary action was taken against a HUD OIG employee for failure to safeguard the security and confidentiality of records.

<sup>22</sup> Includes approved reports of investigations

<sup>23</sup> Includes total cases presented for prosecution. HUD OIG's case management system is not currently configured to quantify persons referred.

<sup>24</sup> Includes total cases presented for prosecution. HUD OIG's case management system is not currently configured to quantify persons referred.

<sup>25</sup> Includes all charging documents reported: criminal complaints, indictments, information, and superseding indictments

## Instances of Whistleblower Retaliation

*The IGEA requires OIG to include in the SAR a detailed description of any instance of whistleblower retaliation, including information about the official found to have engaged in retaliation and what, if any, consequences the establishment imposed to hold that official accountable.*

## INVESTIGATION

A former executive with HUD filed a whistleblower retaliation complaint after identifying instances of intentional misapplication of generally accepted accounting practices to HUD OIG. The complainant alleged that he or she was retaliated against for his or her protected disclosure to HUD OIG by being given a poor performance evaluation that was based upon fabricated facts. The complainant claimed that he or she was isolated from others in the office by not being included on emails or in meetings. The complainant's employment was ultimately terminated. The complainant claimed that the termination was also in retaliation by management in response to his or her protected disclosures to HUD OIG. HUD OIG failed to substantiate the whistleblower allegations. It was further determined that the employee's employment would have been terminated during his or her probationary period regardless of a protected disclosure.

## OIG Independence

*The IGEA requires OIG to include in the SAR a detailed description of any attempt by the establishment to interfere with the independence of OIG, including incidents in which the establishment has resisted or objected to oversight activities or restricted or significantly delayed access to information.*

There are no instances to report this period.

## Reports That Were Closed During the Period That Were Not Disclosed to the Public

*Section 5(a)(22) of the Inspector General Empowerment Act, as amended, requires that OIG report on each audit conducted by the office that is closed during the reporting period and was not disclosed to the public. During the current reporting period, OIG had one report that was closed but not disclosed to the public.*

## AUDIT

### LOAN ACCOUNTING SYSTEM, ISSUED: DECEMBER 9, 2014, CLOSED: JANUARY 16, 2018

This was a **LIMITED DISTRIBUTION** audit report. HUD OIG reviewed the general and application controls over HUD's Loan Accounting System (LAS) as part of the internal control assessments required for the fiscal year 2014 financial statement audit under the Chief Financial Officer's Act of 1990. OIG's objective was to focus on the effectiveness of general and application controls over LAS for compliance with HUD information technology (IT) policies and Federal information system security and financial management requirements. OIG focused its assessment of business processing controls on the Emergency Homeowners Loan Program (EHLPP).

The EHLPP data in LAS were inaccurate and incomplete, the process used by HUD to correct the data for the direct loan portion of the program did not result in accurate data, and internal control weaknesses in EHLPP contributed to the data inaccuracies. Controls over the data transfer process for EHLPP loan data were not secure. While a secure website was established for the fiscal agent and States to send EHLPP loan information to the Offices of Housing and the Chief Financial Officer, the fiscal agent and States were not required to transmit data via the secure website. In

addition, controls to lock out a user after three failed login attempts were not implemented. Further, data changes were not adequately controlled in LAS. OIG also identified weaknesses in LAS access controls, an outdated configuration management plan, and a lack of documentation of the interfaces for LAS.

OIG made recommendations to the Chief Financial Officer and the Acting Federal Housing Commissioner related to the internal control weaknesses that led to the inaccurate data in LAS. OIG recommended (1) a third-party verification of the EHLP data to verify the data received from the fiscal agent and State grantees, (2) the implementation of a reconciliation process between the fiscal agent and State grantees with the original mortgage companies before the EHLP loan termination and reporting of the final loan information to HUD, (3) an assessment of the data transfer process for EHLP, (4) the creation of a formal data change process for LAS, and (5) that the remaining internal control weaknesses identified be addressed. (Audit Report: **2015-DP-0004**)

## INVESTIGATION

During the current reporting period, OIG has seven investigative reports that were closed but not disclosed to the public. The allegations include the following:

