



OFFICE OF INSPECTOR GENERAL
U.S. Department of Housing and Urban Development

SEMIANNUAL REPORT TO CONGRESS

For the period April 1, 2020, to September 30, 2020



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INSPECTOR GENERAL

UNITED STATES DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT

INTRODUCTION



HIGHLIGHTS

For the period April 1, 2020,
to September 30, 2020



\$1,124,611

Recommendations that funds
be put to better use



288

Subpoenas



\$6,043,007

Recommended
questioned costs



51

Arrests



\$14,212,818

Collections from audits



66

Indictments-informations



\$26,805,629

Investigative recoveries and
receivables to HUD programs



39

Convictions-pleas-pretrial
diversions

PROFILE OF PERFORMANCE

For the period April 1, 2020,
to September 30, 2020

AUDIT RESULTS

	This Reporting Period	Fiscal Year 2020
Recommendations that funds be put to better use	\$1,124,611	\$2,730,036
Recommended questioned costs	\$6,043,007	\$11,862,510
Collections from audits	\$14,212,818	\$35,712,526
Administrative sanctions	1	3
Civil actions	0	0
Subpoenas	0	6

INVESTIGATIVE RESULTS

Total restitutions and judgments	\$43,203,680	\$72,725,844
Total recoveries and receivables to HUD programs	\$26,805,629	\$39,510,316
Arrests	51	148
Indictments and informations	66	158
Convictions, pleas, and pretrial diversions	39	133
Civil actions	24	35
Total administrative sanctions	27	98
Suspensions	0	18
Debarments	6	17
Program referrals	11	16
Evictions	10	42
Other ¹	0	5
Systemic implication reports	0	0
Search warrants	21	52
Subpoenas	288	562

¹Includes 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

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A MESSAGE FROM THE INSPECTOR GENERAL

I am pleased to submit the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) Semiannual Report to Congress, which covers the period April 1 to September 30, 2020. During this reporting period, we faced challenges unlike any that

we have seen before, and as the period closes, we know that the fight against the novel coronavirus disease of 2019 (COVID-19) pandemic will continue. My office moved swiftly to adjust to the operational changes required during this difficult time. We remain focused on producing quality reports that are relevant and influential for our stakeholders, with the ultimate goal of assisting the Department in carrying out its programs effectively and efficiently.

HUD has a key role in the Federal response to the COVID-19 pandemic. During this reporting period, HUD was tasked with disbursing and overseeing more than \$12 billion in funding provided under the Coronavirus Aid, Relief, and Economic Stability (CARES) Act, as well as implementing program changes to provide relief for renters and homeowners. The assistance and relief provided through HUD's pandemic response is crucial to the stability of American housing and communities.

We conducted and initiated several reviews during this period to assess HUD's implementation of the CARES Act, disbursement of grant funds, and ability to perform mission operations during the pandemic. The majority of our pandemic work has been limited in scope and designed to provide information to policymakers and the public more quickly. Initially, we focused on oversight efforts on the information that the public received about HUD's pandemic response. Our staff completed multiple reviews of the accuracy and completeness of the information that HUD and mortgage servicers provided to homeowners about mortgage loan forbearance required by the CARES Act. We also examined the Department's overall communication with renters about the CARES Act eviction moratorium and identified opportunities for improvement. In addition, we issued several bulletins to increase public awareness of potential fraud schemes and identify best practices for program participants.

We have also initiated a number of engagements to ensure that timely and effective relief is provided to the intended recipients and those relief efforts are not undermined by fraud, waste, and abuse. Pandemic-related oversight will be an OIG priority moving forward, as HUD continues to fulfill its important role in responding to the unprecedented challenges brought on by the pandemic.

During this period, we also concluded a number of audits, evaluations, and investigations that began before the COVID-19 pandemic. The work highlighted in this report demonstrates our emphasis on oversight that delivers systemic, enterprise-level impact, but also leverages our oversight toolkit to help deter fraud, waste, and abuse at the program-participant level. Examples of this work include the following:

- **OIG Priority – Ensuring Safe and Affordable Housing**

We issued two audit reports that identified opportunities for HUD to improve oversight of lead in the water of HUD-assisted housing units. We recommended that several HUD program offices develop and implement an action plan to ensure that residents living in units assisted through public housing, the Housing Choice Voucher Program, and HUD's multifamily housing programs have access to safe drinking water.

- **OIG Priority – Protecting the Mortgage Insurance Funds**

Our investigative efforts with the U.S. Department of Justice and HUD's Office of General Counsel helped secure a \$15.3 million settlement related to alleged fraud in the origination and underwriting of a loan to fund development of a hospital, which later resulted in a \$122 million loss for HUD. Our work not only resulted in a substantial recovery for HUD, but it serves as an important deterrent in HUD's insurance programs designed to help underserved communities and vulnerable populations.

- **OIG Priority – Monitoring and Oversight**

Our Office of Evaluation also issued a report detailing challenges HUD program offices face in protecting billions of records containing personally identifiable information and identified several recommendations for HUD to strengthen records management practices.

During this period, we also collaborated with HUD to address OIG recommendations through a “tiger team” process that we established with the Offices of the Chief Financial Officer and the Chief Information Officer. This effort has helped the Department improve its maturity in financial management and information security in particular, and the collaboration has contributed to a substantial reduction in open recommendations departmentwide. The number of open recommendations has been reduced from 2,259 at the conclusion of fiscal year 2018 to 1,430 at the end of fiscal year 2020.

I want to recognize the entire HUD OIG staff for its resilience and dedication to our work. I also want to thank the Department and Congress for their continued support for our important oversight work. I am optimistic and hopeful that we will continue to find ways to improve and help HUD fulfill its important mission.

Thank you,



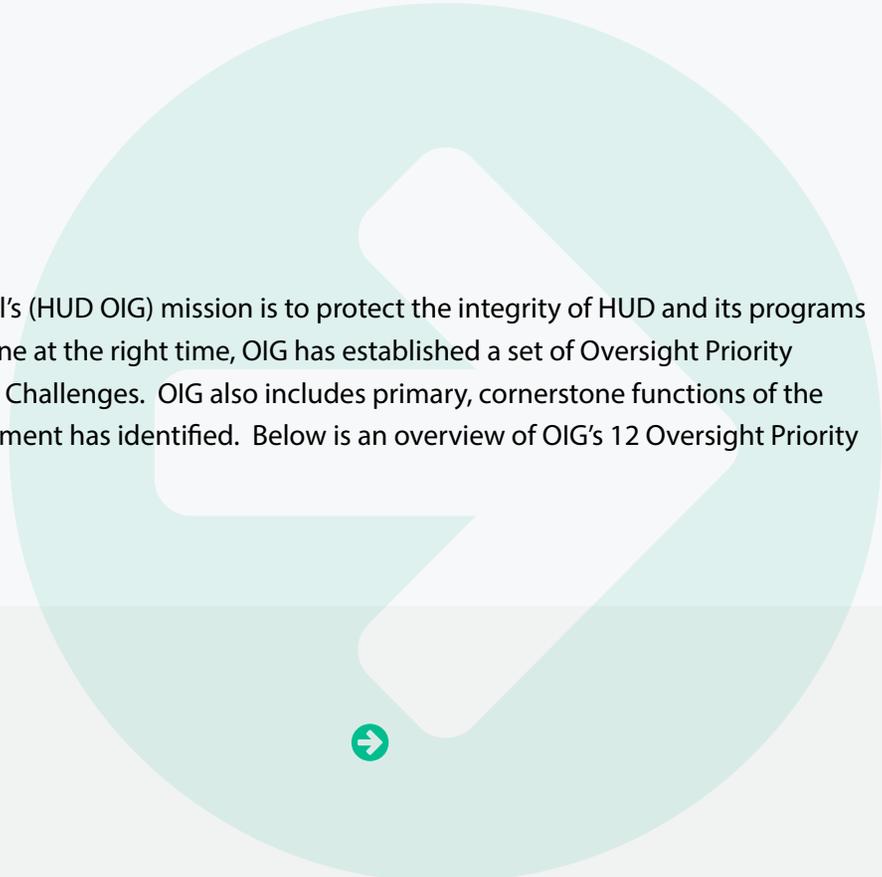
Rae Oliver Davis
Inspector General



OVERSIGHT WORK

PRIORITY AREAS

The U.S. Department of Housing and Urban Development, Office of Inspector General's (HUD OIG) mission is to protect the integrity of HUD and its programs and to promote their efficiency and effectiveness. To ensure that the right work is done at the right time, OIG has established a set of Oversight Priority Areas, which are informed by what OIG finds each year to be HUD's Top Management Challenges. OIG also includes primary, cornerstone functions of the Department as well as emerging issues and recent strategic priorities that the Department has identified. Below is an overview of OIG's 12 Oversight Priority Areas.



➔ Ensuring Safe and Affordable Housing

HUD is responsible for providing quality homes for all. HUD continues to be challenged by the increasing scarcity of safe and affordable housing, which increasingly impacts persons above very low-income levels. Over time, the balance of HUD support has shifted from public housing to providing rental housing assistance through subsidies, depending more and more on private rental stock. HUD-funded housing stock is aged and sometimes environmentally impacted by lead-based paint hazards, elevated radon levels, and increased risk of hazardous waste sites. Further, HUD's housing stock remains in need of critical repairs at a time in which HUD temporarily suspended inspections due to the 2019 coronavirus (COVID-19) pandemic and was introducing a demonstration program to improve its 20-year-old inspection process. HUD seeks to extend the life of these units through various financing and programmatic vehicles, such as the Rental Assistance Demonstration Program and low-income housing tax credits, which also shifts HUD oversight to a private rental model. The Housing Choice Voucher Program, which provides tenants assistance to access the private rental market, has been highly successful for low-income persons but depends on available private rental housing, and need for the subsidy far outstrips appropriations. Moreover, HUD has limited tools to address safety and affordability issues impacting such housing.

➔ Advancing Economic Opportunities Initiatives

Advancing economic opportunity is the first priority goal of HUD's Strategic Plan and has been a signature focus of Secretary Carson. HUD initiatives and programs in this priority area focus on economic development in local communities that increases opportunities

for individuals and families receiving government benefits to find employment and become self-sufficient. Many of these initiatives are entirely new, such as EnVision Centers and Opportunity Zones. Other programs are longstanding self-sufficiency programs, such as Moving to Work Demonstration, Family Self-Sufficiency, and Section 3.² HUD's strategic plan also includes as a priority the goal of reducing the length of homelessness in communities. Examining the effectiveness of the Department's efforts to combat homelessness is a focus for OIG in this priority area.

➔ Fair Housing

HUD is the Federal entity tasked with eliminating housing discrimination and promoting inclusive communities. HUD's enforcement of fair housing laws extends beyond HUD programs into all fair housing issues throughout the country, and it accomplishes its mission through both education and enforcement in local communities and in Federal housing programs and by promoting economic opportunity for protected classes. During the pandemic, HUD's ability to conduct investigations and respond to complaints may have been impacted. HUD is also empowered to mandate compensation to victims of discriminatory housing practices. According to the Office of Fair Housing and Equal Opportunity's fiscal year 2018-2019 Annual Report to Congress, HUD and State and local agencies filed more than 15,500 complaints in housing discrimination cases and achieved more than \$34.7 million in monetary relief during those years. HUD's fair housing work extends to sexual harassment associated with housing as a form of sex discrimination, and this is an area of particular focus for HUD OIG.

²The Section 3 program requires that recipients of certain HUD financial assistance, to the greatest extent possible, provide training, employment, contracting, and other economic opportunities to low- and very low-income persons, especially recipients of government assistance for housing, and to businesses that provide economic opportunities to low- and very low-income persons.

→ Protecting the Mortgage Insurance Funds

The Federal Housing Administration (FHA) maintains a portfolio of more than 8 million insured mortgages with an outstanding balance of more than \$1.3 trillion. When borrowers default on their mortgage payments, FHA reimburses lenders for their losses using the Mutual Mortgage Insurance Fund. The solvency of the fund is impacted by excessive claims caused by lenders approving borrowers who do not meet statutory, regulatory, and program eligibility requirements and the lengthy foreclosure and conveyance process. The reverse mortgage program also impacts the solvency of the fund to the extent that forward mortgages are effectively subsidizing the program. The reverse mortgage program continues to pay claims in which borrowers are not maintaining the property as their primary residence or failing to pay their property taxes or homeowners' insurance. Further, the forbearance legally mandated by the Coronavirus Aid, Relief, and Economic Security (CARES) Act could create a liquidity crunch for servicers, a collapse in mortgage servicing asset values, and a tightening of credit as lenders reduce risk.

The Government National Mortgage Association's (Ginnie Mae) mortgage-back securities (MBS) program creates liquidity for FHA lenders. For the first three quarters of fiscal year 2020, Ginnie Mae issued \$525.1 billion in MBS, bringing the outstanding unpaid principal balance to \$2.1 trillion. Ginnie Mae steps in to make the principal and interest payments to MBS investors in cases in which the issuer of the security is not able to make the payment. Ginnie Mae faces additional risks when its issuers are nonbanks, but forbearance could impact all issuers if a significant number of homeowners cannot make their payments that support what is due to investors.

→ Monitoring and Oversight

HUD's annual and supplemental budgets in excess of \$50 billion are predominantly made up of grants and other subsidies to be passed through to governments, organizations, and individuals. HUD continues to face challenges with effective management controls, lack of reliable information from program partners to assess program performance and compliance, and oversight of its programs and program participants. Lack of appropriate staffing plays a major role in this challenge. To ensure that funding is used properly and reaches the intended beneficiaries, HUD must regularly evaluate its programs' effectiveness and the use of funds. Several monitoring areas of concern have existed for years, and nominal progress has been made. Since 2015, OIG has consistently found that HUD conducts little or no monitoring of community planning and development program grantees. Additionally, HUD had not been referring troubled public housing agencies to the Assistant Secretary for Public and Indian Housing for receivership as the law and regulations require. Further, HUD continues to allow Section 232 residential care facilities to be exempt from its own physical inspections because nursing homes are subject to inspections by other government agencies that do not accurately capture the physical conditions of the facilities. HUD's ability to monitor its partners during the pandemic has been hampered by limiting onsite monitoring visits and suspending physical inspections at various program participant locations.

→ Administering Disaster Assistance

HUD is a primary actor in the Federal effort to assist communities in recovering from disasters. Congress has appropriated \$83.7 million to HUD in the aftermath of presidentially declared disasters since 2001. A record-breaking \$20 billion was allocated to Puerto Rico in the wake of Hurricanes Maria and Irma. Despite the multiyear timespan of disaster recovery and the expectation that such activity will not decrease, HUD continues to

use Federal Register Notices to administer disaster appropriations. Since 2017, HUD OIG has recommended that HUD codify the Community Development Block Grant Disaster Recovery program to simplify the process and standards and to speed up allocation. Secretary Carson testified in May 2019 that he would support codification, and legislation has been introduced. HUD also faces continuing challenges to clarify and simplify its requirements; ensure that systems have capacity to oversee the delivery of funding to grantees; ensure that it has sufficient resources and staff to efficiently monitor grants; ensure that expenditures are eligible and supported and proper financial and procurement controls are in place to reduce fraud, waste, and abuse; ensure that citizens who seek disaster assistance understand their options and obligations; and reduce administrative delays in the funds disbursement process.

➔ Information Technology and Cybersecurity

HUD depends on its systems to maintain more than a billion personally identifiable information records, confidential business information, and nonpublic HUD information. HUD is making progress with its longstanding information technology (IT) deficiencies. HUD's outdated IT systems cannot be adapted to handle HUD's current complex mission and its demands for accountability. In addition, IT resources have been distributed across multiple program offices, rather than consolidated under the Chief Information Officer's authority. HUD has made a concerted effort to fill key IT leadership positions that have been vacant for multiple years and continues to rely heavily on contract support for its operational and modernization efforts. HUD's information security program remains at a maturity level that is determined to not be effective.

➔ Financial Management

HUD continued to make progress in addressing its financial management weaknesses during fiscal year 2020. However, it continues to have many of its financial and operational internal controls reported as ineffective and an antiquated financial management system. HUD received a disclaimer of opinion on its consolidated financial statements for 5 years before its modified opinion in fiscal year 2019. However, one of HUD's component entities, Ginnie Mae, has been unable to achieve an unmodified opinion and has received a disclaimer of opinion for the last 6 years due to poor governance and a weak internal control framework. HUD will need to be able to sustain the improvements it has made as it deals with new challenges brought on by the COVID-19 pandemic.

➔ Human Resource Management and Procurement

Over the past 10 years, HUD's staffing level has declined while its programs and responsibilities have increased. Between fiscal years 2015 and 2018, HUD's attrition rate outpaced its current hiring capacity. In fiscal year 2020, HUD reported that it experienced its largest increase in staffing in more than a decade. According to HUD's Office of the Chief Financial Officer, receiving 2-year funding instead of annual funding has had a significantly positive impact on the hiring process. For HUD to sustain improvement, it must also address challenges posed by the pandemic, including hiring more program staff to manage the additional funding from the CARES Act. Many, if not all, of the challenges HUD faces are impacted by its staffing issues. Although HUD has increasingly relied on contractors to fill staffing gaps, HUD faces challenges with properly directing and monitoring contractors that have significant influence on the development, implementation, and oversight of HUD programs.

→ Ethical Conduct

The American public relies on HUD officials and the entities that participate in HUD programs to perform their duties ethically and with integrity. Ethical lapses or failures undermine program effectiveness and ultimately diminish the public trust in HUD and its programs. HUD is at risk due to the vast number of HUD programs, the significant amount of Federal funds flowing through these programs, and HUD's resource constraints. HUD employees set policies in the financial services industry and make decisions affecting the financial positions of external entities. To promote ethical conduct, HUD must provide these staff members with training and guidance on the requirements for disclosing financial interests and effectively mitigating potential conflicts of interest. OIG is also mindful of the risk that, during an election year, political appointees may be inappropriately "burrowing" into career-employee status.

→ Emerging Issues and Opportunities

The environment in which HUD operates is ever changing. HUD must strive for success in its mission in ways that are sustainable in – and take advantage of – the changing environment. Some environmental changes may become a Top Management Challenge or contribute to a Top Management Challenge; others may offer new solutions to old problems. HUD OIG strives to be aware of emerging issues and opportunities facing the Department and proactive in assessing risks and opportunities for HUD to more effectively address these issues. For example, during this period, HUD has had to adapt to performing its operations under safe distancing restrictions caused by the COVID-19 pandemic. In addition, the passing of the CARES Act provided \$12.4 billion in addition to its normal appropriations and significant changes in some program requirements. These changes required HUD to increase communication to the public to ensure that they understood their rights and could protect themselves.

→ Mandatory Work

HUD OIG is required to perform certain functions by law, such as financial statement audits and the Federal Information Security Modernization Act evaluation, and as a result, must plan around a series of annually required mandatory reports and reporting requirements. Likewise, HUD receives appropriations and supplemental funding that also provide constraints or emphases for our work. This priority area focuses on ensuring that HUD OIG is meeting its mandatory requirements but also performing them in a way that is most efficient and effective, despite the ongoing pandemic.

PROGRAM AREAS

CHAPTER 1

SINGLE FAMILY HOUSING

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 in this chapter.



OFFICE OF AUDIT

Key program results	Questioned costs	Funds put to better use
1 audit	\$0	\$0

REVIEW OF HUD'S RESPONSES TO INQUIRIES REGARDING RELIEF PROVIDED BY THE CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), evaluated the accuracy of HUD's responses to inquiries from borrowers, industry partners, and the general public regarding forbearance and foreclosure relief provided by the Coronavirus Aid, Relief, and Economic Security Act.

OIG found that HUD could improve its customer service to borrowers, industry partners, and the general public by providing more direct, accurate, and complete responses to their inquiries. **(Audit Report: 2020-PH-0801)**

(HUD OIG Priority Area: Emerging Issues and Opportunities)



INVESTIGATION

Program Results

Administrative - civil actions	Convictions - pleas - pretrial diversions	Financial recoveries
13	6	\$19,086,792

HOME-REPAIR CON MAN SENTENCED TO 11 YEARS INCARCERATION

Businessman Gregory Ziglar was sentenced in U.S. District Court to 11 years incarceration and 5 years supervised release and ordered to pay \$325,522 in restitution, of which \$18,310 is to be paid to FHA, \$54,147 to the Internal Revenue Service (IRS), and \$253,065 to individual victims.

For more than 4 years, Ziglar orchestrated a scheme to defraud homeowners through FHA's Title I Home and Property Improvement Loan Program. Ziglar, who used aliases and multiple shell companies, would solicit homeowners through newspaper and direct mail advertisements that offered home repair services and assistance with federally insured financing. Upon meeting with prospective clients, Ziglar claimed that he would obtain financing on behalf of the homeowners and that all construction would be performed by his contractors. He then created false estimates or purported agreements, which he sent to Title I Loan lenders to secure the loans. Ziglar was not authorized to create the estimates or agreements on behalf of the contractors. He inflated the estimates and agreement amounts to maximize the loan amounts. Once the homeowners provided the loan proceeds to Ziglar, he hired contractors to perform the work, paid them substantially less than what was listed

on the estimates and agreements submitted to the lenders, and kept the remaining funds. In some instances, the contractors performed little to no work, and any work that was performed was shoddy and incomplete.