- A senior HUD official granted two separate time-off incentive awards in an attempt to obtain concessions during union contract negotiations. HUD OIG referred the case to the United States Attorney's Office; however, the matter was declined for prosecution. The HUD official retired as a result of the HUD OIG investigation. (This case was previously included under the Investigations of Senior Government Employees section of this report.)
- A HUD administrative specialist mismanaged HUD funds, to include a HUD purchase card. The investigation determined that the allegations were without merit and unfounded. As a result, this matter was administratively closed.
- A former HUD OIG employee violated postemployment restrictions regarding a HUD matter due to the employee's previous involvement as a HUD OIG employee. The investigation failed to substantiate the allegation that the former employee violated postemployment restrictions. HUD OIG referred the case to the United States Attorney's Office; however, the matter was declined for prosecution. This matter was then closed.
- A former HUD OIG employee performed unauthorized searches using an agency LexisNexis account. As a result of the investigation, it was determined that proper protocols were not followed to ensure that the former employee's access was revoked. HUD OIG referred the case to the United States Attorney's Office; however, the matter was declined for prosecution. Disciplinary action was taken against a HUD employee for failure to safeguard the security and confidentiality of records. (This case was previously included under the Investigations of Senior Government Employees section of this report.)
- A former HUD executive alleged that he or she was directed to withhold documents from a HUD OIG audit. In addition, it was alleged that the executive was ordered to sign false representations. The investigation failed to substantiate the allegations. As a result, the matter was administratively closed.
- A HUD employee may have violated the conflict-of-interest statute by steering HUD grants to a former employer. In addition, it was alleged that another HUD employee may have steered HUD grants to a prospective employer. The investigation failed to substantiate the allegations. As a result, the matter was administratively closed.
- A HUD manager had been stalking him or her for a period of 2 years. It was further alleged that this manager attempted to solicit information about this employee through outside sources. In addition, the employee alleged that he or she was directed to mismanage files that contained personally identifiable



information. The investigation determined that the allegations were without merit. As a result, this matter was administratively closed.

## EVALUATION

### FEDERAL INFORMATION SECURITY MODERNIZATION ACT REPORT FOR FISCAL YEAR 2017

This was a **LIMITED DISTRIBUTION** evaluation report. HUD OIG completed its annual evaluation of HUD's cybersecurity program, making 19 recommendations for improvement to the Department. HUD had made several improvements in its overall information security program and had begun to implement several initiatives in alignment with its cybersecurity framework strategy. HUD had also satisfied and closed eight total OIG IT Federal Information Security Modernization Act (FISMA) evaluation recommendations from fiscal years 2013-2017 since the last SAR. By addressing and closing recommendations, HUD strengthens its IT security posture. However, an additional 95 OIG FISMA evaluation recommendations remain open, leaving deficiencies and undue risk to fundamental components of an effective cybersecurity program. HUD lacked a consistent approach to monitoring and communicating risk and IT security events and continues to lack effectiveness in risk management, governance, and contractor oversight programs. Further, HUD continues to experience high turnover and position vacancies in key IT positions. Significant risk will persist until these key deficiencies are addressed and plans, processes, and capabilities are fully funded and implemented. (Evaluation Report: **2017-OE-0007**)

# OIG TELEPHONE DIRECTORY

## OFFICE OF AUDIT

### HEADQUARTERS OFFICE

Washington, DC 202-708-0364

### REGION 1

Boston, MA 617-994-8380

Hartford, CT 860-240-9739

### REGION 2

New York, NY 212-264-4174

Buffalo, NY 716-551-5755

Newark, NJ 973-622-7900

### REGION 3

Philadelphia, PA 215-656-0500

Baltimore, MD 410-962-2520

Pittsburgh, PA 412-644-6372

Richmond, VA 804-771-2100

### REGION 4

Atlanta, GA 404-331-3369

Greensboro, NC 336-547-4001

Miami, FL 305-536-5387

San Juan, PR 787-766-5540

### REGION 5

Chicago, IL 312-913-8499

Columbus, OH 614-280-6138

Detroit, MI 313-226-6190

<b>REGION 6</b>	Fort Worth, TX	817-978-9309
	Baton Rouge, LA	225-448-3975
	Houston, TX	713-718-3199
	New Orleans, LA	504-671-3000
	Albuquerque, NM	505-346-6463
	Oklahoma City, OK	405-609-8606
	San Antonio, TX	210-475-6800