Also, in violation of the Title I Loan program, Ziglar fraudulently charged the homeowners a \$2,500 referral fee for the financing. The majority of Ziglar's victims were elderly. HUD OIG, the IRS, the Newport News Virginia Police Department, and the United States Postal Inspection Service conducted this investigation. **(Norfolk, VA)**

(HUD OIG Priority Area: Protecting the Mortgage Insurance Funds)

HUD-APPROVED DIRECT ENDORSEMENT LENDER AGREES TO PAY \$15.06 MILLION

Guaranteed Rate, Inc., a HUD-approved direct endorsement lender, entered into a \$15.06 million settlement agreement with the United States, of which \$7.8 million will be paid to FHA to resolve allegations that the lender violated the False Claims Act and the Financial Institutions Reform, Recovery and Enforcement Act of 1989 by knowingly violating the material program requirements when it originated and underwrote mortgages insured by FHA and guaranteed by the U.S. Department of Veterans Affairs (VA).

Guaranteed Rate failed to comply with program rules that require lenders to maintain quality control programs and failed to follow the self-reporting requirements. In violation of the program's rules, Guaranteed Rate's FHA underwriters received commissions and gifts and in certain instances, failed to review documents that were relevant to the underwriting decision. As part of the settlement agreement, Guaranteed Rate acknowledged that it certified and approved loans that were not eligible

for FHA mortgage insurance or VA guarantees and that, without the lender's actions, HUD and the VA would not have insured or guaranteed the loans. The lender also indicated in the agreement that it had made changes to its self-reporting procedures, underwriter compensation practices, and underwriting filing and documentation procedures. HUD OIG conducted this investigation. **(Albany, NY)**

(HUD OIG Priority Area: Protecting the Mortgage Insurance Funds)

INVESTIGATION LEADS TO RETURN OF MORE THAN \$1.6 MILLION TO FHA

NOVA Financial & Investment Corporation, a lender approved to participate in HUD's FHA Title II Single Family Mortgage Insurance Program, entered into a \$752,518 settlement agreement after HUD's Mortgagee Review Board (MRB) issued a notice of violation and notice of intent to seek civil money penalties for violations of FHA underwriting requirements.

The MRB action was due to the successful criminal prosecution of Valerie Schones, a former loan originator with NOVA; Patrick Healey, a former recruiter of a limited liability company (LLC), the mission of which was to renovate, market, and sell single-family residences; and Jared Castellaw, a former operations director of the LLC. The trio were sentenced in U.S. District Court to time served plus 5 years supervised release and ordered to pay \$852,415 in joint and several restitution to FHA. From October 2008 through May 2009, Schones, Healey, and Castellaw made false statements and created false loan documents for the purpose of influencing NOVA's lending actions and persuading NOVA to qualify borrowers for FHA-insured loans. The false statements and documents concealed the true source of the borrowers' "gift" funds and made it appear as though the

borrowers' family members provided the funds, when the defendants had provided the gift funds. The FHA loan program prohibits sellers and other interested parties with a financial interest in the sale of a residence from providing closing costs to borrowers but permits closing costs to be "gifted" to borrowers from family members. The FHA loan program also prohibits sellers and other parties with a financial interest in the sale of the residence from using funds to satisfy other debts. HUD OIG and the Federal Bureau of Investigation (FBI) conducted this investigation. **(New Orleans, LA)**

(HUD OIG Priority Area: Protecting the Mortgage Insurance Funds)



FORMER TITLE INSURANCE UNDERWRITER TO PAY MORE THAN \$400,000 IN RESTITUTION FOR TITLE INSURANCE SCAM

Former title insurance underwriter, Ginger Cunningham, was sentenced in U.S. District Court to a total of 14 months incarceration and 3 years supervised release and ordered to pay more than \$412,344 in restitution to the title company and other individual victims. For approximately 19 months after she was dismissed by the title company, Cunningham continued to represent herself as an independent agent of the title company, sold fictitious title insurance policies, and collected premium payments. During this time, Cunningham collected premium payments for approximately 973 fictitious title insurance policies with associated mortgage loans totaling more than \$123 million, of which more than \$9.1 million was attributable to FHA-insured mortgages. As a result of this investigation, legitimate title insurance policies were retroactively issued for the affected mortgages to protect the FHA insurance fund, mortgage lending institutions, and mortgage borrowers. HUD OIG, the Federal Housing Finance Agency OIG, and the North Carolina Department of Insurance conducted this investigation. **(Asheville, NC)**

(HUD OIG Priority Area: Protecting the Mortgage Insurance Funds)

HUSBAND AND WIFE SENTENCED TO A COLLECTIVE 214 MONTHS IN PRISON FOR ORCHESTRATING A RESIDENTIAL EQUITY SKIMMING SCHEME

Michael Roush and Dana Roush, owners and operators of Kingdom Connected Investments LLC (KCI), were sentenced in U.S. District Court to a collective 214 months incarceration and 72 months supervised release and ordered to pay more than \$2.6 million in restitution jointly and severally

to individual victims. For more than 5 years, the Roushes marketed KCI as a Christian organization and promised to create “win-win” situations for home sellers and buyers. They often sought homeowners who owed more on their home than the property was worth and buyers who lacked good credit and could not obtain a conventional mortgage. KCI promised to relieve homeowners of their mortgage by “buying” the home, paying off the mortgage, and immediately removing them from the property’s title. KCI then sought potential buyers for the homes and presented them with the opportunity to build equity through a rent-to-own agreement with KCI. The buyers were required to make a downpayment to KCI, typically around 10 percent of the purchase price.

KCI concealed from the buyers that the homes were not owned by KCI and that the true owners had an existing mortgage on the property, which KCI was responsible for paying. Rather than pay the mortgages, the Roushes used the money for personal expenses and to expand their real estate business. The sellers received foreclosure notices, often lost their homes to foreclosure, had their credit ruined, and found themselves much worse off financially than they were before dealing with KCI. The buyers often learned that they had no real ownership interest when the home was purchased by a third party at a foreclosure sale and the new owner started eviction proceedings. Twenty-one FHA-insured mortgages were impacted by this scheme. HUD OIG and the FBI conducted this investigation.

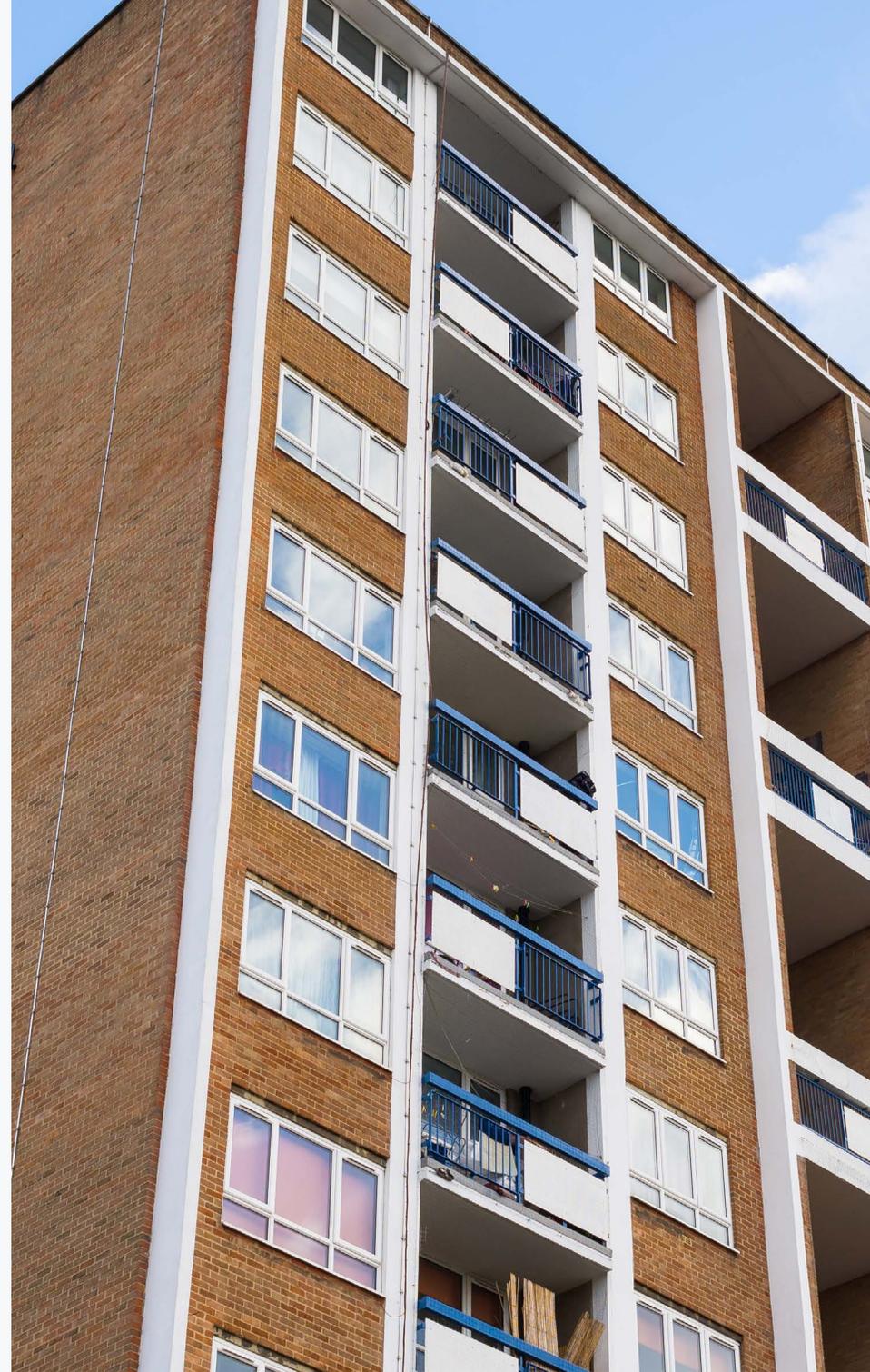
(Anderson, SC)

(HUD OIG Priority Area: Protecting the Mortgage Insurance Funds)

CHAPTER 2

PUBLIC AND INDIAN HOUSING

The U.S. Department of Housing and Urban Development (HUD) provides grants and subsidies to more than 3,100 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 in this chapter.



AUDIT

Key program results	Questioned costs	Funds put to better use
7 audits	\$1,404,246	\$899,611

REVIEW OF THE PUBLIC HOUSING OPERATING AND CAPITAL FUNDS

HUD's Office of Inspector General (OIG) audited the **Philadelphia, PA**, Housing Authority's use of public housing operating funds to determine whether allegations from a complaint had merit; specifically, whether the Authority properly procured (1) relocation services, (2) job training services, (3) a vehicle, (4) tablet computers, and (5) an office chair in accordance with HUD requirements. OIG also wanted to determine whether the Authority was owed funds from its agent, the City of Philadelphia's Redevelopment Authority, for past projects and followed its procedures for approving its chief executive officer's salary.

Of the seven allegations in the complaint, two allegations had merit. The Authority could not show that its proposals for relocation services were evaluated based on the established evaluation criteria. It also violated conflict-of-interest requirements when procuring job training services. As a result, (1) HUD had no assurance that the vendor's proposal, to which the Authority paid more than \$860,000 for relocation services, was the most advantageous to the project, and (2) the Authority made ineligible payments totaling nearly \$157,000 for job training services. The Authority properly procured a vehicle for its chief executive officer, tablet computers,

and an office chair. Additionally, it was not owed funds from its agent and followed its procedures for approving its chief executive officer's salary.

OIG recommended that HUD require the Authority to (1) either provide documentation to show that the proposal for relocation services was the most advantageous or reimburse its program with non-Federal funds for any amounts that it cannot support, (2) develop and implement monitoring controls to ensure that it procures products and services in accordance with procurement requirements, (3) reimburse its program with non-Federal funds for the ineligible payments it made due to a conflict-of-interest situation identified by the audit, and (4) develop and implement controls to ensure that it obtains waivers from HUD before entering into agreements that create conflict-of-interest situations. **(Audit Report: 2020-PH-1001)**

(HUD OIG Priority Area: Monitoring and Oversight)

REVIEW OF THE SECTION 184 INDIAN HOME LOAN GUARANTEE PROGRAM

HUD OIG audited the Section 184 Indian Home Loan Guarantee program of Mid America Mortgage, doing business as 1st Tribal Lending, in **Pinole, CA**, to determine whether the lender underwrote Section 184 loans in accordance with HUD's requirements.

The lender did not always follow HUD's Section 184 program requirements. Specifically, it did not always (1) underwrite Section 184 loans in accordance with program requirements and (2) follow HUD's quality control requirements when reviewing loan files. As a result, there was an increased risk to the Section 184 program and HUD's Loan Guarantee Fund. The lender had 11 loans with material underwriting deficiencies,

7 of which had a total unpaid mortgage balance of \$1.3 million with an estimated potential loss to HUD of nearly \$608,000.

OIG recommended that HUD (1) request indemnification for the seven loans cited above, (2) require the lender to develop and implement enhanced policies and procedures to ensure that electronic signatures from borrowers are properly supported, and (3) require the lender to fully implement its quality control plan for reverifications and provide HUD with periodic reports for 12 months to ensure that its quality control reviews are conducted in accordance with requirements. **(Audit Report: 2020-LA-1005)**

(HUD OIG Priority Area: Monitoring and Oversight)

REVIEW OF HUD'S HOUSING CHOICE VOUCHER AND PUBLIC HOUSING PROGRAMS

Based on a congressional inquiry from Senator Grassley's office, HUD OIG audited HUD's oversight of portability in the Housing Choice Voucher Program to determine whether (1) HUD had adequate policies and procedures to identify and evaluate the impacts portability may have on PHAs' Housing Choice Voucher Programs and (2) HUD's financial information relating to portability set-aside and additional administrative fees was correctly calculated and distributed in accordance with its requirements.

HUD generally had adequate oversight of portability in the Housing Choice Voucher Program; however, improvements could be made. Although HUD reviewed PHAs' programs, it did not specifically identify and evaluate the effects of portability. As a result, HUD could miss the opportunity to assess the impact of portability on PHAs' programs and use

this information to make decisions that could (1) assist PHAs experiencing difficulties with managing the portability component of the program and (2) result in programmatic or process improvements. Generally, HUD correctly calculated portability set-aside funding for increased costs and special administrative fees for portability. However, HUD overpaid more than \$115,000 in set-aside funding and more than \$133,000 in special administrative fees. It also underpaid more than \$35,000 in special administrative fees.

OIG recommended that HUD (1) conduct an assessment of the impact of portability and determine whether technical assistance is necessary for certain PHAs, (2) pursue the collection of or recapture the overpayments and distribute the underpayments of set-aside funds and special administrative fees, and (3) review the calculations and distributions of funds for the category 2b portability set-aside and special administrative fees for portability to ensure accuracy. **(Audit Report: 2020-CH-0006)**
(HUD OIG Priority Area: Ensuring Safe and Affordable Housing)



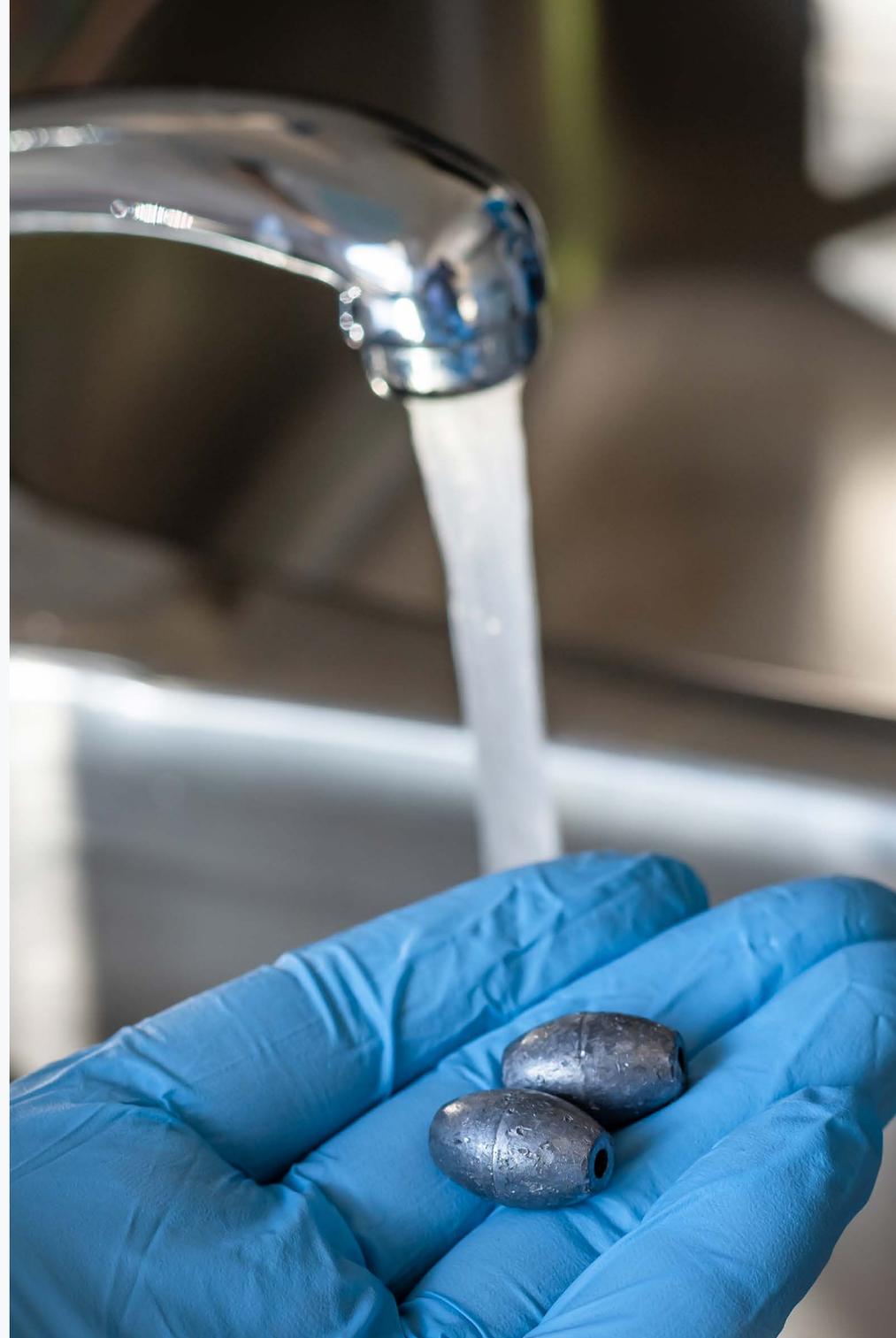
HUD NEEDS TO IMPROVE ITS OVERSIGHT OF LEAD IN THE WATER OF HOUSING CHOICE VOUCHER AND PUBLIC HOUSING PROGRAM UNITS

HUD OIG audited HUD's oversight of lead in the water of Housing Choice Voucher Program and public housing program (assisted) units to determine whether HUD had sufficient policies, procedures, and controls to ensure that households living in assisted units had a sufficient supply of safe drinking water.

HUD did not have sufficient policies, procedures, and controls to ensure that households living in assisted units had a sufficient supply of safe drinking water. PHAs had assisted units served by public water systems that reported levels of lead above the Environmental Protection Agency's lead action level. However, HUD had limited requirements concerning lead in the drinking water of assisted units and generally did not require PHAs to take action regarding the potential for lead in the drinking water. As a result, HUD lacked assurance that households, including households with children age 6 or under, lived in assisted units that had a sufficient supply of safe drinking water.

OIG recommended that HUD develop and implement an action plan that includes sufficient policies, procedures, and controls to ensure that households living in assisted units have a sufficient supply of safe drinking water. **(Audit Report: 2020-CH-0004)**

(HUD OIG Priority Area: Ensuring Safe and Affordable Housing)



INVESTIGATION

Program Results

Administrative - civil actions	Convictions - pleas - pretrial diversions	Financial recoveries
15	16	\$5,131,163

REAL ESTATE FRAUDS SENTENCED FOR THEFT OF HOUSING ASSISTANCE PAYMENTS

Ronald Wilson, Sherri Wilson, and Murphy Feeny were sentenced in U.S. District Court after previously pleading guilty to committing a conspiracy, bank fraud, wire fraud, mail fraud, and theft of government funds.

Ronald and Sherri Wilson were sentenced to 90 months and 45 months incarceration, respectively, and ordered to pay more than \$3.9 million in restitution jointly and severally, of which, \$250,789 was due to a PHA. Feeny was sentenced to 3 years probation and ordered to pay \$32,000 in restitution jointly and severally with the Wilsons.

From September 2016 until April 2019, the Wilsons ran a fraudulent real estate investment scheme, primarily through Sierra Real Estate. In doing so, they assisted investors with obtaining a limited liability company (LLC), while Ronald Wilson listed himself as the statutory agent. Investors would open a joint checking account with Sierra Real Estate and their individual LLC at a local bank. Investors would then wire money into this account for purchasing properties or for renovations with total investments of more than \$5.5 million.

However, the Wilsons converted the money to personal use before the investors noticed. Further, Ronald Wilson located subsidized housing tenants for the investors and completed landlord paperwork at the PHA. The housing assistance payments were supposed to be deposited into the joint accounts opened by Wilson and the investors; however, Wilson kept more than \$250,000 in payments made by the PHA. As part of the overall scheme, Ronald Wilson conspired with Murphy Feeny to burn down one of the investment buildings to collect insurance money. HUD OIG and the Federal Bureau of Investigation (FBI) conducted this investigation.

(Toledo, OH)

(HUD OIG Priority Area: Ensuring Safe and Affordable Housing)

FORMER HOUSING CHOICE VOUCHER PROGRAM PARTICIPANT TO REPAY ALMOST \$175,000 TO PUBLIC HOUSING AGENCY

Frances Parker, a former Housing Choice Voucher Program participant, was sentenced in State Circuit Court to 5 years probation and ordered to pay \$173,122 in restitution to the PHA. For more than 20 years, Parker violated Housing Choice Voucher Program requirements when she failed to report to the PHA that she owned a subsidized rental unit and that the purported landlord for the unit was her husband, whom she allowed to reside in the unit as an unauthorized tenant. As a result of the scheme, the PHA continuously mailed Parker's housing assistance payments to her husband at an address different from that of the subsidized unit. HUD OIG conducted this investigation. **(Baltimore, MD)**

(HUD OIG Priority Area: Ensuring Safe and Affordable Housing)

PUBLIC HOUSING TENANT SENTENCED FOR TRAFFICKING GUN PARTS OVERSEAS AND HOUSING FRAUD

Public housing tenant Vladimir Volgaev was sentenced in U.S. District Court to 33 months incarceration and 12 months supervised release and ordered to pay \$6,835 in restitution to the PHA. For nearly 7 years, Volgaev shipped more than 1,600 firearm components, including barrels, slides, receivers, and frames, from the United States to Ukraine. These components were used to construct fully functional firearms, including handguns and rifles. While engaged in this conduct, Volgaev lived in HUD-subsidized housing. During periodic renewal applications, Volgaev lied to the PHA about his personal finances, including the income he had gained from illicit firearm trafficking. HUD OIG, the FBI, U.S. Department of Homeland Security Investigations, and the United States Postal Inspection Service conducted this investigation. **(Tampa, FL)**

(HUD OIG Priority Area: Ensuring Safe and Affordable Housing)



CHAPTER 3

MULTIFAMILY HOUSING AND HEALTHCARE

In addition to multifamily housing developments with U.S. Department of Housing and Urban Development (HUD)-held or HUD-insured mortgages and the Office of Healthcare Programs, 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 noted in this chapter.



AUDIT

Key program results	Questioned costs	Funds put to better use
2 audits	\$401,403	\$0

REVIEW OF HUD’S OVERSIGHT OF LEAD IN THE WATER OF MULTIFAMILY HOUSING

HUD’s Office of Inspector General (OIG) audited HUD’s oversight of lead levels in the water of multifamily housing units to determine whether HUD had sufficient policies, procedures, and controls to ensure that households living in multifamily housing units had a sufficient supply of safe drinking water.

HUD did not have sufficient policies, procedures, and controls to ensure that households living in multifamily housing units had a sufficient supply of safe drinking water. Multifamily housing properties were served by public water systems that reported levels of lead above the Environmental Protection Agency’s lead action level. However, HUD had limited requirements concerning lead in the drinking water of multifamily housing units and did not require multifamily property owners or management agents to take action regarding the potential for lead in the drinking water. As a result, HUD lacked assurance that households living in multifamily housing units had a sufficient supply of safe drinking water.

OIG recommended that HUD develop and implement an action plan that includes sufficient policies, procedures, and controls to ensure that

households living in multifamily housing units have a sufficient supply of safe drinking water. **(Audit Report: 2020-CH-0005)**

(HUD OIG Priority Area: Ensuring Safe and Affordable Housing)

INVESTIGATION

Program Results

Administrative - civil actions	Convictions - pleas - pretrial diversions	Financial recoveries
9	1	\$17,530,922

LAKEWAY REGIONAL MEDICAL CENTER LLC AND CODEFENDANTS AGREE TO PAY MORE THAN \$15.3 MILLION

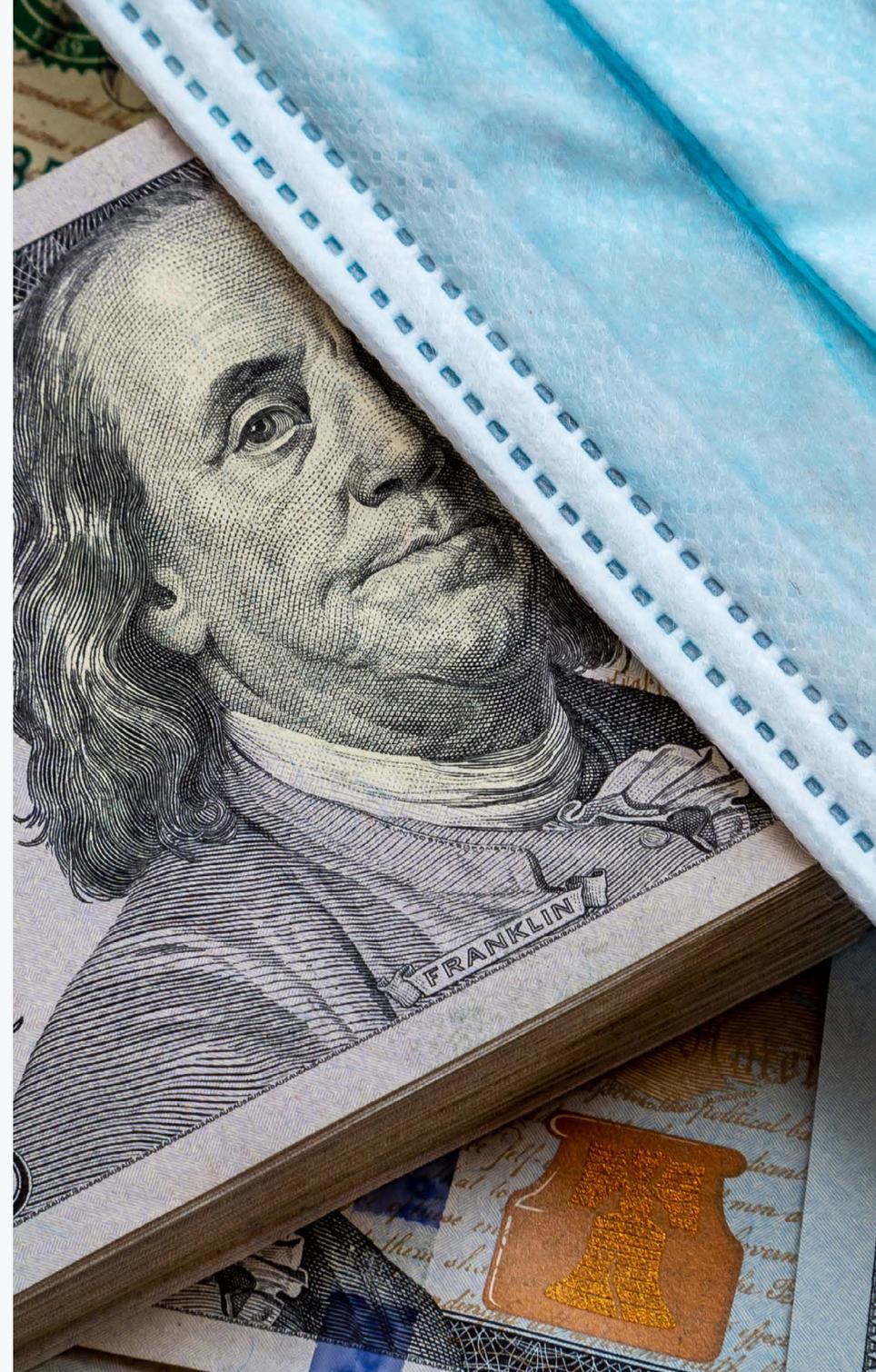
Lakeway Regional Medical Center LLC (LRMC) entered into a settlement agreement with the United States and agreed to pay more than \$13.5 million to HUD. As part of the same settlement, Surgical Development Partners LLC, Surgical Development Partners of Austin Enterprises LLC, G. Edward Alexander, Frank Sossi, and John Prater collectively agreed to pay \$1.8 million to HUD to resolve allegations that they violated the False Claims Act and other statutes in connection with the development of LRMC, a hospital in Lakeway, TX. LRMC was formed to develop and operate the hospital, while the other settling parties assisted in the hospital development and the management and operations of LRMC.

When they applied for a mortgage loan insured by FHA to fund construction of the hospital, the defendants allegedly made a number of

false statements and material omissions to overstate physician support for the hospital and understate other key credit risks, thereby obtaining the loan under false pretenses. In particular, the United States alleged that the defendants delayed refunds to investors who had canceled their investments to make it appear as if the project satisfied mortgage covenants regarding the amount of cash on hand required to close the loan.

The settlement also resolves claims that after obtaining the loan for LRMC, the defendants distributed project funds in violation of FHA's requirements. HUD purchased the mortgage note and suffered a loss of \$122 million when LRMC defaulted. HUD OIG and HUD's Office of General Counsel conducted this investigation. HUD OIG would like to acknowledge the professional accomplishments of Attorney Sean Brown, whose efforts and passion for justice were exemplified in this case. We lost Sean on July 7, 2019. His dedication to HUD's mission will be missed tremendously. **(Austin, TX)**

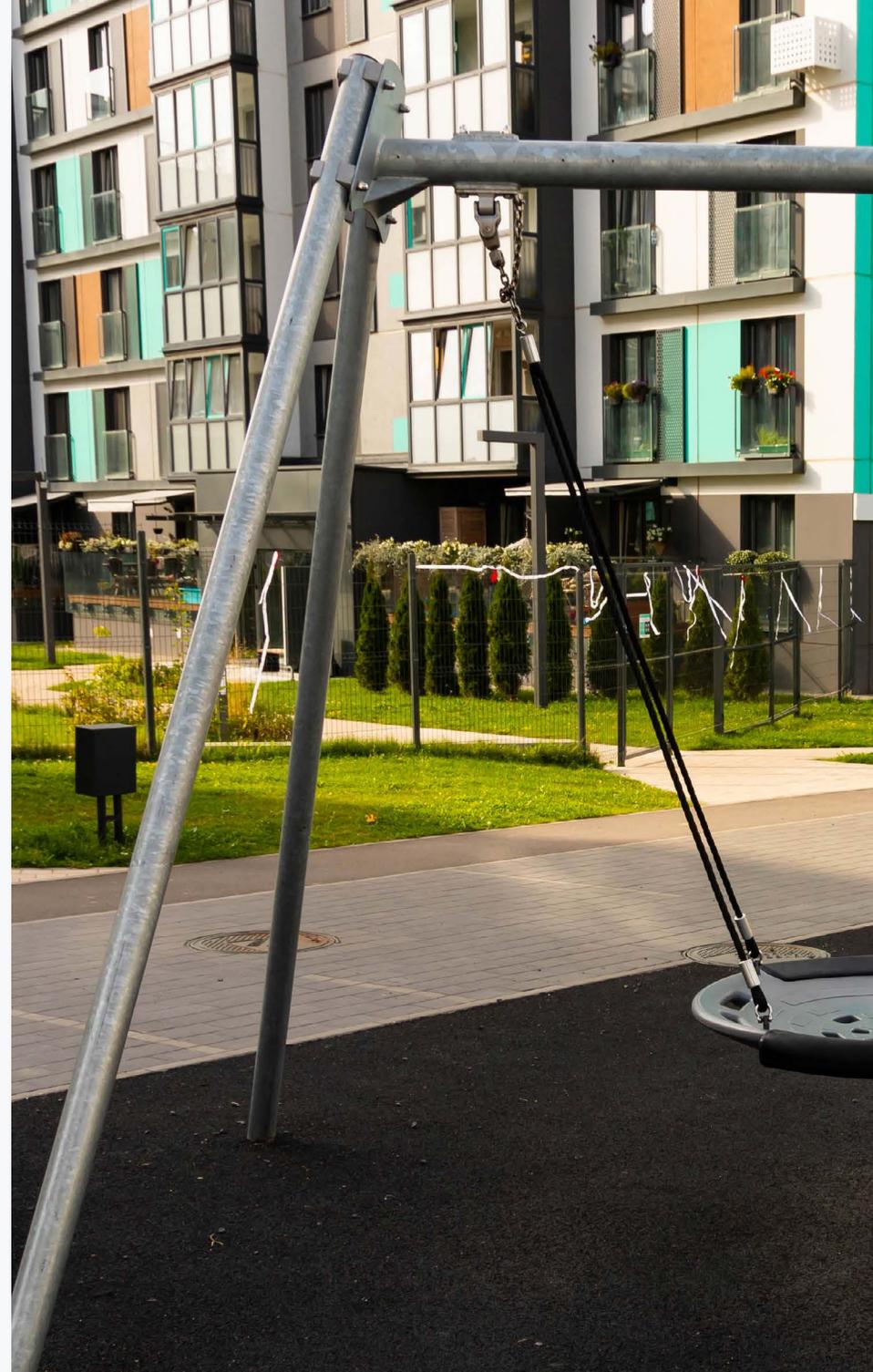
(HUD OIG Priority Area: Protecting the Mortgage Insurance Funds)



CHAPTER 4

COMMUNITY PLANNING AND DEVELOPMENT

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 outlined in this chapter.



AUDIT

Key program results	Questioned costs	Funds put to better use
1 audit	\$3,155,305	\$225,000

REVIEW OF COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), audited the City of **Mesa, AZ**'s Community Development Block Grant (CDBG) program to determine whether the City administered its CDBG program funds in compliance with HUD requirements; specifically, whether it (1) awarded funds that met a CDBG national objective, (2) spent funds only for activities that were eligible and supported, and (3) adequately monitored subrecipients.

The City did not administer its program in accordance with HUD requirements. Specifically, it did not always (1) ensure that its CDBG activities met a national objective or that its subrecipients followed HUD's requirements or its own subrecipient agreements, (2) maintain adequate documentation, and (3) implement adequate internal controls. As a result, the City was unable to support that more than \$3.1 million spent on CDBG activities met HUD requirements. There was also little assurance that the City would use an additional \$225,000 allocated for similar activities in compliance with HUD requirements.

OIG recommended that HUD require the City to (1) support the eligibility of the unsupported costs or repay its program with non-Federal funds, (2) suspend similar activities until it can show that the activities meet program

requirements, (3) implement its policies and procedures that require adequate documentation to be maintained, and (4) develop and implement adequate and effective internal controls. **(Audit Report: 2020-LA-1003)**

(HUD OIG Priority Area: Monitoring and Oversight)

INVESTIGATION

Program Results

Administrative - civil actions	Convictions - pleas - pretrial diversions	Financial recoveries
4	5	\$1,454,801

FORMER EXECUTIVE DIRECTOR OF NONPROFIT SENTENCED FOR THEFT OF HOPWA FUNDS

Aaron Guldenschuh-Gatten, the former executive director of a nonprofit organization that received financial support through HUD-funded Housing Opportunities for Persons With AIDS (HOPWA) grants, was sentenced to 5 months incarceration and 3 years supervised release and ordered to pay \$111,821 in restitution, of which \$81,155 was ordered back to HUD.

For almost 19 months, Guldenschuh-Gatten exceeded his authority by accessing the nonprofit's bank accounts to pay for his personal expenses and to obtain cash. As part of the scheme, Guldenschuh-Gatten intentionally wrote checks to the nonprofit from his personal bank account for a value greater than his personal bank account's balance, both to artificially inflate the apparent balance of the nonprofit's accounts and to take advantage of the

“float” time to access funds from the nonprofit’s accounts. Guldenschuh-Gatten concealed his theft by providing the nonprofit’s board of directors with inaccurate information regarding the state of the nonprofit’s bank accounts. HUD OIG conducted this investigation.(**Louisville, KY**)

(HUD OIG Priority Area: Monitoring and Oversight)

CITY OF TEMECULA AGREES TO REPAY HUD MORE THAN \$400,000 FOR A PLAYGROUND THAT WAS NEVER BUILT

After a HUD OIG investigation, the City of Temecula, CA, agreed to repay HUD \$412,055 from non-Federal funds. Between February 9, 2015, and September 1, 2017, Temecula withdrew more than \$400,000 in HUD CDBG funds to build a playground at its Sam Hicks Monument Park. The investigation found that no playground had been built or installed on the site and the money had not been used for any other qualifying national objective for the use of the funds. Due to the investigation, HUD CPD ordered Temecula to repay the funds in full. HUD OIG conducted this investigation. (**Los Angeles, CA**)

(HUD OIG Priority Area: Financial Management)



CHAPTER 5

DISASTER RELIEF

In response to disasters, Congress may appropriate additional funding as Disaster Recovery grants to rebuild the affected areas and provide crucial seed money to start the recovery process. Since fiscal year 2001, Congress has appropriated \$91 billion to the U.S. Department of Housing and Urban Development (HUD), from which HUD provides flexible grants to help cities, counties, and States recover from presidentially declared disasters. Of the \$89.5 billion³ in active disaster grants, the funds have been allocated nationwide, with nearly \$61.3 billion obligated and more than \$44.8 billion disbursed as of September 30, 2020.

Disaster	Funds allocated	Funds disbursed	% of funds disbursed	Fiscal year funds allocated
Harvey, Irma, Maria & mitigation	\$42.7 billion	\$1.9 billion	4%	2017 & 2018
Louisiana, Texas, & West Virginia ⁴	2.5 billion	1.3 billion	52%	2016 & 2017
Hurricane Sandy	15.2 billion	12.1 billion	80%	2013
Hurricanes Ike, Gustav & Dolly	6.1 billion	5.8 billion	95%	2008
Hurricanes Katrina, Rita & Wilma	19.7 billion	19.4 billion	99%	2006 & 2008
9-11	3.5 billion	3.28 billion	94%	2001 & 2002



³The more than \$1.5 billion difference between appropriated and allocated funds is due to nonmajor program appropriations made since fiscal year 2001.

⁴In addition to Louisiana, Texas, and West Virginia (LTW is the name of the grant), funding was included for North and South Carolina and Florida in fiscal year 2017, but the grant name (LTW) remained the same.

AUDIT

HUD's Office of Inspector General (OIG) continues to take steps to ensure that the Department remains diligent in assisting communities with their recovery efforts. OIG is conducting a broad range of audit assignments related to disaster recovery, which include a survey of grantees to understand challenges they face in the COVID-19 pandemic, as well as reviews of grantees' capacity, spending rates, and operation of significant recovery programs.

INVESTIGATION

Program Results*

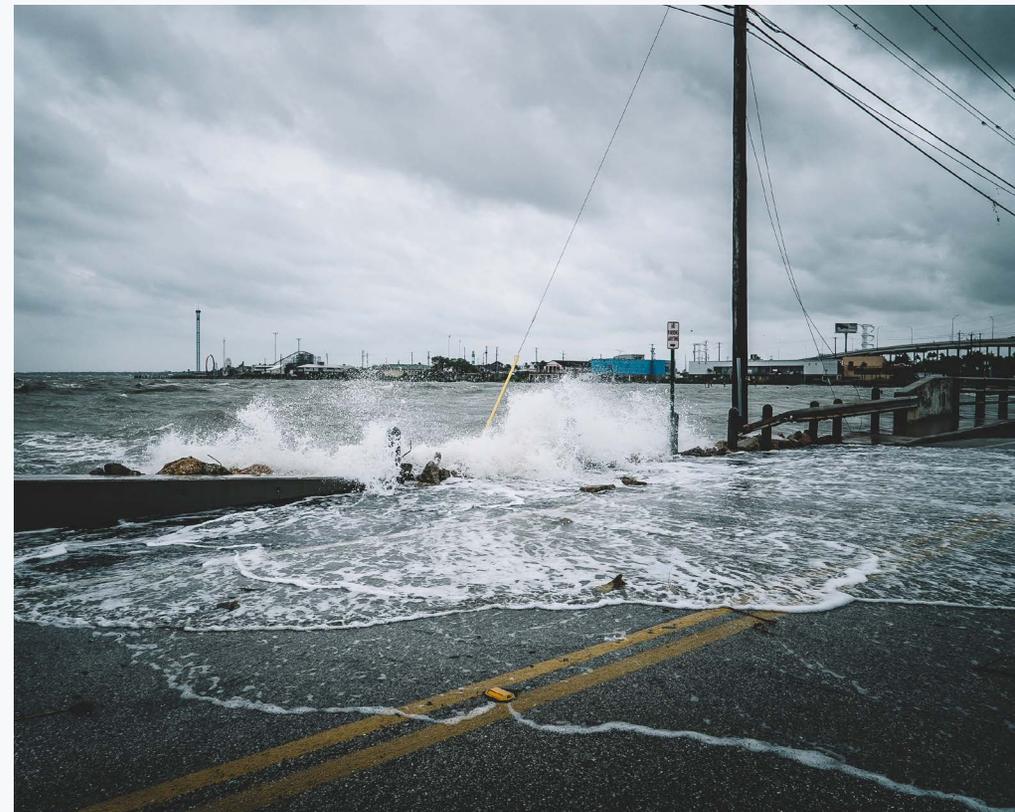
Administrative - civil actions	Convictions - pleas - pretrial diversions	Financial recoveries
1	2	\$188,100
*Figures included in community planning and development stats		

STATE SENATOR SENTENCED FOR DISASTER FRAUD

Wesley Bishop, a Louisiana State Senator, was sentenced in U.S. District Court to 4 years probation and ordered to pay restitution in the amount of \$188,000 to the State of Louisiana, Office of Community Development, Disaster Recovery Unit. Bishop was sentenced in relation to his earlier guilty plea to making false statements for defrauding the Louisiana Road Home Program, Small Rental Property Program (SRPP). Bishop received \$188,000 in Disaster Recovery funds as an incentive to repair

his rental property. In exchange, Bishop agreed to rent out the property at affordable rates to low-income tenants. Bishop provided falsified documents to the SRPP by misrepresenting that the property was occupied by low-income tenants when it was vacant. The documents in question were backdated and contained forged signatures. HUD OIG and the Federal Bureau of Investigation conducted this investigation. **(New Orleans, LA)**

(HUD OIG Priority Area: Administering Disaster Assistance)



ADDITIONAL REPORTS



CHAPTER 6

OTHER SIGNIFICANT AUDITS AND EVALUATIONS

The U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) more significant reports are highlighted in this chapter.