<b>REGION 7-8-10</b>	Kansas City, KS	913-551-5870
	St. Louis, MO	314-539-6339
	Denver, CO	303-672-5452
	Seattle, WA	206-220-5360

<b>REGION 9</b>	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 EVALUATION

<b>HEADQUARTERS</b>	Washington, DC	202-708-0430
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## OFFICE OF INVESTIGATION

<b>HEADQUARTERS</b>	Washington, DC	202-708-5998
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<b>REGION 1-2</b>	New York, NY	212-264-8062
	Boston, MA	617-994-8450
	Hartford, CT	860-240-4800
	Manchester, NH	603-666-7988
	Newark, NJ	973-776-7347

<b>REGION 3</b>	Philadelphia, PA	215-430-6756
	Baltimore, MD	410-209-6695
	Pittsburgh, PA	412-644-2668
	Richmond, VA	804-822-4890
<b>REGION 4</b>	Atlanta, GA	404-331-5001
	Greensboro, NC	336-547-4000
	Miami, FL	305-536-3087
	San Juan, PR	787-766-5868
<b>REGION 5</b>	Chicago, IL	312-353-4196
	Cleveland, OH	216-357-7800
	Columbus, OH	614-469-5737
	Detroit, MI	313-226-6280
	Indianapolis, IN	317-957-7377
	Minneapolis-St. Paul, MN	612-370-3130
<b>REGION 6</b>	Fort Worth, TX	817-978-5440
	Baton Rouge, LA	225-448-3941
	Houston, TX	713-718-3220
	Little Rock, AR	501-918-5792
	New Orleans, LA	504-671-3700
	Oklahoma City, OK	405-609-8601
	San Antonio, TX	210-475-6822

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**REGION 7-8-10**

Denver, CO	303-672-5350
Billings, MT	406-247-4080
Kansas City, KS	913-551-5566
Salt Lake City, UT	801-524-6091
St. Louis, MO	314-539-6559
Seattle, WA	206-220-5380

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**REGION 9**

Los Angeles, CA	213-534-2496
Las Vegas, NV	702-366-2144
Phoenix, AZ	602-379-7252
Sacramento, CA	916-930-5693
San Francisco, CA	415-489-6685

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**JOINT CIVIL FRAUD**

<b>Audit</b>	Kansas City, KS	913-551-5566
<b>Investigation</b>	Kansas City, KS	913-551-5566

# ACRONYMS AND ABBREVIATIONS LIST

<b>ACD</b>	Accelerated Claims Disposition program
<b>AFR</b>	agency financial report
<b>ARC</b>	Administrative Resource Center
<b>ASC</b>	Accounting Standards Codification
<b>CAIVRS</b>	Credit Alert Verification Reporting System
<b>CDBG</b>	Community Development Block Grant
<b>CDBG-DR</b>	Community Development Block Grant Disaster Recovery
<b>CFO</b>	chief financial officer
<b>CFR</b>	Code of Federal Regulations
<b>CIGIE</b>	Counsel of the Inspectors General on Integrity and Efficiency
<b>CPD</b>	Office of Community Planning and Development
<b>CMS</b>	Case Management System
<b>CWCOT</b>	Claims Without Conveyance of Title program
<b>DATA Act</b>	Digital Accountability and Transparency Act of 2014
<b>DEC</b>	Departmental Enforcement Center
<b>DHS</b>	U.S. Department of Homeland Security
<b>EHLP</b>	Emergency Homeowners Loan Program
<b>ESI</b>	electronically stored information
<b>FAST</b>	Fixing America's Surface Transportation Act
<b>FBI</b>	Federal Bureau of Investigation
<b>FEMA</b>	Federal Emergency Management Agency
<b>FFMIA</b>	Federal Financial Management Improvement Act of 1996
<b>FHA</b>	Federal Housing Administration
<b>FISMA</b>	Federal Information Security Modernization Act
<b>FOIA</b>	Freedom of Information Act
<b>FSSP</b>	Federal shared service provider
<b>GAAP</b>	generally accepted accounting principles
<b>Ginnie Mae</b>	Government National Mortgage Association