AUDIT

Key program results	Questioned costs	Funds put to better use
5 audits	\$0	\$0

REVIEW OF HUD'S COMPLIANCE WITH THE IMPROPER PAYMENTS ELIMINATION AND RECOVERY ACT OF 2010

HUD OIG audited HUD's fiscal year 2019 compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA) to determine whether HUD complied with IPERA reporting and improper payment reduction requirements according to Office of Management and Budget (OMB) Circular A-123, appendix C.

Fiscal year 2019 marked the seventh consecutive year in which HUD did not comply with IPERA. In fiscal year 2019, HUD did not comply with two requirements, and one requirement was not applicable. Specifically, HUD

did not (1) always publish improper payments estimates for all required programs and (2) meet the reduction targets for its Federal Housing Administration (FHA)-single-family insurance claims (FHA-SFIC) program.

No recommendations were made because (1) OIG open recommendations from prior years will, if implemented, help HUD remediate the repeat finding of not always publishing improper payments estimates and (2) OMB relieved HUD from reporting improper payments, which included meeting a reduction target for the FHA-SFIC program beginning next fiscal year. **(Audit Report: 2020-AT-0001)**

(HUD OIG Priority Area: Financial Management)

REVIEW OF RISK ASSESSMENT OF HUD'S TRAVEL CARD PROGRAM

HUD OIG conducted a risk assessment of HUD's travel cards, as required by the Government Charge Card Abuse Prevention Act of 2012 (Public Law 112-194), to assess the risks of illegal, improper, or erroneous purchases and payments within HUD's travel card program.

HUD's travel card program has been associated with a medium risk level. The risk assessment was based on OIG's analysis of HUD's fiscal year 2019 travel card spending, compliance with the program requirements, and other program risk factors.

OIG made no recommendations. It will use the risk assessment to determine the scope, frequency, and number of periodic travel card program audits or reviews. **(Audit Report: 2020-KC-0801)**

(HUD OIG Priority Area: Financial Management)

EVALUATION

SOME MORTGAGE LOAN SERVICERS' WEBSITES OFFER INFORMATION ABOUT CARES ACT LOAN FORBEARANCE THAT IS INCOMPLETE, INCONSISTENT, DATED, AND UNCLEAR

HUD OIG assessed what information the mortgage loan servicers insured by FHA provided to borrowers on their public facing websites regarding forbearance.

On March 27, 2020, the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to provide economic relief to individuals and businesses impacted by the COVID-19 pandemic. On April 17, 2020, 22 days after the enactment of the Act, OIG reviewed the top 30 servicers' websites to identify whether the necessary information for borrowers related to the COVID-19 crisis was readily accessible.

OIG's review of the 30 servicers' websites, which service approximately 90 percent of FHA loans, revealed that not all websites provided readily accessible information about forbearance and some provided inconsistent information about the durations of forbearances. Additionally, some servicers' website information was either dated before the enactment of the CARES Act, did not specifically meet the mandates of the Act, or indicated that they were awaiting further guidance. Finally, several servicers' websites gave the false impression that lump sum payments would be required at the end of the forbearance period.

(HUD OIG Priority Area: Emerging Issues and Opportunities)

HUD FISCAL YEAR 2019 FEDERAL INFORMATION SECURITY MODERNIZATION ACT OF 2014

HUD OIG assessed HUD's information security (IS) program's effectiveness in accordance with the Federal Information Security Modernization Act of 2014 (FISMA) metrics. The metrics consist of eight domains aligned with the five functional areas (identify, protect, detect, respond, and recover) identified in the National Institute of Standards and Technology Framework for Improving Critical Infrastructure Cybersecurity.

OIG evaluated HUD's IS program as not effective, based on the fiscal year 2019 Inspectors General FISMA metrics. Key components of the IS program remain ineffective or have inconsistent processes throughout HUD's program offices and their information technology (IT) contracts. Significant limitations and challenges negatively impact the Chief Information Officer's (CIO) ability to establish an effective IS program.

HUD has begun to address recommendations that HUD OIG has made in previous years. HUD's Office of the Chief Information Officer had early successes in modernizing some of the HUD infrastructure, such as the data centers, cloud adoption, and a mainframe system. Further, the CIO initiated a "tiger team" to address and create remediation plans for past outstanding FISMA recommendations. OIG recommended that HUD continue to address all outstanding FISMA recommendations and refine and implement its IT strategic modernization roadmap, which will encourage a focused and accountable method for IS program improvements. OIG has made 26 recommendations to assist HUD in increasing its IS posture. **(Evaluation Report: 2019-OE-0002)**
(HUD OIG Priority Area: Mandatory Work, Information Technology and Cybersecurity)

HUD PERSONALLY IDENTIFIABLE INFORMATION RECORDS PROTECTION AND MANAGEMENT

HUD OIG assessed HUD's current capabilities to properly manage and protect personally identifiable information (PII) and to properly maintain paper and electronic PII records. OIG conducted this assessment in conjunction with the fiscal year 2019 FISMA review.

HUD has taken steps to improve its records management practices. It initiated modernization efforts to transition paper-based processes to electronic processes, began to address and close OIG privacy-related recommendations that had been open for several years, and developed a formal communications plan to increase program awareness. The records officer increased and improved training for records specialists in program offices and was directing an extensive records inventory project. HUD had also recently filled the longstanding Chief Privacy Officer vacancy and was in the process of appointing a Chief Data Officer.

However, HUD faced critical challenges in its efforts to properly manage and protect the billions of PII records in its possession. OIG documented key prior recommendations and provided nine additional recommendations designed to address HUD's most significant legal and regulatory obligations, along with other critical challenges. **(Evaluation Report: 2019-OE-0002a)**

(HUD OIG Priority Area: Monitoring and Oversight)

SOME MORTGAGE LOAN SERVICERS' WEBSITES CONTINUE TO OFFER INFORMATION ABOUT CARES ACT LOAN FORBEARANCE THAT COULD MISLEAD OR CONFUSE BORROWERS OR PROVIDE LITTLE OR NO INFORMATION

Given that forbearances have continued at high rates, HUD OIG conducted a followup review to determine what servicers' websites said about forbearance 4 months and 15 days after the enactment of the CARES Act. Although 29 of the 30 servicers' websites reviewed had updated their information about forbearance, 9 suggested that initial forbearance periods were less than the 180 days included in the CARES Act, 9 did not contain information about forbearance extensions, and 1 continued to offer a repayment example that falsely suggested that borrowers would need to repay the forbearance amount as a lump sum.

(HUD OIG Priority Area: Emerging Issues and Opportunities)

CHAPTER 7

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 850 hours to reviewing 168 issuances. The draft directives consisted of 105 notices, 27 mortgagee letters, and 36 other directives. OIG provided comments on 52 (or 31 percent) of the issuances and nonconcurred on 10 (or 6 percent) but lifted 7 nonconcurrences. Of the 36 other directives, OIG reviewed 2 proposed rules, 2 interim rules, and 3 final rules, taking no position on 6 and nonconcurring on 1; 13 handbooks-guidebooks; 9 research reports; 4 U.S. Department of Housing and Urban Development (HUD) legislative referral memorandum reports; 1 advance notice of proposed rulemaking; and 2 frequently asked questions for the eviction moratorium and preventing homelessness after the moratorium expires. A summary of selected reviews for this 6-month period is included within this chapter.

Notices, Mortgage Letters, and Other Directives

➔ OFFICE OF SINGLE FAMILY HOUSING

FHA's loss mitigation options for single-family borrowers affected by the presidentially declared COVID-19 national emergency in accordance with the CARES Act - On April 1, 2020, the Federal Housing Administration (FHA) issued Mortgagee Letter (ML) 2020-06. The notice informed lenders of special loss mitigation home retention options that are available to all FHA Title II single-family borrowers, as well as an extension period for home equity conversion mortgages (HECM) affected by the presidentially declared the 2019 coronavirus (COVID-19) national emergency, in accordance with the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). This mortgagee letter superseded FHA's presidentially declared major disaster areas guidance listed in HUD Handbook 4000.1, Single Family Handbook, for borrowers impacted by the COVID-19 national emergency. The mortgagee letter did not come through the clearance process; therefore, OIG did not have an opportunity to review and comment on it.

FHA Catalyst: updates to the case binder, claims, and electronic appraisal delivery modules – HUD issued several mortgagee letters (ML 2020-07, dated April 6, 2020; ML 2020-08, dated April 6, 2020; ML 2020-18, dated June 12, 2020; ML 2020-26, dated August 18, 2020; and ML 2020-29, dated August 31, 2020), announcing additional functionalities to the implementation of FHA Catalyst, a new web-based platform, and provided information to assist lenders in electronically preparing and submitting case binders for endorsement through FHA's new platform for single-family forward and HECM loans. OIG provided no position responses to these mortgagee letters.

Extension of foreclosure and eviction moratorium in connection with the presidentially declared COVID-19 national emergency and new reporting requirements related to FHA Single Family's CARES Act loss mitigation options – On May 14, 2020, FHA issued ML 2020-13, informing lenders of an extension to the foreclosure and eviction moratoriums, originally issued in ML 2020-04, for borrowers with FHA-insured single-family mortgages covered under the CARES Act for an additional period through June 30, 2020, and to announce new Single Family Default Monitoring System reporting requirements. FHA issued subsequent mortgagee letters (ML 2020-19, dated June 17, 2020, and ML 2020-27, dated August 27, 2020), extending the effective dates through August 31, 2020, and December 31, 2020, respectively. The original ML 2020-04 did not come through the clearance process; therefore, OIG did not have an opportunity to review and comment on it. OIG provided comments in response to ML 2020-13 related to the extension dates and clarification of the eviction moratorium language. OIG provided no position responses to ML-20-19 and ML-20-27.

Extension of the effective date of Mortgagee Letter 2020-05 reverification of employment and exterior-only and desk-only appraisal and scope of work options for FHA single-family programs impacted by COVID-19 – On May 14, 2020, FHA issued ML 2020-14, announcing an extension of the effective date of ML-2020-05, published on March 27, 2020. The extension of appraisal guidance in ML-2020-05 was effective immediately for all appraisal inspections completed on or before June 30, 2020, while the reverification of employment guidance was effective immediately for any cases closed on or before June 30, 2020. FHA later reextended the effective date in ML 2020-20, dated June 29, 2020, and ML 2020-28, dated August 28, 2020. These mortgagee letters reextended the effective dates through August 31, 2020, and

October 31, 2020, respectively. The original mortgagee letter, ML 2020-05, did not come through the clearance process; therefore, OIG did not have an opportunity to review and comment on it. However, OIG had the opportunity to review and comment on the subsequent mortgagee letters. OIG provided a no position response to these mortgagee letters.

Endorsement of mortgages under forbearance for borrowers affected by the presidentially declared COVID-19 national emergency consistent with the CARES Act – On June 4, 2020, FHA issued ML 2020-16, informing lenders of endorsement processes for mortgages that had been granted a forbearance related to the presidentially declared COVID-19 national emergency before the loan was endorsed for FHA insurance. The provisions of this mortgagee letter were effective for endorsements submitted on or after June 15, 2020, and lenders were allowed to use this guidance for eligible pending endorsements through November 30, 2020. OIG provided a no position response on this mortgagee letter.

FHA's COVID-19 loss mitigation options – On July 8, 2020, FHA issued ML 2020-22, informing lenders of the full list of COVID-19 loss mitigation options available to single-family borrowers affected by the COVID-19 presidentially declared national emergency when the mortgage was current or less than 30 days past due as of March 1, 2020, including additional loss mitigation home retention options and home disposition options. OIG provided comments responding to the mortgagee letter related to ensuring that the borrower is eligible for loss mitigation and identifying mortgages that took advantage of the COVID-19 loss mitigation options.

COVID-19 multisubject updated temporary guidelines for verification of self-employment, rental income, and 203(k) rehabilitation escrow account

– On July 28, 2020, FHA issued ML 2020-23, informing lenders of Single Family’s requirement modifications in response to the impacts of the presidentially declared COVID-19 national emergency, including (1) modification to self-employment income requirements by issuing guidance for verification of business operations, (2) modification to rental income requirements, and (3) modification to the approval of extension requests and release of funds under FHA’s 203(k) Rehabilitation Mortgage Insurance Program. On July 29, 2020, FHA issued ML 2020-24, revising the effective date of the verification of business operations for self-employed borrowers and the rental income guidance for case numbers assigned on or after August 12, 2020, through November 30, 2020, superseding the effective date announced in the original mortgagee letter. OIG provided a no position response to this mortgagee letter.

FHA underwriting guidelines for borrowers with previous mortgage payment forbearance

– On September 10, 2020, FHA issued ML 2020-30, informing lenders of FHA’s underwriting guidelines for mortgages involving borrowers who were granted a previous mortgage forbearance on the subject property or other residence. OIG provided a no position response to this mortgagee letter.

FHA defect taxonomy – appendix to Handbook 4000.1

– On September 22, 2020, FHA issued ML 2020-31, announcing the incorporation of the FHA defect taxonomy as an appendix to Single Family Housing Policy Handbook 4000.1. The defect taxonomy is FHA’s method of identifying defects at the loan level, and it is used to describe findings through the Loan Review System based on HUD requirements. The defect taxonomy provides useful data and feedback through a structured list of defects,

categorized by their sources, causes, and severities. For more consistent review outcomes, potential remedies that align with severity tiers are listed in each defect area. OIG provided comments related to strengthening statements in the defect taxonomy on resolving loan defects.

FHA Catalyst: claims module – expanded functionality for reacquired claims

– On September 28, 2020, FHA issued ML 2020-32, announcing a new submission method through FHA Catalyst for reacquisition claims by lenders. This notice extends the FHA Catalyst functionality to include reacquisition claims and updates the language in the requirement to more closely align with FHA processes. The updates to the FHA Catalyst will improve efficiency and provide lenders with a more standardized process for reacquisition claims. Submission of a claim through the FHA Catalyst platform is optional. Lenders remain responsible for proper submission of claims and ensuring that they meet FHA’s requirements and standards for such submissions. By transmitting a claim via FHA Catalyst, the lender is certifying that the statements and information submitted are true and correct. OIG provided a no position response to this mortgagee letter.

➡ OFFICE OF PUBLIC AND INDIAN HOUSING

Section 8 housing choice vouchers: implementation of the housing choice voucher mobility demonstration

– On July 15, 2020, HUD published a notice (Federal Register Notice FR-6191-N-01), which implements the Housing Choice Voucher Program mobility demonstration. The notice defines public housing agency (PHA) eligibility criteria; establishes the application process, including setting forth the factors HUD will employ in rating and ranking PHA applications; and explains the special rules and requirements applicable to the PHAs selected to participate in the demonstration. In addition, the notice identifies the specific waivers and alternative requirements established by the

HUD Secretary for the demonstration. The primary purposes of the demonstration are to provide voucher assistance and mobility-related services to families with children to encourage such families to move to lower poverty areas, as well as to expand their access to opportunity areas and to evaluate the effectiveness of the strategies pursued under the demonstration. The Appropriations Acts require that demonstration participants be families with children, with at least one child aged 17 and under. The demonstration will be open to families with children already participating in the Housing Choice Voucher Program and who are interested in moving. The demonstration will also be open to families with children who are new admissions to the Housing Choice Voucher Program and are selected from the participating PHA waiting lists.

HUD estimates that there is enough available mobility-related service funding to provide services to at least 9,500 families and anticipates that the demonstration will be implemented over a 6-year period. Grant funding of up to \$50 million is available through this notice. OIG's review of the notice resulted in a nonconcur due to false claims statement language included in form HUD-2880, Applicant/Recipient Disclosure/Update Report. OIG suggested that the language be changed to "I/We, the undersigned, certify that the information provided above is true and correct. WARNING: Anyone who knowingly submits a false claim or makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties. (18 U.S.C. §§ 287, 1001, 1010, 1012; 31 U.S.C. §3729, 3802)." HUD agreed to issue the notice with the suggested changes, and the nonconcurrency was lifted.

Operations notice for the expansion of the Moving to Work

Demonstration Program – On August 28, 2020, HUD published a notice (FR 5994-N-05), which establishes the requirements for the implementation and continued operation of the Moving to Work (MTW) demonstration program under the 2016 MTW Expansion Statute, which authorizes HUD to expand the MTW demonstration program from the current size of 39 agencies to an additional 100 agencies over a period of 7 years. This notice was published three times (January 23, 2017, May 4, 2017, and October 5, 2018), with revisions made each time based on public comments. This is the final notice, incorporates feedback from the three previous publications, and reflects final policy decisions. Some of the primary changes made include term of participation, which is now 20 years; a simplified agency-specific waiver request process; and a funding cap for local, nontraditional activities. This notice also provides waivers of certain provisions of the Housing Act of 1937, to include safe harbor waivers, agency-specific waivers, and cohort-specific waivers. These changes and waivers afford MTW agencies the opportunity to use their MTW authority to pursue locally driven policies, procedures, and programs to further the goals of the demonstration. This notice did not come through the clearance process; therefore, OIG did not have an opportunity to review and comment on it.

Streamlining and implementation of Economic Growth, Regulatory Relief, and Consumer Protection Act changes to Family Self-

Sufficiency program – On September 21, 2020, HUD published a proposed rule (FR 6114-P-01), which includes suggested changes to reduce the burden for PHAs, owners, and eligible families; streamline the Family Self-Sufficiency (FSS) program; and update definitions, as required by the Economic Growth Act. Some of the specific changes to

the regulations include (1) the addition of a nonparticipation paragraph to clarify that a family's rental assistance may not be delayed or terminated by reason of a family's electing not to participate in an FSS program; (2) a change clarifying that HUD will evaluate the performance of a local FSS program using a scoring system that measures its graduation from the program, increased earned income, program participation, and similar factors; (3) streamlining and adding clarity to the definition of eligible families, to include current public housing residents and families receiving tenant-based or project-based assistance under section 8(o); (4) clarifying that when determining the minimum program size (that is, the minimum number of families that a PHA must serve in its FSS program), the relevant figure is the total number of public housing units plus the total number of Section 8 units; and (5) adding that a PHA or owner may use FSS funds for costs associated with families who are enrolled in an FSS program, including through a cooperative agreement with an owner of multifamily assisted housing. This notice did not come through the clearance process; therefore, OIG did not have an opportunity to review and comment on it.

➡ OFFICE OF MULTIFAMILY HOUSING PROGRAMS

Streamlining administrative regulations for multifamily housing programs and implementing family income reviews under the Fixing America's Surface Transportation Act – On May 7, 2020, HUD published a final rule, FR 5743-F-05, which finalizes the regulatory language used to implement the Fixing America's Surface Transportation (FAST) Act contained in the December 2017 interim rule, with one change to clarify that owners are not required to make adjustments to non-fixed-incomes. On December 4, 2015, the President signed the FAST Act into law. The law contained language that allowed PHAs and owners to conduct full income recertifications for families, with 90 percent or more of their income coming from fixed income, every 3 years instead of annually. HUD issued

an interim rule on December 12, 2017, to align the current regulatory flexibilities with those provided in the FAST Act. In addition, the interim rule sought to extend certain multifamily housing programs with some of the streamlining changes that were proposed for and made only to the Housing Choice Voucher Program and public housing programs. OIG provided a no position response regarding this final rule.

Electronic signature transmission and storage – On May 26, 2020, HUD issued Housing Notice, H 20-4, which provides guidance to HUD multifamily assisted housing industry partners regarding the electronic signatures, transmission, and storage of documents and forms required by HUD's Office of Asset Management and Portfolio Oversight in the Office of Multifamily Housing Programs. For purposes of this notice, "industry partners" include owners of HUD multifamily assisted housing properties, management agents and service providers, and HUD and contract administrator staff. OIG provided a no position response regarding this notice.

Exclusion from annual income of temporary employment from the U.S. Census Bureau – On June 5, 2020, HUD issued Housing Notice, H 20-06, which provides for the exclusion of temporary employment payments received from the U.S. Census Bureau from annual income. Under 24 CFR (Code of Federal Regulations) 5.609(c)(9), owners and management agents of housing occupied by tenants who receive Section 8 benefits are to exclude from the calculation of annual income payments received by those tenants from the U.S. Census Bureau. For the purpose of this notice, temporary is defined as employment lasting no longer than 180 days per year and not culminating in permanent employment. Employer verification of both the employment dates and income amount must be maintained in the tenant's file. This notice applies to administrators

of Section 8 Project-Based Rental Assistance, Section 202-162 project assistance contract, Section 202 project rental assistance contract, Section 811, Section 236, and Section 221(d)(3). OIG provided a no position response regarding this notice.

Rent adjustments in the Mark-to-Market program – On July 16, 2020, HUD published a proposed rule, FR-6122-P-01, which revises the Mark-to-Market (M2M) program regulations by clarifying that all annual rent adjustments for projects subject to a restructuring plan are, by application of an operating cost adjustment factor (OCAF), established by HUD. The current regulations contain a provision authorizing HUD to approve a request for a budget-based rent adjustment in lieu of an OCAF. However, this provision is both contrary to the governing statutory framework and inconsistent with M2M renewal contracts, which allow only OCAF rent adjustments. The proposed rule would conform the regulations to the governing statutory provision, the terms of M2M renewal contracts, and the programmatic practice of adjusting rents annually only by OCAF. HUD preserves the affordability of eligible multifamily housing projects by modifying above-market rents while restructuring project debt to an amount supportable by the modified rents. OIG provided a no position response regarding this proposed rule.

Availability of funds for COVID-19 supplemental payments for properties receiving project-based rental assistance – On July 23, 2020, HUD issued Housing Notice, H 20-8, which announces the availability of supplemental operating funds for Section 8, Section 202, and Section 811 properties to prevent, prepare for, and respond to the COVID-19 pandemic and establishes an application process for owners of properties assisted under these programs to request funds for one or more of these purposes. This guidance includes an August 5, 2020, filing deadline for owners of

properties assisted under these programs. OIG provided minor editorial-related comments regarding this notice.

Guidelines for certain HUD approvals regarding encumbered multifamily properties – On August 28, 2020, HUD published a notice, FR-6232-N-01, which announces that HUD has posted a draft notice, “Guidelines for Certain HUD Approvals Regarding Properties Encumbered by HUD-Held Mark-to-Market Program Debt and Portfolio Reengineering Demonstration Program (Demo Program) Debt,” on the HUD website’s Multifamily Drafting Table for public feedback. The draft notice is intended to replace Housing Notice 2012-10, “Guidelines for Assumption, Subordination, or Assignment of Mark-to-Market (M2M) Loans in Transfer of Physical Assets (TPA) and Refinance Transactions,” in its entirety. The draft notice provides new instructions for the acquisition and refinancing of projects after they have been through an M2M debt restructuring or a demonstration program restructuring and are encumbered by HUD-held debt (collectively referred to as “Post-M2M” activities). In addition, Section 3 of the draft notice would replace appendix C of the Mark-to-Market Operating Procedures Guide regarding transfers of assets to qualified nonprofits, Section 4 covers matured and outstanding M2M or demonstration program debt, and Section 5 contains guidance that supplements HUD’s previously issued 8(bb) notice (H-2015-03). Section 5’s supplemental guidance may also be relied upon by the owners of projects with satisfied M2M subordinate debt obligations that remain encumbered by an M2M use agreement and continue to benefit from a full M2M renewal contract. OIG provided a no position response regarding this notice.

COVID-19 HUD Contingency Plan on closing documents – On September 4, 2020, HUD published a notice, FR-7027-N-28, which proposes a new collection of information related to the COVID-19 HUD Contingency Plan for multifamily rental project closing documents. The new collection of information will be based on situational conditions relating to the COVID-19 outbreak and the presidentially declared national emergency. This collection will serve as the authority for any new or future changes or revisions to multifamily programs impacted by COVID-19 or related pandemics. The Lender’s Certificate, form HUD-92434, establishes the conditions that the lender agrees to abide by in consideration of HUD’s commitment to FHA-insured mortgages and by which the lender certifies that the conditions have been fulfilled to date, including any work done before endorsement of the note that has been approved by HUD in writing and all HUD-imposed conditions that have been met with respect to such work. The information collection requirements contained in the Lender’s Certificate will be used to oversee the parties’ compliance with all applicable legal requirements and, therefore, ensure protection of the FHA insurance fund. The form HUD-92434M is required by the closing checklists via the firm commitment (Housing Notice 2018-03) and due to the fact that the underlying forms require hardcopy submission (because HUD historically has not accepted electronic document submission for closing purposes). The lender’s certification regarding electronic submission of closing documents is a modification of the form HUD-92434M, which will set the Office of General Counsel’s temporary uniform electronic closing protocols until normal closing can resume after the COVID-19 pandemic. OIG provided a no position response regarding this notice.

➡ **HEALTHCARE – RESIDENTIAL CARE FACILITIES PROGRAM**

Interim procedures related to Section 232 mortgage insurance applications during COVID-19 pandemic – On April 10, 2020, HUD issued ML 20-10, which provides interim procedures to help ensure the continued effectiveness of the Section 232 program’s facilitation in the construction, rehabilitation, purchase, and refinancing of residential care facilities, despite the limitations on third-party site access brought on by the COVID-19 pandemic. OIG commented that the residential facilities’ basements should be included for radon testing because there are recommendations (although not Federal laws or regulations) that require testing on the lowest level of a property. In addition, OIG believed that property capital needs assessment photos should also include photos of carbon monoxide alarms.

Extension of interim procedures to address site access issues related to Section 232 mortgage insurance applications during the COVID-19 pandemic – On May 28, 2020, HUD issued ML 2020-15, which informs lenders of an extension of interim procedures detailed in ML 20-10, which addresses site access issues related to Section 232 mortgage insurance applications during the COVID-19 pandemic. OIG observed that this mortgagee letter used different phrasing regarding COVID-19. Under the “Subject” and “Purpose” sections, it was called COVID-19 pandemic; under the “Status of State Historic Preservation Offices” section, it was called COVID-19 outbreak; and under the “Expiring Appraisals” section and the addendum, it was called COVID-19 National Emergency. For consistency, OIG suggested not using multiple phrases regarding COVID-19.

Updating Section 232 program regulations for memory care residents – On June 26, 2020, HUD published a final rule, FR 6022-F-02, which

updates the bathroom location requirements for board and care and assisted living facilities insured under HUD's Section 232 program. The Section 232 program insures mortgage loans to facilitate the construction, substantial rehabilitation, purchase, and refinancing of nursing homes, intermediate care facilities, board and care homes, and assisted-living facilities. This final rule allows providers to configure the facilities to meet the needs of memory care residents and allows for flexibility of the bathroom requirements when financing or refinancing existing facilities. OIG provided a no position response regarding this final rule.

➡ OFFICE OF COMMUNITY PLANNING AND DEVELOPMENT

Proposed rule on making admission or placement determinations based on sex in facilities under CPD housing programs – On July 24, 2020, HUD issued Federal Register Docket No. FR-6152-P-01, requesting comments on a proposed rule that would allow grant recipients, subrecipients, owners, operators, managers, and providers under HUD programs that permit single-sex or sex-specific facilities to establish a policy, consistent with Federal, State, and local law, to accommodate persons based on sex. The proposed rule would maintain requirements from HUD's 2012 final rule, "Equal Access to Housing in HUD Programs Regardless of Sexual Orientation or Gender Identity,"⁵ and would require shelters to uniformly and consistently apply the policy. The proposed rule would require the shelter provider's determination of sex to be based on a good faith belief and require the shelter provider to provide transfer recommendations if a person is of the sex that is not accommodated by the shelter. The proposed rule did not come through the clearance process; therefore, OIG did not have an opportunity to review and provide comments.

⁵Published on February 3, 2012, HUD's Equal Access to Housing in HUD Programs Regardless of Sexual Orientation or Gender Identity implemented a policy to ensure that its core programs were open to all eligible individuals and families regardless of actual or perceived sexual orientation, gender identity, or marital status.

➡ DISASTER FUNDING

Waivers, alternative requirements, and extensions for Community Development Block Grant Disaster Recovery grantees – On August 17, 2020, HUD published a notice allowing grantees with expenditure deadlines, established in the Federal Register notices published on June 17, 2016 (paragraph VI.A.24, 81 FR 39687); November 21, 2016 (section II. and paragraph VI.A.24., 81 FR 83254); January 18, 2017 (section II., 82 FR 5591); August 7, 2017 (sections I.E. and III.B., 82 FR 36812); February 9, 2018 (paragraph VI.A.28. and section VII., 83 FR 5844); and August 14, 2018 (section V., 83 FR 40314) (the "Prior Notices"), a 1-year extension of their spending deadlines. If a grantee determined that an extension was required beyond the 1-year extension, within 90 days of the notice, the grantee could request a further extension of 1 additional year (for a total maximum extension of 2 years). This waiver was granted because HUD determined that the rapidly emerging needs of States and local governments responding to the COVID-19 pandemic provided good cause to allow extensions. OIG provided a no position response regarding this notice.

CHAPTER 8

REPORT RESOLUTION

In the report 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 report resolution, see appendix 2, table B.

🔍 AUDIT REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AS OF SEPTEMBER 30, 2020

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 U.S. Treasury cash management requirements and Federal generally accepted accounting principles (GAAP). HUD OIG also reported that there were no sufficient internal controls over the process to ensure accurate and reliable financial reporting. Due to weaknesses in the process, material financial transactions were not included in HUD's consolidated financial statements; therefore, public housing agencies (PHA) were allowed to continue to hold Federal funds in excess of their immediate disbursing needs, which is in violation of U.S. 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 standard general ledger.

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 to implement corrective action until the final action date. 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 briefed the Deputy Secretary's staff on the subject on April 20, 2015. On August 24, 2016, PIH indicated that, in coordination with the Office of the Chief Information Officer (OCIO), plans were being developed to address the recommendation. OIG follows up during each audit cycle to determine the status of this recommendation.

In fiscal year 2019, PIH worked with a contractor to develop the Enterprise Voucher Management System (eVMS), which should address OIG's recommendation. As of fiscal year 2020, PIH had completed the application design of eVMS. However, it is not in use because the eVMS data warehouse is under moratorium until the Chief Information Officer completes a securities and vulnerabilities assessment. Once the moratorium is lifted, PIH will work with PHAs in waves to transition them from the current disbursement process to eVMS calculated disbursements. PIH plans to have all PHAs under the new process by September 2022 and is working on a management decision. However, as of September 30, 2020, HUD had not submitted a new proposed management decision. **(Audit Report: 2014-FO-0003)**

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 the 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. Since that time, OIG has reached an agreement on six of nine management decisions that OIG had previously rejected. As a result, there are now three audit recommendations without a management decision. OIG's audit recommendations request that HUD's Office of the Chief Financial Officer (OCFO) provide oversight of Ginnie Mae's financial management operations, but HUD's proposed corrective action plan to provide oversight of Ginnie Mae lacked specificity. As of September 30, 2020, three of the nine recommendations previously referred to the Deputy Secretary remained unresolved. **(Audit Report: 2015-FO-0003)**

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 a 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; however, OIG could not agree with them due to an insufficient proposal that was unclear 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 is not recognizing the accounts payables arising from shortages identified in PIH's cash management reconciliations. In 2016, PIH's position was that it did not record the payables because cash management reconciliations are completed 45-60 days after each quarter. By the time the cash management reconciliations are conducted, the PHA could have used either restricted or unrestricted net position balances or requested frontload funding to cover the shortages. PIH believed that adjusting the prepaid expense was the most practical

way to account for the cash reconciliation activities. OIG did not agree that this complied with GAAP because adjusting the prepaid expense after payables have been paid is not accrual accounting. In fiscal year 2020, PIH submitted documentation indicating that it has changed its position and now believes that the implementation of eVMS will address this recommendation. PIH is working on a management decision for this recommendation that will coincide with the management decision it is drafting for Audit Report 2014-FO-0003. OIG maintains that this recommendation cannot be resolved until PIH's cash management process is automated, as detailed in Audit Report 2014-FO-0003 (discussed above). As of September 30, 2020, PIH had not submitted a new management decision for the recommendation made in 2014-FO-0003 or this recommendation. **(Audit Report: 2016-FO-0003)**

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 for 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 activities with draws 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 its 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 September 30, 2020, had not received a decision. **(Audit Report: 2016-PH-0001)**

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 for State disaster grantee procurement processes. Specifically, it (1) allowed conflicting information on its certification checklists, (2) did not ensure that the 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 in place, and the Secretary's certifications did not meet the intent of the Disaster Relief Appropriations Act of 2013.⁶

The report included five recommendations for the Deputy Assistant Secretary for Grant Programs, who, in turn, proposed corrective actions

⁶Public Law 113-2, dated January 29, 2013

on January 11, 2017. 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.⁷ 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 (Code of Federal Regulations) 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

⁷2015-PH-1003, dated June 4, 2015

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 audit report. OIG referred these recommendations to the Deputy Secretary on March 31, 2017, and as of September 30, 2020, had not received a decision. **(Audit Report: 2016-PH-0005)**

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 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. OIG referred this recommendation to the Deputy Secretary on July 24, 2017; however, as of September 30, 2020, OIG had not received a decision. **(Audit Report: 2017-FO-0003)**

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

ISSUE DATE: JULY 10, 2017

HUD OIG audited HUD's Office of Community 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 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 cannot 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 listed 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 analysis; 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 for all five recommendations on October 19, 2017. OIG concluded that the response did not adequately address the three recommendations specified above. OIG informed HUD of its concerns in October 2017 but was ultimately unable to reach agreement.

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. Based on the documentation submitted, OIG was not able to reach resolution on the remaining three recommendations. OIG referred these recommendations to the Deputy Secretary on June 25, 2018. On June 27, 2018, HUD again submitted proposed management decisions. However, the management decisions did not appropriately address the three recommendations, and OIG could not concur. OIG has attempted to resolve the disagreement; however, as of September 30, 2020, it had not received a decision from the Deputy Secretary. **(Audit Report: 2017-FW-0001)**

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 part 574 is a HUD CPD grant program that provides formula allocations and competitively awarded grants to eligible States, cities, and nonprofit organizations that 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 nonqualified 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 consultation 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 conflict as to whether "housing assistance" and "homeless assistance" are synonymous. If homeless assistance grants were considered a Federal public benefit, HOPWA benefits 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 exceptions for unqualified aliens under 8 U.S.C. 1611 (which include emergency type programs) to 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 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 September 30, 2020, OIG was awaiting a decision from the Deputy Secretary. **(Audit Memorandum: 2017-CF-0801)**

HUD DID NOT PROVIDE SUFFICIENT GUIDANCE AND OVERSIGHT TO ENSURE THAT STATE DISASTER GRANTEE PROCESSES 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. Since HUD agreed to correct procurement issues from a previous audit,⁸ OIG has 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 the 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 the necessary products and services competitively at fair and reasonable prices.

OIG made four recommendations to the Deputy Assistant Secretary for Grant Programs, who, in turn, 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 200.326⁹ (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.¹⁰ 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 legislation¹¹ addressed this issue. The report stated that the Committee believed that as long as HUD provided consistent and rigorous oversight of the procurement

⁸Audit Report 2013-FW-0001, *Generally, HUD's Hurricane Disaster Recovery Program Assisted the Gulf Coast States' Recovery; However, Some Program Improvements Are Needed*, issued March 28, 2013
⁹Before 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.

¹⁰2015-PH-1003, dated June 4, 2015

¹¹Senate Report 1115-138, dated July 27, 2017

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 and reasonable prices, which OIG believes is a higher standard and necessitates performing cost estimates and cost analyses. OIG believes that HUD weakened its interpretation of the Federal procurement standards in the subsequent Federal Register notices because, rather than considering a State's procurement process as 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 this disagreement, OIG rejected the Deputy Assistant Secretary's request to close the recommendations.

OIG rejected another recommendation 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 September 30, 2020, had not received a decision. **(Audit Report: 2017-PH-0002)**

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 its 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 incorrect interpretation of 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 the Integrated Disbursement and Information System (IDIS) and properly calculate and report program income from the disposition of these properties regularly. OIG indicated 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, 2018, and March 8, 2018. On March 28, 2018, the Deputy Assistant Secretary for Grant Programs submitted a revised proposal. CPD proposed to (1) ensure that its staff is aware of a recent CPD notice; (2) ensure that its staff and grantees are aware of the record retention requirements related to the change-of-use and reversion-of-asset requirements; (3) present a webinar to field staff on the importance of requirements related to real property, especially program income in relation to the acquisition and disposition of real properties, and the requirement to maintain inventories of real property; (4) identify, create, or revise a report that lists acquisition-related activities or 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.

OIG rejected HUD's March 28, 2018, proposal for several reasons. Specifically, HUD's proposal (1) did not clearly cover all categories of activities related to real properties 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 it alluded to a report that could be used by field staff to prepare for monitoring, it did not indicate 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's 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 September 30, 2020, OIG was awaiting a decision from the Deputy Secretary. **(Audit Report: 2017-NY-0002)**

ADDITIONAL DETAILS TO SUPPLEMENT OUR FISCAL YEARS 2017 AND 2016 (RESTATED) U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FINANCIAL STATEMENT AUDIT

ISSUE DATE: NOVEMBER 15, 2017

HUD OIG audited HUD's consolidated financial statements and reported on deficiencies in HUD's administrative control of funds system and internal control documentation. OIG made recommendations to the Office of the Chief Procurement Officer (OCPO) to address its deficiency in maintaining adequate records for interagency agreements (IAA) in its procurement system of record, the U.S. Treasury Administrative Resource Center's PRISM. OIG issued a referral regarding two recommendations to address this deficiency to HUD OCPO on March 22, 2018, but could not reach agreement. OCPO stated that it no longer had access to the documents in question because the previous system was shut down and data migration had not yet occurred. OCPO indicated that it was not willing to correct a deficiency with the maintenance of IAAs within PRISM because it would not be a prudent use of taxpayer funds.

On May 31, 2018, OIG referred these recommendations to the Deputy Secretary due to disagreement. On July 5, 2018, OCPO provided the remaining changes to its internal policies and procedures for one of the two recommendations, and OIG concurred with the management decision on October 30, 2018. However, OCPO did not provide additional corrective action plans for resolving the missing IAAs and modifications in its procurement system of record. OIG worked with OCPO in fiscal year 2020 to reach an agreeable management decision. As of September 30, 2020, OCPO had submitted a revised management decision, and OIG was in the process of reviewing it. **(Audit Report: 2018-FO-0004)**

HUD'S OFFICE OF BLOCK GRANT ASSISTANCE HAD NOT CODIFIED THE COMMUNITY DEVELOPMENT BLOCK GRANT DISASTER RECOVERY PROGRAM

ISSUE DATE: JULY 23, 2018

HUD OIG audited the HUD Office of Block Grant Assistance's (OBGA) CDBG Disaster Recovery program. OIG found that, although OBGA had managed billions in Disaster Recovery funds since 2002, it had not codified the CDBG Disaster Recovery program. It had not codified the program because it believed it did not have the authority under the Robert T. Stafford Disaster Relief and Emergency Assistance Act and it had not determined whether it had the authority under the Housing and Community Development Act of 1974 as amended. It also believed a Presidential Executive order presented a barrier to codification, as it required CPD to identify two rules to eliminate in order to create a new codified rule. OIG believes OBGA has the necessary authority under the Housing Act of 1974 and it should codify the program. OBGA's use of multiple Federal Register notices to operate the Disaster Recovery program presented challenges to the grantees. For example, 59 grantees with 112 active Disaster Recovery grants, which totaled more than \$47.4 billion as of September 2017, had to follow requirements contained in 61 different Federal Register notices to manage the program. Further, codifying the CDBG Disaster Recovery program would (1) ensure that a permanent framework is in place for future disasters, (2) reduce the existing volume of Federal Register notices, (3) standardize the rules for all grantees, and (4) ensure that grants are closed in a timely manner.

In April 2019, OBGA acknowledged that the issuance of multiple Federal Register notices created a compliance burden for CDBG Disaster Recovery grantees, but it disagreed that codification was necessary. OBGA stated that OIG did not consider the following items:

1. There is no requirement for codification.
2. Congress has not established CDBG Disaster Recovery as an authorized program.
3. Publication of the Federal Register notices is predicated on the authorities granted in each appropriation.

Further, OBGA made the following statements to support why it will not implement the recommendation: (1) codification is not necessary, (2) Federal Register notices are required, and (3) codification has limited or no applicability for future disasters.

On September 30, 2019, OIG referred the disagreement and recommendation to the Deputy Secretary for resolution, and as of September 30, 2020, OIG was awaiting a decision. **(Audit Report: 2018-FW-0002)**



THE STATE OF NEW YORK DID NOT ENSURE THAT PROPERTIES PURCHASED UNDER THE ACQUISITION COMPONENT OF ITS PROGRAM WERE ELIGIBLE

ISSUE DATE: MARCH 29, 2019

HUD OIG audited the State of New York's CDBG Disaster Recovery-funded New York Rising Buyout and Acquisition program. OIG's objective was to determine whether the State ensured that properties purchased under the acquisition component of the program met applicable HUD, Federal, and State requirements.