# ACRONYMS AND ABBREVIATIONS LIST (CONTINUED)

<b>GFAS</b>	.....	Ginnie Mae Financial Accounting System
<b>HECM</b>	.....	home equity conversion mortgage
<b>HOPWA</b>	.....	Housing Opportunities for Persons With AIDS
<b>HUD</b>	.....	U.S. Department of Housing and Urban Development
<b>IDIS</b>	.....	Integrated Disbursement and Information System
<b>IG</b>	.....	Inspector General
<b>IGEA</b>	.....	Inspector General Empowerment Act
<b>IPERA</b>	.....	Improper Payments Elimination and Recovery Act of 2010
<b>IT</b>	.....	information technology
<b>LAS</b>	.....	Loan Accounting System
<b>LOS</b>	.....	Loan Origination System
<b>MDD</b>	.....	Major Disaster Declaration
<b>MHI</b>	.....	mortgage held for investment
<b>MSS</b>	.....	master servicer
<b>NCIS</b>	.....	New Core Interface Solution
<b>OA</b>	.....	Office of Audit
<b>OCFO</b>	.....	Office of the Chief Financial Officer
<b>OCIO</b>	.....	Office of the Chief Information Officer
<b>OCPO</b>	.....	Office of the Chief Procurement Officer
<b>OE</b>	.....	Office of Evaluation
<b>OGC</b>	.....	Office of General Counsel
<b>OI</b>	.....	Office of Investigation
<b>OIG</b>	.....	Office of Inspector General
<b>OMB</b>	.....	Office of Management and Budget
<b>ONAP</b>	.....	Office of Native American Programs
<b>PDMA</b>	.....	Presidentially Declared Major Disaster Area
<b>PHA</b>	.....	public housing agency
<b>PIH</b>	.....	Office of Public and Indian Housing



# ACRONYMS AND ABBREVIATIONS LIST (CONTINUED)

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<b>PRWORA</b> .....	Personal Responsibility and Work Opportunity Reconciliation Act of 1996
<b>REAC</b> .....	Real Estate Assessment Center
<b>SAR</b> .....	Semiannual Report to Congress
<b>SES</b> .....	Senior Executive Service
<b>SF</b> .....	standard form
<b>TDHE</b> .....	tribally designated housing entity
<b>U.S.C.</b> .....	United States Code
<b>USSGL</b> .....	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.	3, 12
Section 5(a)(1)-description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of the Department.	1-20, 42-43
Section 5(a)(2)-description of recommendations for corrective action with respect to significant problems, abuses, and deficiencies.	25-45
Section 5(a)(3) <sup>26</sup> -identification of each significant recommendation described in previous Semiannual Report on which corrective action has not been completed.	Appendix 3, Table B, 51
Section 5(a)(4)-summary of matters referred to prosecutive authorities and the prosecutions and convictions that have resulted.	1-20
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, 45
Section 5(a)(7)-summary of each particularly significant report.	1-20
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, 73
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, 74
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, 49
Section 5(a)(11)-a description and explanation of the reasons for any significant revised management decisions made during the reporting period.	Appendix 4, 76
Section 5(a)(12)-information concerning any significant management decision with which the Inspector General is in disagreement.	40
Section 5(a)(13)-the information described under section 05(b) of the Federal Financial Management Improvement Act of 1996.	40

<sup>26</sup> Unsupported costs are a subset of questioned costs that the Inspector General 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 (OIG), 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 website may appear to be a real government agency, but the website 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 HUD OIG.

## **Diversity and Equal Opportunity**

The promotion of high standards and equal employment opportunity for employees and job applicants at all levels. 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.

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## **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](mailto: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**

<https://www.hudoig.gov/report-fraud>

**ALL INFORMATION IS CONFIDENTIAL, AND**

**YOU MAY REMAIN ANONYMOUS.**



U.S. DEPARTMENT  
OF HOUSING  
AND URBAN  
DEVELOPMENT

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