OIG found that the State did not ensure that properties purchased under the acquisition component of its program met eligibility requirements. Specifically, it did not ensure that properties (1) were substantially damaged and (2) complied with flood hazard requirements. Further, it may have improperly purchased properties that did not comply with flood insurance requirements. These deficiencies occurred because the State did not have adequate controls and relied on applicants and other entities to ensure requirement compliance. For example, the State relied on letters from local governments provided by its applicants to show that properties were substantially damaged, and it did not have a process to ensure that the substantial damage determination letters were accurate and supported. As a result, the State disbursed more than \$3.5 million for ineligible properties and incentives and more than \$5.9 million for properties for which it could not show that the properties met applicable requirements, and HUD did not have assurance that Disaster Recovery funds were used for their intended purpose.

OIG recommended that HUD require the State to (1) reimburse more than \$3.5 million in settlement costs and incentives paid for properties that did not meet eligibility requirements or should not have received incentives;

(2) provide documentation showing that 15 properties met requirements related to substantial damage, flood hazards, and flood insurance or reimburse more than \$5.9 million paid to purchase the properties; and (3) conduct a review of the other properties purchased under its program to ensure that properties were eligible and reimburse the amount paid for any additional properties found to be ineligible. Further, OIG recommended that HUD require the State to provide documentation showing that the acquisition component of its program has ended or improve its controls to ensure that properties purchased are eligible. The Principal Deputy Assistant Secretary for Community Planning and Development proposed management decisions on October 8, 2019. OIG rejected the proposed actions and referred the recommendations to the Assistant Secretary for Community Planning and Development on September 30, 2020. As of September 30, 2020, HUD and OIG had scheduled meetings in October 2020 to discuss possible management decisions. **(Audit Report: 2019-NY-1001)**

THE STATE OF NEW YORK DID NOT ENSURE THAT APPRAISED VALUES USED BY ITS PROGRAM WERE SUPPORTED AND APPRAISAL COSTS AND SERVICES COMPLIED WITH REQUIREMENTS

ISSUE DATE: MAY 29, 2019

HUD OIG audited the State of New York's CDBG Disaster Recovery-funded New York Rising Buyout and Acquisition program. OIG's objectives were to determine whether the State ensured that (1) the appraised fair market values used to determine award amounts under its program were supported and (2) appraisal costs for its program complied with applicable requirements and were for services performed in accordance with Federal, State, and industry standards.

OIG found that the State did not ensure that (1) the appraised fair market values used to determine award amounts under its program were supported and (2) appraisal costs complied with applicable requirements and were for services performed in accordance with applicable Federal, State, and industry standards. The State also did not ensure that it had a clear and enforceable agreement with the City of New York before relying on appraisal services provided by the City's contractor and did not ensure that the appraisal services were properly procured and performed. These issues occurred because the State did not have adequate controls over its program. As a result, HUD and the State did not have assurance that (1) more than \$367.3 million paid to purchase properties was supported; (2) more than \$3.4 million disbursed for appraisal services was for costs that were reasonable, necessary, and adequately documented; and (3) appraisal services were properly procured and performed. If the State improves controls over its program, it can ensure that up to \$93.4 million not yet disbursed is put to better use.

OIG recommended that HUD require the State to (1) provide documentation to support the appraised values of the properties purchased; (2) provide support to show that appraisal costs were reasonable, necessary, supported, and for services that were performed in accordance with program requirements; (3) execute an agreement with the City for the use of appraisal services and show that services were properly procured; and (4) strengthen controls to ensure that Disaster Recovery funds used for appraisal services are for costs that are reasonable, necessary, supported, and for services that comply with applicable requirements.

The Deputy Assistant Secretary for Grant Programs did not propose management decisions to address the 10 recommendations contained in this audit report. In an attempt to reach agreement, OIG held discussions with CPD officials on June 17, 2019, September 10, 2019, and September 24, 2019. Due to not reaching agreement, OIG referred the 10 recommendations to the Assistant Secretary for Community Planning and Development on October 3, 2019. In another attempt to reach agreement, OIG held a discussion with CPD officials on November 21, 2019, but when agreement was not reached, OIG referred the recommendations to the Deputy Secretary on February 20, 2020. On February 26, 2020, CPD indicated that it was preparing management decisions. However, as of September 30, 2020, OIG had not received a decision from the Deputy Secretary. **(Audit Report: 2019-NY-1002)**

HUD PAID RENTAL SUBSIDIES TO BENEFIT PUBLIC HOUSING AND VOUCHER TENANTS REPORTED AS EXCLUDED FROM FEDERAL PROGRAMS OR DECEASED

ISSUE DATE: JUNE 25, 2019

HUD OIG audited HUD to determine whether HUD provided PHAs with access to the information contained in the Do Not Pay system. OIG performed this audit because the Housing Opportunity Through Modernization Act of 2016 (HOTMA) requires HUD to ensure that PHAs have access to information contained in the Bureau of the Fiscal Service's Do Not Pay system, established by the Improper Payments Elimination and Recovery Improvement Act of 2012. Do Not Pay is a collection of data sources, one of which is the General Services Administration's System for Award Management (SAM) database of excluded parties.

OIG found, among other things, that HUD paid potentially improper rental subsidies to benefit 1,550 tenants who were reported as excluded from Federal programs. OIG recommended that HUD issue guidance to PHAs to ensure that any applicant for or tenant of public or assisted housing whose name appears on the SAM excluded parties list is reviewed by PHAs to determine eligibility in a manner consistent with the regulations in 2 CFR parts 180 and 2424 so that ineligible applicants or tenants are not admitted or recertified, putting an estimated \$13.7 million in annual rental subsidies to better use.

In its October 8, 2019, management decision, PIH disagreed with this recommendation. PIH submitted a legal opinion from HUD's Office of General Counsel in support of its position. PIH maintains that persons included on the excluded parties list are eligible for admission to and continued occupancy in public housing programs and the Housing Choice Voucher Program. PIH also asserted that section 102(E) of HOTMA addresses electronic income verification but HUD provides a mechanism for compliance through the Enterprise Income Verification system. Further, HOTMA requires only that HUD give PHAs access to the Do Not Pay system and does not explicitly mandate that HUD require PHAs to deny admission and terminate the tenancy of individuals on the excluded parties list. HUD has never mandated that individuals be ineligible on the basis of being on the excluded parties list.

OIG rejected this management decision because it does not resolve the recommendation. It is the position of OIG that 2 CFR parts 180 and 2424 apply to the tenants indicated in the report. Office of Management and Budget (OMB) guidance does not limit the reach of its debarment and suspension provisions to procurement transactions. The purpose of

the nonprocurement debarment and suspension system is to protect the public interest by ensuring the integrity of Federal programs by conducting business only with responsible persons. In this regard, assistance and subsidy contracts are considered nonprocurement covered transactions under OMB regulations, and HUD regulations define subsidized tenants as being covered by this restriction. OMB guides agencies to check the governmentwide SAM exclusions to determine whether a person is excluded and whether that person is ineligible as a result. HUD's regulations define recipients under HUD assistance agreements, as well as ultimate beneficiaries of HUD programs, as principals or participants in the transaction. Assisted or subsidized tenants are either recipients under HUD assistance agreements, ultimate beneficiaries of HUD programs, or both. Therefore, OIG continues to recommend that HUD issue guidance to PHAs to ensure that any applicant for or tenant of public or assisted housing whose name appears on the SAM excluded parties list is reviewed by PHAs to determine eligibility.

Because OIG did not reach an agreement with the Deputy Assistant Secretary for Public Housing and Voucher Programs, on February 19, 2020, OIG referred its disagreement to the Assistant Secretary for Public and Indian Housing. However, OIG did not reach agreement with the Assistant Secretary for Public and Indian Housing on the actions necessary to correct the deficiencies identified in the report. Therefore, OIG referred the recommendation to the official serving in the Deputy Secretary role on March 31, 2020, for his final decision as the Departmental Audit Resolution Official. As of September 30, 2020, OIG had not received a decision from the Deputy Secretary. **(Audit Report: 2019-KC-0002)**

🔍 EVALUATION REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AS OF SEPTEMBER 30, 2020

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 been reluctant to enforce program requirements, which 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. DEC lost control of its funding and staffing levels and contended with inadequate information technology (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 offers the opportunity to provide quality, affordable rental housing, improve the quality of life, and build strong, resilient communities.

OIG made eight recommendations, two of which remained open. OIG had not reached an agreed-upon management decision for both of these recommendations. To address one of these recommendations, HUD needs to strengthen DEC's authority to enforce program requirements. In

April 2019, OIG changed the status of this recommendation to resolved-open based on HUD's proposed actions in response to a Government Accountability Office (GAO) report. However, after reviewing the protocols developed between DEC and PIH, OIG determined that the protocol does not strengthen DEC's authority to enforce program requirements or include any provisions for DEC to make independent assessments. Therefore, OIG changed the status of this recommendation to unresolved-open. On March 31, 2020, OIG referred this recommendation to the Deputy Secretary for final action and was awaiting a response on the final action.

To address the other recommendation, HUD plans to develop protocols that would provide data-driven referrals to DEC on financial and physical performance failures. HUD plans to develop two protocols, one among the Real Estate Assessment Center (REAC), DEC, and PIH and another among REAC, DEC, and the Office of Multifamily Housing Programs. In April 2020, OIG sent a memorandum to PIH, REAC, and DEC, encouraging the collaboration necessary to resolve and close this recommendation. Later that month, PIH sent a response summarizing the collaborative actions PIH, REAC, and DEC had taken to date. During the next reporting period, OIG will determine whether PIH's response meets the intent of OIG's findings and whether this recommendation can be resolved, closed, or both. **(Evaluation Report: 2014-OE-0002)**

HUD WEB APPLICATION SECURITY EVALUATION

ISSUE DATE: JUNE 6, 2018

HUD OIG completed a targeted web application security evaluation of HUD in support of a Counsel of the Inspectors General on Integrity and Efficiency Federal cross-cutting project, which resulted in OIG's making nine recommendations for improvement to the Department. HUD OIG assessed HUD's ability to identify and mitigate critical IT vulnerabilities in the Department's publicly accessible web applications. OIG identified key deficiencies in HUD's practices that put HUD's extensive collection of sensitive data, including personal information of private citizens, at an increased risk of unauthorized access and compromise. Of particular concern was the discovery of multiple operating web applications that were unknown to OCIO.

To date, HUD has not provided management decisions for the nine open recommendations or a required estimated completion date for providing the management decisions. On June 2, 2017, HUD concurred with all recommendations and agreed to work with HUD OIG to assign responsibility and complete resolution. Due to key leadership changes and a priority focus on providing HUD OIG with management decisions for the fiscal years 2017 and 2018 FISMA evaluations, management decisions for this report have not been provided. However, HUD OCIO is working closely with HUD OIG to address the remaining open recommendations. HUD OIG agreed to close five recommendations based on HUD OCIO closure requests and associated evidence, leaving four open recommendations. **(Evaluation Report: 2016-OE-0002)**

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) no clear correlation between the risk analysis and monitoring existed, (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, two of which remained open. OIG had not reached an agreed-upon management decision for one of these recommendations. To address this recommendation, CPD plans to improve the risk analysis process, namely through data automation. The intent of the recommendation is to include the likelihood of future risk occurrence in the risk analysis, but CPD's planned changes do not address how it has or plans to incorporate the likelihood of risk occurrence into its updated risk analysis. In August 2019, OIG notified CPD officials that CPD should specify how its planned changes to the risk analysis process will incorporate the likelihood of risk occurrence into its updated risk

analysis and when it expects to complete these changes. To date, CPD has not provided this information. Due to the COVID-19 pandemic, OIG suspended followup activity on this recommendation until October 1, 2020. OIG plans to refer this recommendation to the Deputy Secretary for final action during the next reporting period. **(Evaluation Report: 2019-OE-0004S)**

HUD IT SYSTEMS MANAGEMENT AND OVERSIGHT OF THE SECTION 184 PROGRAM

ISSUE DATE: AUGUST 13, 2018

HUD OIG evaluated the IT systems supporting the Office of Native American Programs' (ONAP) Indian Home Loan Guarantee Program (Section 184 program) following concerns that HUD had not used provided resources to address its shortcomings in internal controls and the ability to deploy a reliable IT system. OIG observed that a newly developed IT system, called the Loan Origination System (LOS), had the following issues: (1) the LOS had significant limitations, requiring lenders and program officials to continue to use a HUD legacy IT system and manual processes for maintaining files, servicing loans, and managing claims; (2) only 1 of 38 lenders was able to access and use the LOS due to HUD's inability to resolve and implement a user access solution; (3) the LOS had no capability to conduct loan servicing and claims, which are still conducted using Excel spreadsheets; and (4) the LOS lacked critical management reporting capabilities. Despite HUD's investing \$4 million into the development of the LOS, the system does not satisfy all management and oversight objectives.

OIG made five recommendations, and HUD and ONAP concurred with all five recommendations in August 2018, with a suspense of November 26,

2018, to provide HUD OIG with management decisions. OIG received a management decision for the fourth recommendation from HUD OCIO. However, due to the LOS contract lapse in September 2018 and the inability to award a new contract, HUD and ONAP have been unable to provide management decisions for the remaining four recommendations. In August 2020, HUD reported that the LOS contract will not be renewed and that the Federal Housing Administration (FHA) Catalyst system will be used to provide ONAP the IT system capabilities needed. However, HUD OCIO requested to close a second recommendation, with HUD OIG concurring. Three of the five recommendations remained open. **(Evaluation Report: 2018-OE-0004)**

HUD HAS NOT REFERRED TROUBLED PUBLIC HOUSING AGENCIES AS THE LAW AND REGULATIONS REQUIRE

ISSUE DATE: FEBRUARY 4, 2020

HUD OIG evaluated whether PIH refers troubled PHAs, as law and regulations require. PIH is responsible for monitoring PHAs' performance, including those that are troubled. A troubled PHA should be given a maximum of 2 years to cure its negative conditions. If the PHA does not meet the 1- or 2- year recovery requirements, law and regulations require PIH to refer the PHA to the Assistant Secretary for Public and Indian Housing for action.

PIH had not been referring troubled PHAs to the Assistant Secretary for Public and Indian Housing to take them over, as the law and regulations require. Without this referral mechanism, a PHA could remain troubled for an indefinite period, while conditions stagnate or deteriorate. OIG identified 18 PHAs that remained troubled for more than 2 years without being referred

PIH is creating a process for referring troubled PHAs, but two problems exist with its approach. First, the draft process that OIG reviewed in this evaluation would provide more options to the Assistant Secretary than the law and regulations allow. Second, PIH cannot meet the statutory deadlines for a troubled PHA referral without substantial changes to the assessment process or changes to the law and regulations, which PIH is not making as part of its new process. The new process would allow some troubled PHAs more time to recover than the law and regulations allow. PIH's training that existed at the time of OIG's fieldwork on the authority and process for declaring a PHA in substantial default and for taking PHAs into possession suggested remedies that do not fully comply with the law and regulations. Finally, PIH had not submitted, as the law requires, an annual troubled PHAs report to Congress for at least 11 years, thereby missing another opportunity to strengthen the accountability and transparency of its recovery process.

OIG made five recommendations, four of which remained open. OIG had not reached an agreed-upon management decision for these four recommendations. On September 15, 2020, PIH provided a proposed management decision for these recommendations and requested closure of them. OIG is reviewing the documentation provided. During the next reporting period, OIG will determine whether PIH's proposed management decision meets the intent of OIG's findings and whether these recommendations can be resolved, closed, or both. **(Evaluation Report: 2019-OE-0001)**

➡ SIGNIFICANTLY REVISED MANAGEMENT DECISIONS

Section 5(a)(11) of the Inspector General Act, as amended, requires that OIG report information concerning the reasons for any significantly revised management decisions made during the reporting period.

During the current reporting period, there were four significantly revised management decisions.

THE CITY OF BUFFALO DID NOT ALWAYS ADMINISTER ITS COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM IN ACCORDANCE WITH HUD REQUIREMENTS

ISSUE DATE: APRIL 15, 2011

HUD OIG audited the City of Buffalo, NY, to determine whether the City (1) administered its CDBG program effectively, efficiently, and economically in accordance with applicable rules and regulations and (2) spent CDBG funds for eligible activities that met a national objective of the program.

OIG determined that the City did not always follow applicable HUD regulations in its administration of the CDBG program. In addition, it did not always ensure that CDBG funds were spent for eligible activities that met a national objective of the program. Specifically, the City (1) disbursed CDBG program funds for questionable street improvement expenditures, (2) did not adequately monitor its subrecipient-administered economic development program, and (3) charged ineligible and unsupported costs for its clean and seal program activities to the CDBG program. As a result, program funds were used for ineligible and unsupported expenses, and the City's ability to administer its CDBG program effectively and efficiently and ensure that the program's objectives were met was diminished. OIG made 12 recommendations to the Director of HUD's Buffalo

Office of Community Planning and Development to improve the City's administration of its CDBG program and to ensure that it made the best use of CDBG funds to meet the community's needs. HUD has taken actions to address some of these recommendations and is working to address those that are still outstanding.

For the finding related to the City's clean and seal activities, OIG recommended that HUD instruct the City to develop administrative control procedures that would ensure compliance with CDBG program requirements, including ensuring that costs were eligible and necessary before being charged to its clean and seal program. On September 28, 2020, HUD submitted a revised management decision showing that the City had not used CDBG funds for clean and seal activities since OIG's audit and stated that the City's current practices do not include this program. HUD requested that this recommendation be closed as it was no longer applicable. On September 29, 2020, OIG agreed with the revised management decision and closed this recommendation. **(Audit report: 2011-NY-1010)**

HUD'S PROPOSED HOME REGULATIONS ADDRESSED SYSTEMIC DEFICIENCIES BUT FIELD OFFICE MONITORING AND DATA VALIDATION NEED IMPROVEMENT

ISSUE DATE: FEBRUARY 12, 2013

HUD OIG audited HUD's HOME Investment Partnerships program to determine whether HUD's proposed regulation changes and controls would mitigate the systemic deficiencies identified in prior OIG audit reports.

OIG determined that if properly implemented, HUD's proposed changes to HOME regulations and controls should mitigate the systemic deficiencies identified in prior OIG audit reports, with the exception of (1) the program office's oversight of grantee monitoring and (2) validating the reliability of HOME data. Oversight of field office monitoring and grantee compliance required improvement because the quality management review process HUD relied on failed to identify systemic monitoring flaws and onsite monitoring data were not used to assess monitoring efforts. As a result, HUD could not ensure that monitoring was complete and effective.

OIG recommended that HUD develop and implement controls to validate HOME program data recorded in its system and formal procedures to continually assess the effectiveness and completeness of field office monitoring efforts. HUD agreed with these recommendations and completed the corresponding actions in April 2020 and February 2020.

OIG also recommended that HUD develop and implement procedures to assess the effectiveness and completeness of its monitoring efforts and to evaluate the field office testing of non-high-risk grantees to ensure the soundness of risk assessments and obtain early warnings of potential deficiencies. In its original management decisions, HUD agreed to review

the results of the previous monitoring cycle to identify common findings and to provide this information and appropriate guidance related to the risk analysis process or monitoring plans for the coming year to its field offices. On September 25, 2020, HUD submitted a revised management decision stating that it was overcome by events and could not locate the data promised for closure. Instead, HUD provided a copy of its current monitoring procedures and highlighted the areas that (1) address the effectiveness and completeness of monitoring and (2) evaluate the field office testing of non-high-risk grantees to ensure the soundness of risk assessments and obtain early warning of potential deficiencies. OIG believes that these actions satisfy the original intent of the management decisions. On September 28, 2020, OIG agreed with the revised management decisions. The audit is closed. **(Audit Report: 2013-BO-0001)**

HUD SUBSIDIZED 10,119 UNITS FOR TENANTS WHO WERE UNDERCHARGED FLAT RENTS

ISSUE DATE: SEPTEMBER 12, 2017

HUD OIG audited PHAs' compliance with HUD's flat rent requirements based on multiple external audits conducted by OIG showing that PHAs were unaware of or did not properly implement the flat rent requirements. OIG determined that PHAs did not properly implement HUD's flat rent requirements for more than half of the flat rent tenants reviewed. They undercharged a projected total of 10,119 flat rent tenants by an estimated \$527,052 nationwide during December 2016, equating to annually undercharging flat rent tenants by approximately \$6.3 million if HUD does not correct the problem.

Among other things, OIG recommended that HUD finalize and implement monitoring procedures to ensure that more than \$6.3 million in flat rents was appropriately charged to tenants over the following year. In a previously agreed-upon management decision, HUD stated that it was developing a three-tier monitoring procedure, which would include flat rent monitoring. HUD planned to complete the new monitoring procedure in late fiscal year 2019. On April 8, 2020, HUD submitted a revised management decision, explaining that due to a change in senior leadership, the Office of Field Operations was no longer planning to implement the three-tier monitoring procedure but instead updated its compliance monitoring checklist to include flat rent monitoring. HUD provided the updated compliance monitoring checklist with its revised management decision. On April 10, 2020, OIG agreed with the revised management decision. **(Audit Report: 2017-KC-0007)**

INTERIM REPORT - POTENTIAL ANTIDEFICIENCY ACT AND GENERALLY ACCEPTED ACCOUNTING PRINCIPLE VIOLATIONS OCCURRED WITH DISASTER RELIEF APPROPRIATION ACT, 2013, FUNDS

ISSUE DATE: MAY 15, 2018

While performing audit work to determine whether HUD CPD monitored and ensured that grantees complied with the 24-month statutory expenditure requirement contained in the 2013 Disaster Relief Appropriations Act, OIG noted issues with (1) the recording of grants in the Line of Credit Control System and (2) the grantees' recording of expenditures in the Disaster Recovery Grants Reporting system. Specifically OIG found that grantees had recorded expenses (1) in excess of a grant round's total obligation amount, (2) before CPD had obligated

a grant round, and (3) after a grant round had expired. These issues required immediate action by OCFO, as they were potential violations of the Antideficiency Act (ADA)¹² and did not appear to follow GAAP. In two separate recommendations, OIG recommended that OCFO determine whether transactions totaling more than \$596 million were ADA violations.

OCFO's management decisions, dated August 22, 2018, stated that it would investigate to determine whether ADA violations occurred. On May 30, 2019, OCFO determined that there were no ADA violations, and on June 28, 2019, it requested that OIG close the open recommendations. OIG decided to refer the issues to GAO as OIG continued to assert that there were potential ADA violations. On August 11, 2020, OIG's Office of Legal Counsel formally requested a legal opinion from GAO concerning these issues. Based on OIG's referral, OCFO revised its management decision to state that it would review GAO's determination and evaluate whether its decision should be reconsidered. **(Audit Memorandum: 2018-FW-0802)**

➡ SIGNIFICANT MANagements 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 it disagrees.

During the reporting period, there were four significant management decisions with which OIG disagreed.

¹²HUD Handbook 1830.2, REV-6, Administrative Control of Funds Policies, issued March 22, 2017, designated the Chief Financial Officer's Appropriations Law staff responsible for determining whether an ADA violation occurred.

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 FHA loan indemnification recovery process to determine whether HUD had adequate controls in place 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 was a total of 486 loans from January 2004 to February 2014 that had enforceable indemnification agreements and losses to HUD but were not billed. This condition occurred because HUD's Financial Operations Center 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 the final default date for billing only. 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 the 2,078 loans that were streamline refinanced. As a result, HUD incurred losses of \$373,228 for 5 loans, and 16 loans had

a potential loss 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.

During the audit, OIG made five recommendations, three of which were referred to the Deputy Secretary on March 31, 2015, because OIG could not agree on a management decision. The disagreement centered on OIG's determination that the Offices of Single Family Housing and Finance and Budget did not follow the plain language explicitly stated in the 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.

For two of the recommendations, a management decision was reached. HUD agreed with the OIG recommendations to review and initiate the billing process for the loans in question. In implementing these corrective actions, HUD determined that certain loans were not billable due to its position that it billed lenders in a manner consistent with a longstanding HUD policy that emphasized the definition of the "date of default." OIG disagreed and determined that HUD should have billed lenders for FHA loans that either were in default or went into default during the indemnification agreement period.

Due to the lack of action from the office of the Deputy Secretary to render a decision, the 6-year statute of limitations (28 U.S.C. (United States Code) 2415) rendered every loan under disagreement as time barred and not billable, impacting all five open recommendations. During this reporting

period, HUD submitted the three recommendations that were referred to the Deputy Secretary for closure and significantly revised the two management decisions because the loans in question were deemed no longer billable due to the 6-year statute of limitations. Despite never reaching agreement on enforcement of the loans and indemnification agreements in question, OIG concurred with the two revised management decisions and closed the three referred recommendations. One of the revised management decisions remains open to allow HUD to reconcile collections for loans that were billed. The second revised management decision was closed concurrently. OIG's concurrence relies solely on the statute of limitations and does not constitute agreement with HUD's position regarding the date of default, enforcement of the indemnification agreements in question, or the billable loans. Combined, the two revised management decisions questioned more than \$22.5 million. To date, OIG has sustained more than \$20.8 million, and more than \$1.6 million in collections was determined to be uncollectible. **(Audit Report: 2014-LA-0005)**

**THE LEXINGTON-FAYETTE URBAN COUNTY HOUSING AUTHORITY,
LEXINGTON, KY, DID NOT ALWAYS COMPLY WITH HUD'S AND
ITS OWN SECTION 8 HOUSING CHOICE VOUCHER PROGRAM
REQUIREMENTS**

ISSUE DATE: JULY 13, 2018

HUD OIG audited the Lexington-Fayette Urban County Housing Authority's Section 8 Housing Choice Voucher Program based on OIG's risk assessment of all Kentucky PHAs and as part of OIG's annual audit plan. The audit objective was to determine whether the Authority administered its program units in accordance with HUD's and its own requirements. The Authority did not always administer its program units in accordance with HUD's and its own requirements. Specifically, it did not always comply with (1) HUD's third-party requirements for conducting inspections and rent reasonableness determinations for Authority-owned units, (2) its requirements for conducting unit inspections in a timely manner, and (3) HUD's housing quality standards for the program units. These conditions occurred because the Authority did not follow HUD's requirements for performing unit inspections and was not familiar with the requirements for rent reasonableness determinations, the Authority's inspection software was inadequate for scheduling inspections, and the Authority did not perform the required quality control inspections. As a result, HUD and the Authority lacked assurance that the unit inspections and rent reasonableness determinations were properly conducted and units were eligible to be on the program, allowing some tenants to live in inadequately maintained units. In addition, the Authority inappropriately paid nearly \$147,000 in housing assistance and received more than \$20,000 in administrative fees for the units cited in this report.

OIG issued nine recommendations to fix these issues, and HUD agreed with all but one of them, recommendation 1A. Recommendation 1A related to the Authority's failure to have an independent third party conduct inspections for compliance with housing quality standards on units owned by the Authority.

HUD believes that the housing assistance provided for units inspected by the Authority should not be questioned because the Authority has a minimum of 30 days to correct the deficiency noted during the inspection. However, OIG questioned the housing assistance because the Authority conducted inspections of units that it owned, which is not related to the amount of time needed for correcting any failed items. Specifically, HUD's requirements at 24 CFR 982.352(b)(1)(iv)(A)(3) and 24 CFR 982.352(b)(1)(iv)(B) state that the Authority-owned units must be inspected by an independent agency that is approved by HUD. While HUD had approved another housing agency, the City of Richmond Section 8 Housing Program, to perform unit inspections of the Authority-owned units on the Housing Choice Voucher Program, the Authority improperly conducted inspections on units for 27 of 35 (77 percent) tenants OIG reviewed.

Further, OIG found that 26 of 30 (87 percent) unit inspections conducted by OIG failed to meet the housing quality requirements and that 4 of the 26 (15 percent) failing units were in material noncompliance with HUD's housing quality requirements.

HUD stated that unless OIG can allow a period after OIG's inspections for addressing noncompliance and then note whether the deficiencies continue to exist, it could not agree with recommendation 1A, which

was to require the Authority to reimburse its Section 8 Housing Choice Voucher Program \$124,075 (\$108,687 in housing assistance payments and \$15,388 in associated administrative fees) from non-Federal funds for the payments related to the Authority-owned units that were not inspected by an independent entity. Instead, HUD proposed to require the Authority to reimburse only the administrative fees totaling \$15,388.

Due to the disagreement on the necessary corrective action on recommendation 1A, on October 25, 2019, OIG referred the issue to the Deputy Assistant Secretary for Field Operations for PIH programs. On April 27, 2020, after continued disagreement with the Deputy Assistant Secretary, OIG decided not to pursue the necessary corrective actions any further, and the recommendation was closed with disagreement. **(Audit Report: 2018-AT-1006)**

**THE LEXINGTON-FAYETTE URBAN COUNTY HOUSING AUTHORITY,
LEXINGTON, KY, DID NOT FULLY COMPLY WITH HUD’S PROGRAM
REQUIREMENTS AFTER THE COMPLETION OF ITS RENTAL
ASSISTANCE DEMONSTRATION PROGRAM CONVERSION**

ISSUE DATE: JULY 13, 2018

In accordance with the annual audit plan, HUD OIG audited the Lexington-Fayette Urban County Housing Authority’s Rental Assistance Demonstration Program (RAD) conversion to the Section 8 Project-Based Voucher Program and its compliance with requirements after the conversion. The audit objective was to determine whether the Authority complied with HUD’s program requirements for conducting unit inspections and rent reasonableness determinations after the RAD conversion.

After its RAD conversion, the Authority did not obtain the services of a HUD-approved independent entity for conducting unit inspections in compliance with HUD’s housing quality standards and rent reasonableness determinations for the units it owned. This condition occurred because the Authority initially did not realize that the independent entity inspections for housing quality standards and rent reasonableness determinations requirements remained applicable after the RAD conversion, although the rents were set by HUD and the units were substantially rehabilitated. As a result, the Authority inappropriately paid more than \$394,000 in housing assistance and received more than \$49,000 in administrative fees. In addition, HUD and the Authority lacked assurance that the unit inspections and rent reasonableness determinations were properly conducted.

OIG issued four recommendations to address the issues noted, and HUD agreed with all of them but one, recommendation 1A. Recommendation 1A related to the Authority’s failure to have an independent HUD-approved third party conduct inspections for compliance with housing quality standards on units owned by the Authority.

HUD states that significant evidence exists to support that the Authority-owned units met the minimum standards required in the housing quality standards inspection protocol. Further, HUD certified that the field office reviewed the associated inspection protocols and that there is evidence that the RAD units met or exceeded the minimum housing quality standards assessment requirements, which resulted in the intent of the regulation being met.

Due to the disagreement on the necessary corrective action in recommendation 1A, on October 25, 2019, OIG referred the issue to Deputy Assistant Secretary for Field Operations for the PIH programs. On

April 27, 2020, after continued disagreement with the Deputy Assistant Secretary, OIG decided not to pursue the necessary corrective actions any further, and the recommendation was closed with disagreement. **(Audit Report: 2018-AT-1008)**

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION FISCAL YEARS 2015 AND 2014 FINANCIAL STATEMENTS AUDIT

ISSUE DATE: NOVEMBER 12, 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. OIG determined that Ginnie Mae was not in compliance with the Debt Collection Improvement Act of 1990 (DCIA) and recommended that Ginnie Mae obtain an opinion from the U.S. Department of the Treasury on whether Ginnie Mae was subject to DCIA requirements. Ginnie Mae's noncompliance with DCIA was reported in the following years, from fiscal year 2016 through fiscal year 2019.

OIG did not reach consensus with Ginnie Mae on whether DCIA was applicable to the Government Corporation Control Act, as amended, or the corrective actions needed to resolve the audit recommendations. OIG referred the matter to the Deputy Secretary for a management decision on March 6, 2017. Since that time, HUD's Department Audit Followup Official (DAFUO) has directed that this recommendation be closed as of September 18, 2020. The basis for the DAFUO's directed decision was that "the recommendation should be closed since no action was necessary, due to no impact to the current financial statement audit." The DAFUO stated in the management decision that "if there are issues related to this

recommendation identified in compliance testing for the current year financial statement audit; the OIG may document and include a new recommendation in the current year financial statement audit report based on that evidence." OIG disagrees that this compliance issue has no impact on the financial statement audit. The fiscal year 2020 audit work is ongoing, and a final determination on compliance and whether there is a material impact on the financial statements has not yet been made. **(Audit Report: 2016-FO-0001)**





🔍 FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT OF 1996

Section 804(b) 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 plans 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 United States Standard General Ledger at the transaction level.

As of September 30, 2020, OIG and HUD noted noncompliance with the three section 803(a) elements of FFMIA. Specifically, there were five financial systems¹³ that were noncompliant with one or more of the three section 803(a) requirements. The latest target date for remediation is August 2021. While some intermediate management decisions and target dates have been revised, HUD was on track to meet the intermediate target dates in its remediation plans as of September 30, 2020.

¹³The five financial systems that were noncompliant with FFMIA as of September 30, 2020, were the Disaster Recovery Grant Reporting system, the Tenant Rental Assistance Certification System, the Single Family Information System, the Single Family Information System Claims Subsystem, and the Ginnie Mae Financial Accounting System.

CHAPTER 9

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 Protection Coordinator 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 Protection Coordinator 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 2020 training was presented on September 18, 2020, via a memorandum from the Inspector General, which explained employees' rights to make disclosures of wrongdoing, free from retaliation. The memorandum also provided information about other prohibited personnel practices.

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 in the process of implementing these requirements.

The Whistleblower Protection Coordinator meets with HUD employees individually, upon request. Generally, HUD OIG will refer HUD employees with whistleblower retaliation complaints to the Office of

Special Counsel (OSC). HUD OIG does not track these matters unless OSC 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 HUD 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 and provide findings of fact to HUD.

The chart below provides further information on those complaints.

Whistleblower Ombudsman Data	
Number of complainants asserting whistleblower status ¹⁴	18
Complaints opened by the Office of Investigation (OI)	18
Complaints declined by OI	15
Complaints currently under review by OI	3
Employee complaint investigations closed by OI	2

¹⁴Not all complainants are found to be whistleblowers under Section 4712. For example, many complainants raise questions regarding treatment by public housing agencies (PHA) 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.

CHAPTER 10

PEER REVIEW REPORTING

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law No. 111-203), section 989C, requires inspectors general to report the latest peer review results in their semiannual reports to Congress. The purpose in doing so is to enhance transparency within the government. The Offices of Audit, Investigation, and Evaluation 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 DOT OIG

The U.S. Department of Housing and Urban Development, Office of Inspector General (HUD OIG), Office of Audit, received a grade of pass (the highest rating) on the peer review report issued by the U.S. Department of Transportation (DOT) OIG on September 28, 2018. 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, 2018, was 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. Federal 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 DOD OIG

HUD OIG conducted an external peer review of the U.S. Department of Defense (DoD) OIG, Office of Audit, and issued a final report September 27, 2018. DoD OIG received a peer review rating of pass.

A copy of the external quality control review report can be viewed at <https://media.defense.gov/2018/Oct/05/2002048826/-1/-1/1/TRANSMITTAL%20MEMO%20AND%20SYSTEM%20REVIEW%20REPORT.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 (CIGIE) and the Attorney General's guidelines.

Peer Review Conducted by HUD OIG on DHS OIG

HUD OIG conducted an external peer review of the DHS OIG, Office of Investigation, and issued a final report on June 5, 2020. HUD OIG determined that DHS OIG was in compliance with the quality standards established by CIGIE.

➔ OFFICE OF EVALUATION

Peer Review Conducted on HUD OIG by CIGIE Team

A CIGIE external review team reviewed the HUD OIG, Office of Evaluation. The team concluded that the Office of Evaluation's policies and procedures generally complied with the Quality Standards for Inspection and Evaluation. The team also offered observations regarding four reports reviewed. The team concluded that one report did follow all policies and procedures and quality standards. The team also concluded that all reviewed reports did not follow select quality standards. HUD OIG did not agree with all team observations and offered a written rebuttal. However, the Office of Evaluation made changes to its policies and procedures and reporting approaches to address the team observations.

Peer Review Conducted by HUD OIG on FHFA OIG

HUD OIG conducted an external peer review of the Federal Housing Finance Agency (FHFA) OIG's inspection and evaluation functions and issued a final report September 10, 2019. All six reports in OIG's sample met the seven standards under review.

A copy of the external quality control review report can be viewed at <https://www.fhfa.gov/sites/default/files/Final%20Report%20-%20External%20Peer%20Review%20of%20FHFA%20OIG.pdf>.



APPENDIXES



APPENDIX 1 - REPORTS ISSUED

Internal Audit Reports

Chief Financial Officer	
2020-AT-0001	HUD Did Not Always Comply With the Improper Payments Elimination and Recovery Act of 2010, 05/14/2020.

Chief Information Officer	
2020-DP-0002	HUD, Washington, DC, Information Security Weaknesses Existed Within NCIS, 09/22/2020.

Government National Mortgage Association	
2020-DP-0001	Government National Mortgage Association, Washington, DC, Deficiencies in the Ginnie Mae Financial Accounting System and Its Subledger Database, 09/18/2020.

Housing	
2020-CH-0005	HUD Needs To Improve Its Oversight of Lead in the Water of Multifamily Housing Units, 08/21/2020.

APPENDIX 1 - REPORTS ISSUED

Internal Audit Reports continued...

Policy Development and Research	
2020-LA-0002	HUD Had Implemented Most of the Required Responsibilities Stated in the Geospatial Data Act of 2018, 09/24/2020.

Public and Indian Housing	
2020-BO-0001	HUD Could Strengthen Controls Over Employee Benefits Expensed at Public Housing Agencies, 08/12/2020.
2020-CH-0004	HUD Needs To Improve Its Oversight of Lead in the Water of Housing Choice Voucher and Public Housing Program Units, 08/21/2020.
2020-CH-0006	HUD Could Improve Its Oversight of Portability in the Housing Choice Voucher Program, 09/09/2020. Questioned: \$248,514. Better use: \$35,189.

APPENDIX 1 - REPORTS ISSUED

Audit-Related Memorandums¹⁵

Chief Financial Officer	
2020-KC-0801	Medium Risk Identified in HUD's Fiscal Year 2019 Travel Card Program Risk Assessment, 09/15/2020.

Housing	
2020-PH-0801	Opportunities Exist To Improve HUD's Responses to Inquiries From Borrowers, Industry Partners, and the General Public Regarding Forbearance and Foreclosure Relief Provided by the CARES Act, 09/22/2020.

External Audit Reports

Community Planning and Development	
2020-LA-1003	The City of Mesa, AZ, Did Not Administer Its Community Development Block Grant in Accordance With HUD Requirements, 04/13/2020. Questioned: \$3,155,305. Unsupported: \$3,155,305. Better use: \$225,000.

¹⁵The 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 1 - REPORTS ISSUED

External Audit Reports continued...

Housing	
2020-KC-1001	Englewood Apartments, Kansas City, MO, Did Not Comply With Tenant Eligibility and Recertification Requirements, 06/08/2020. Questioned: \$401,403. Unsupported: \$24,295.

Public and Indian Housing	
2020-AT-1003	The Housing Authority of the City of Macon-Bibb County, GA, Improperly Executed the HAP Contract for Vineville Christian Towers' RAD Conversion, 08/31/2020. Questioned: \$138,925. Better use: \$256,824.
2020-LA-1004	The Los Angeles County Development Authority, Alhambra, CA, Generally Met HUD Goals and Requirements in Managing Its Family Self-Sufficiency Program, 06/18/2020.
2020-LA-1005	Mid America Mortgage, dba 1st Tribal Lending, Pinole, CA, Did Not Always Follow HUD's Section 184 Program Requirements, 09/03/2020. Better use: \$607,598.
2020-PH-1001	The Philadelphia Housing Authority, Philadelphia, PA, Did Not Comply With Procurement and Conflict-of-Interest Requirements, 04/20/2020. Questioned: \$1,016,807. Unsupported: \$860,132.

APPENDIX 1 - REPORTS ISSUED

Internal Evaluation Reports

Information Technology	
2019-OE-0002	HUD Fiscal Year 2019 Federal Information Security Modernization Act of 2014
2019-OE-0002a	HUD Personally Identifiable Information (PII) Records Protection and Management Memorandum Report

Evaluation-Related Memorandums

Single Family Housing and the Federal Housing Administration	
Topic brief	Some Mortgage Loan Servicers' Websites Offer Information About CARES Act Loan Forbearance That Is Incomplete, Inconsistent, Dated, and Unclear
Followup topic brief	Some Mortgage Loan Services' Websites Continue To Offer Information About CARES Act Loan Forbearance That Could Mislead or Confuse Borrowers or Provide Little or No Information at All

APPENDIX 2 - TABLES

TABLE A

AUDIT REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AS OF SEPTEMBER 30, 2020

*SIGNIFICANT REPORTS DESCRIBED IN PREVIOUS SEMIANNUAL REPORTS

Report number	Report title	Issue date
* 2014-FO-0003	Additional Details To Supplement Our Report on HUD's Fiscal Years 2013 and 2012 (Restated) Financial Statements	12/16/2013
* 2015-FO-0003	Audit of the Government National Mortgage Association's Financial Statements for Fiscal Years 2014 and 2013	02/27/2015
* 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	11/18/2015
* 2016-PH-0001	HUD Did Not Always Provide Adequate Oversight of Property Acquisition and Disposition Activities	06/30/2016
* 2016-PH-0005	HUD Did Not Always Provide Accurate and Supported Certifications of State Disaster Grantee Procurement Processes	09/29/2016

Report number	Report title	Issue date
* 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
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	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	08/21/2017
* 2017-PH-0002	HUD Did Not Provide Sufficient Guidance and Oversight To Ensure That State Disaster Grantees Followed Proficient Procurement Processes	09/22/2017
* 2017-NY-0002	HUD Could Improve Its Controls Over the Disposition of Real Properties Assisted With Community Development Block Grant Funds	09/29/2017
* 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
* 2018-FW-0002	HUD's Office of Block Grant Assistance Had Not Codified the Community Development Block Grant Disaster Recovery Program	07/23/2018
* 2019-NY-1001	The State of New York Did Not Ensure That Properties Purchased Under the Acquisition Component of Its Program Were Eligible	03/29/2019

Report number	Report title	Issue date
* 2019-NY-1002	The State of New York Did Not Ensure That Appraised Values Used by Its Program Were Supported and Appraisal Costs and Services Complied With Requirements	05/29/2019
* 2019-KC-0002	HUD Paid Rental Subsidies To Benefit Public Housing and Voucher Tenants Reported as Excluded From Federal Programs or Deceased	06/25/2019

EVALUATION REPORTS ISSUED BEFORE START OF PERIOD WITH NO MANAGEMENT DECISION AS OF MARCH 31, 2020

Report number	Report title	Issue date
2014-OE-0002	Risk-Based Enforcement Could Improve Program Effectiveness	02/12/2016
2016-OE-0002	HUD Web Application Security Evaluation	06/06/2018
2016-OE-0004S	Opportunities for Improvement Within CPD's Risk Management Process for Hurricane Sandy Grants	03/29/2017
2018-OE-0004	HUD IT System Management and Oversight of the Section 184 Program	08/13/2018
2019-OE-0001	HUD Has Not Referred Troubled Public Housing Agencies as the Law and Regulations Require	02/04/2020

APPENDIX 2 - TABLES

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	10/01/2020
2006-CH-1021	Housing Authority of the County of Cook, Chicago, Illinois, Had Weak Controls over Its Section 8 Housing Choice Voucher Program	09/30/2006	01/26/2007	09/30/2037
2009-AT-0001	HUD Lacked Adequate Controls to Ensure the Timely Commitment and Expenditure of HOME funds	09/28/2009	03/18/2011	10/01/2020
2010-AT-1003	The Housing Authority of Whitesburg Mismanaged Its Operations, Whitesburg, KY	04/28/2010	08/26/2010	11/29/2035
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	10/01/2020

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	10/01/2020
2012-NY-1002	The City of New York Charged Questionable Expenditures to Its HPRP, New York, NY	10/18/2011	02/16/2012	10/01/2020
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	10/01/2020
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	10/01/2020
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
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

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	10/01/2020
2013-NY-1006	Nassau County Did Not Administer Its HOME Investment Partnerships Program in Accordance With HUD Requirements, Nassau County, NY	05/13/2013	09/06/2013	10/01/2020
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	10/01/2020
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	10/01/2020
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	10/01/2020
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
2014-AT-1001	The Municipality of Arecibo Did Not Properly Administer Its HOME Program	12/03/2013	01/24/2014	10/01/2020
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-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	10/01/2020
2014-FW-0001	The Boston Office of Public Housing Did Not Provide Adequate Oversight of Environmental Reviews of Three Housing Agencies, Including Reviews Involving Recovery Act Funds	02/07/2014	03/17/2015	10/01/2020
2014-NY-0001	HUD Did Not Provide Effective Oversight of Section 202 Multifamily Project Refinances	02/19/2014	06/10/2014	10/01/2020
2014-AT-0001	Violations Increased the Cost of Housing's Administration of Its Bond Refund Program	03/14/2014	07/11/2014	10/01/2020
2014-FW-0002	Improvements Are Needed Over Environmental Reviews of Public Housing and Recovery Act Funds in the Kansas City Office	05/12/2014	03/17/2015	10/01/2020

Report number	Report title	Issue date	Decision date	Final action
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	10/01/2020
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	10/01/2020
2014-KC-0002	The Data in CAIVRS Did Not Agree With the Data in FHA's Default and Claims Systems	07/02/2014	10/27/2014	Note 1
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	10/01/2020
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	01/31/2021
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

Report number	Report title	Issue date	Decision date	Final action
2014-FW-0005	Improvements Are Needed Over Environmental Reviews of Public Housing and Recovery Act Funds in the Detroit Office	09/24/2014	03/17/2015	10/01/2020
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 1
2015-FW-1801	The Management of the Housing Authority of the City of Taylor, Taylor, TX, Did Not Exercise Adequate Oversight of Its Programs	10/02/2014	01/21/2015	10/02/2021
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	10/01/2020
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	10/01/2020
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	10/01/2020

Report number	Report title	Issue date	Decision date	Final action
2015-PH-1003	The State of New Jersey Did Not Comply With Federal Procurement and Cost Principle Requirements in Implementing Its Disaster Management System	06/04/2015	10/02/2015	Note 1
2015-FW-0001	HUD Did Not Adequately Implement or Provide Adequate Oversight To Ensure Compliance With Environmental Requirements	06/16/2015	10/07/2015	10/01/2020
2015-LA-0002	HUD Did Not Provide Adequate Oversight of the Section 184 Indian Home Loan Guarantee Program	07/06/2015	10/28/2015	12/31/2021
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 1
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	10/01/2020

Report number	Report title	Issue date	Decision date	Final action
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	10/01/2020
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	10/01/2020
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	06/28/2021
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 1
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 1
2016-FO-0001	Audit of Fiscal Years 2015 and 2014 (Restated) Financial Statements	11/13/2015	03/24/2016	10/01/2020
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

Report number	Report title	Issue date	Decision date	Final action
2016-DP-0801	Review of Information System Controls Over the Government National Mortgage Association	11/30/2015	03/30/2016	10/01/2020
2016-DP-0002	Single Family Insurance System and Single Family Insurance Claims Subsystem	12/21/2015	03/31/2016	10/01/2020
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	10/01/2020
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	10/01/2020
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	10/01/2020
2016-AT-0001	HUD Did Not Enforce and Sufficiently Revise Its Underwriting Requirements for Multifamily Accelerated Processing Loans	05/20/2016	09/16/2016	10/01/2020
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	10/01/2020

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-NY-0001	Operating Fund Calculations Were Not Always Adequately Verified	09/12/2016	12/22/2016	04/01/2025
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	10/01/2020
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 1
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 1
2017-BO-1001	The State of Connecticut Did Not Always Comply With CDBG Disaster Recovery Assistance Requirements	10/12/2016	02/01/2017	10/01/2020
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	10/01/2020

Report number	Report title	Issue date	Decision date	Final action
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	Note 1
2017-FO-0001	Audit of Fiscal Years 2016 and 2015 (Restated) Financial Statements	11/14/2016	04/06/2017	Note 1
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-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 1
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	10/01/2020
2017-LA-0002	HUD Failed To Follow Departmental Clearance Protocols for FHA Programs, Policies, and Operations	01/25/2017	09/22/2017	10/01/2020
2017-DP-0001	HUD's Transition to a Federal Shared Service Provider Failed To Meet Expectations	02/01/2017	05/25/2017	10/01/2020

Report number	Report title	Issue date	Decision date	Final action
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	10/01/2020
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-LA-0003	HUD Failed To Adequately Oversee FHA-Insured Loans With Borrower-Financed Downpayment Assistance	03/03/2017	06/22/2017	Note 1
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	10/01/2020
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-NY-0001	HUD PIH's Required Conversion Program Was Not Adequately Implemented	05/18/2017	09/15/2017	12/31/2023
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	Note 1

Report number	Report title	Issue date	Decision date	Final action
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	10/01/2020
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	10/01/2020
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	10/01/2020
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	10/01/2020
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	10/01/2020
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	Note 1
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	Note 1

Report number	Report title	Issue date	Decision date	Final action
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	02/26/2021
2017-LA-0004	HUD Did Not Have Adequate Controls To Ensure That Servicers Properly Engaged in Loss Mitigation	09/14/2017	01/11/2018	10/01/2020
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	10/01/2020
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	10/01/2020
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-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-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	10/01/2020

Report number	Report title	Issue date	Decision date	Final action
2018-FO-0003	Fiscal Years 2017 and 2016 (Restated) Financial Statements Audit	11/15/2017	04/03/2018	Note 1
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	07/02/2018	Note 3
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	04/20/2018	10/01/2020
2018-FW-1001	Jefferson Parish, Jefferson, LA, Did Not Always Properly Administer Its Rehabilitation Program	01/29/2018	05/22/2018	02/26/2021
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	06/07/2018	01/28/2050
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	06/11/2018	10/01/2020
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	06/12/2018	10/01/2020

Report number	Report title	Issue date	Decision date	Final action
2018-DP-0003	Fiscal Year 2017 Review of Information Systems Controls in Support of the Financial Statements Audit	03/09/2018	06/07/2018	10/01/2020
2018-KC-0802	Limited Review of HUD Multifamily Waiting List Administration	03/22/2018	07/25/2018	Note 1
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	08/09/2018	10/01/2020
2018-KC-0001	FHA Insured \$1.9 Billion in Loans to Borrowers Barred by Federal Requirements	03/26/2018	07/11/2018	Note 2
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	07/25/2018	10/01/2020
2018-KC-1002	The Kansas City, MO, Health Department Did Not Spend Funds in Accordance With HUD Requirements	04/06/2018	08/02/2018	10/01/2020
2018-LA-0002	HUD Did Not Have Adequate Controls To Ensure That Grantees Submitted Accurate Tribal Enrollment Numbers for Program Funding	05/07/2018	08/23/2018	12/31/2020

Report number	Report title	Issue date	Decision date	Final action
2018-FW-1004	The City of Dallas, TX, HOME Investment Partnerships Program Was Not Always Administered in Accordance With Requirements	05/08/2018	08/30/2018	10/01/2020
2018-FW-0802	Interim Report - Potential Antideficiency Act and Generally Accepted Accounting Principle Violations Occurred With Disaster Relief Appropriation Act, 2013, Funds	05/15/2018	09/12/2018	10/01/2020
2018-CH-0002	HUD Lacked Adequate Oversight of Lead-Based Paint Reporting and Remediation in Its Public Housing and Housing Choice Voucher Programs	06/14/2018	12/06/2018	12/31/2021
2018-BO-1003	The City of Providence, RI, Did Not Properly Administer Its HOME Program	06/20/2018	09/28/2018	10/01/2020
2018-FW-0001	CPD's Risk Assessment and Monitoring Program Did Not Provide Effective Oversight of Federal Funds	06/26/2018	10/16/2018	Note 2
2018-LA-0801	The Office of Native American Programs Section 184 Program Continues To Operate Without Adequate Oversight 3 Years After the Prior OIG Audit	08/27/2018	12/21/2018	12/31/2021
2018-DE-1001	Meeker Housing Authority, Meeker, CO, Improperly Used Project Operating Funds for Its 221(d)(3) Multifamily Housing Insurance Program	09/06/2018	04/05/2019	10/01/2020

Report number	Report title	Issue date	Decision date	Final action
2018-BO-0001	HUD's Office of Residential Care Facilities Did Not Always Have and Use Financial Information to Adequately Assess and Monitor Nursing Homes	09/17/2018	03/07/2019	10/01/2020
2018-BO-1005	The State of Connecticut Did Not Ensure That Its Grantees Properly Administered Their Housing Rehabilitation Programs	09/19/2018	03/27/2019	10/01/2020
2018-KC-0004	HUD Did Not Always Identify and Collect Partial Claims Out of Surplus Foreclosure Proceeds	09/20/2018	04/18/2019	12/31/2021
2018-LA-0005	HUD Did Not Have Adequate Controls To Ensure That Partial Claim Notes for FHA Loans Were Properly Tracked for Future Collection	09/21/2018	03/08/2019	10/01/2020
2018-NY-0001	HUD Did Not Adequately Administer Its Housing Counseling Program	09/24/2018	02/26/2019	03/31/2021
2018-PH-1007	The Crisfield Housing Authority, Crisfield, MD, Did Not Properly Administer Its Public Housing Program Operating and Capital Funds	09/25/2018	03/01/2019	10/31/2020
2018-NY-1005	The Red Bank Housing Authority, Red Bank, NJ, Did Not Always Administer Its Operating and Capital Funds in Accordance With Requirements	09/26/2018	02/28/2019	10/01/2020

Report number	Report title	Issue date	Decision date	Final action
2018-PH-1008	The City of Erie, PA, Did Not Always Administer Its Code Enforcement and Community Policing Activities in Accordance With HUD and Federal Requirements	09/26/2018	03/07/2019	10/01/2020
2018-LA-0007	HUD Paid an Estimated \$413 Million for Unnecessary Preforeclosure Claim Interest and Other Costs Due to Lender Servicing Delays	09/27/2018	04/03/2019	04/02/2021
2018-NY-1007	The City of New York, NY, Did Not Always Use Disaster Recovery Funds Under Its Program for Eligible and Supported Costs	09/27/2018	02/28/2019	10/01/2020
2018-AT-1011	The City of Hattiesburg, MS, Did Not Always Administer Its HOME Investment Partnerships Program in Accordance With HUD's and Its Own Requirements	09/28/2018	02/13/2019	10/01/2020
2018-FW-1007	The State of Louisiana, Baton Rouge, LA, Did Not Always Maintain Adequate Documentation or Comply With Website Reporting Requirements	09/28/2018	03/29/2019	10/01/2020
2018-CH-1010	The City of Chicago's Department of Public Health, Chicago, IL, Did Not Administer Its Lead Hazard Reduction Demonstration Grant Program in Accordance With HUD's and Its Own Requirements	09/30/2018	03/14/2019	10/01/2020
2019-FO-0002	Audit of the Federal Housing Administration's Financial Statements for Fiscal Years 2018 and 2017 (Restated)	11/14/2018	05/30/2019	10/01/2020

Report number	Report title	Issue date	Decision date	Final action
2019-FO-0003	Additional Details To Supplement Our Fiscal Years 2018 and 2017 (Restated) U.S. Department of Housing and Urban Development Financial Statement Audit	11/15/2018	07/11/2019	10/01/2020
2019-CH-1001	The Housing Authority of the City of North Chicago, North Chicago, IL, Did Not Always Comply With HUD's Requirements and Its Own Policies Regarding the Administration of Its Housing Choice Voucher Program	12/20/2018	03/28/2019	02/28/2024
2019-CH-1002	The Detroit Housing Commission, Detroit, MI, Did Not Always Administer Its Moderate Rehabilitation Program in Accordance With HUD's and Its Own Requirements	02/06/2019	06/05/2019	10/01/2020
2019-AT-1002	Louisville Metro, Louisville, KY, Did Not Always Administer the TBRA Activity in Its HOME and CoC Programs in Accordance With Program Requirements	03/18/2019	07/16/2019	10/01/2020
2019-DP-0004	Fiscal Year 2018 Review of Information Systems Controls in Support of the Financial Statements Audit	03/27/2019	06/20/2019	10/01/2020
2019-KC-0001	FHA Improperly Paid Partial Claims That Did Not Reinstate Their Related Loans	04/11/2019	08/02/2019	07/31/2021
2019-FW-1001	The Little Rock Housing Authority, Little Rock, AR, Did Not Fully Meet Rental Assistance Demonstration Program Requirements	04/23/2019	09/20/2019	10/31/2022

Report number	Report title	Issue date	Decision date	Final action
2019-BO-1001	The City of Bridgeport, CT, Did Not Properly Administer Its HOME Program	04/25/2019	08/07/2019	10/01/2020
2019-BO-1002	The Housing Authority of the City of Woonsocket, RI, Did Not Always Comply With Capital Fund Program and Procurement Requirements	05/07/2019	10/22/2019	10/01/2020
2019-FW-1003	Northline Point Apartments, Houston, TX, Multifamily Section 8 Program, Subsidized Unsupported Tenants and Uninspected Units	06/10/2019	09/18/2019	10/01/2020
2019-AT-1004	The North Carolina Department of Commerce Did Not Administer Its Neighborhood Stabilization Program Grants as Required by HUD	06/14/2019	01/14/2020	10/10/2020
2019-FW-1004	The City of Dallas, Dallas, TX, Did Not Follow Environmental Requirements or Effectively Manage Its Community Housing Development Organizations	06/17/2019	10/10/2019	10/01/2020
2019-KC-0002	HUD Paid Rental Subsidies To Benefit Public Housing and Voucher Tenants Reported as Excluded From Federal Programs or Deceased	06/25/2019	10/17/2019	Note 3
2019-FW-1005	Northlake Homeless Coalition, Mandeville, LA, Did Not Always Follow Continuum of Care Program Requirements	07/11/2019	10/23/2019	10/31/2020

Report number	Report title	Issue date	Decision date	Final action
2019-LA-1008	The Compton Housing Authority, Compton, CA, Did Not Administer Its Housing Choice Voucher Program in Accordance With HUD Requirements	07/11/2019	10/23/2019	10/22/2020
2019-LA-0801	HUD Completed the Agreed-Upon Corrective Actions for One of the Two Recommendations Reviewed From Prior OIG Audit Report 2015-LA-0001 on FHA-HAMP Partial Claims	07/15/2019	10/08/2019	10/08/2020
2019-NY-1003	New York City Department of Housing Preservation and Development, New York, NY, Did Not Always Ensure That Units Met Housing Quality Standards but Generally Abated Payments When Required	08/02/2019	11/25/2019	11/25/2020
2019-BO-1003	The Commonwealth of Massachusetts Did Not Always Ensure That Its Grantees Complied With Applicable State and Federal Laws and Requirements	08/05/2019	12/03/2019	10/01/2020
2019-FW-1006	The Bogalusa Housing Authority, Bogalusa, LA, Did Not Always Administer Its Public Housing Programs in Accordance With Requirements	08/16/2019	11/26/2019	11/30/2020
2019-CH-1003	The Management Agent for Lake View Towers Apartments, Chicago, IL, Did Not Always Comply With HUD's Section 8 HAP Program Requirements	09/03/2019	12/18/2019	12/01/2020
2019-AT-1006	Palm Beach County Housing Authority, West Palm Beach, FL, Did Not Support and Spend HUD Funds According to Regulations	09/30/2019	12/13/2019	12/31/2020

Report number	Report title	Issue date	Decision date	Final action
2019-CF-1803	Pacific Horizon Bancorp, Inc., and Two Loan Officers Settled Allegations of Failing To Comply With HUD's Federal Housing Administration Loan Requirements	09/30/2019	09/30/2019	08/01/2024
2019-CH-1004	The Taylor Housing Commission, Taylor, MI, Did Not Always Comply With HUD's and Its Own Requirements for Its Program Household Files	09/30/2019	01/14/2020	01/13/2021
2019-KC-0003	FHA Insured at Least \$13 Billion in Loans to Ineligible Borrowers With Delinquent Federal Tax Debt	09/30/2019	01/15/2020	01/31/2022

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 SEPTEMBER 30, 2020

Report number	Report title	Issue date	Decision date	Final action
2020-CH-1001	The City of Detroit’s Housing and Revitalization Department, Detroit, MI, Did Not Administer Its Lead Hazard Reduction Demonstration Grant Program in Accordance With HUD’s Requirements	10/02/2019	01/31/2020	12/09/2020
2020-AT-1001	The Christian Church Homes, Oakland, CA, Did Not Ensure That the Rental Assistance Demonstration Program Conversion Was Accurate and Supported for Vineville Christian Towers	11/04/2019	03/03/2020	03/02/2021
2020-CH-0001	HUD’s Office of the Chief Financial Officer Generally Complied With the Digital Accountability and Transparency Act of 2014 With a Few Exceptions	11/07/2019	02/11/2020	02/11/2021
2020-KC-0002	HUD’s Travel Cards Were Used for Illegal, Improper, or Erroneous Purchases and Were Not Always Used When Required	01/31/2020	05/29/2020	11/30/2021
2020-LA-1001	Community Action North Bay, Fairfield, CA, Did Not Administer Its Continuum of Care Program in Accordance With HUD Requirements	01/31/2020	05/14/2020	05/13/2021
2020-AT-0801	HUD Had Not Established Deadlines for Reporting FHA-HAMP Nonincentivized Loan Modifications and Filing Nonincentivized Partial Claims	02/04/2020	06/01/2020	05/31/2022

Report number	Report title	Issue date	Decision date	Final action
2020-FO-0003	Additional Details To Supplement Our Fiscal Year 2019 U.S. Department of Housing and Urban Development Financial Statements Audit	02/07/2020	09/08/2020	08/13/2021
2020-AT-0802	HUD Inaccurately Allotted Funding for Tenant Protection Assistance and Improperly Approved a Proposed RAD Conversion	02/18/2020	06/04/2020	03/31/2021
2020-FW-0001	HUD Did Not Have Adequate Oversight To Ensure That Its Payments to Subsidized Property Owners Were Accurate and Supported When It Suspended Contract Administrator Reviews	02/26/2020	06/09/2020	12/31/2021
2020-LA-1002	The Housing Authority of the City of Long Beach, CA, Did Not Administer Its Housing Choice Voucher Program in Accordance With HUD Requirements	03/05/2020	06/19/2020	06/30/2021
2020-AT-1002	The Puerto Rico Department of Housing, San Juan, PR, Should Strengthen Its Capacity To Administer Its Disaster Grants	03/16/2020	07/13/2020	03/31/2021
2020-CH-0003	HUD Lacked Adequate Oversight of Public Housing Agencies' Compliance With the Lead Safe Housing Rule	03/18/2020	09/03/2020	12/10/2022
2020-BO-1002	The Housing Authority of the City of Springfield, MA, Did Not Always Comply With Procurement and Contract Administration Requirements	03/19/2020	06/23/2020	10/31/2020

Audits Excluded:

81 audits under repayment plans

39 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	Note 1
2014-ITED-0001	FY14 HUD Privacy Program Evaluation	04/30/2014	04/30/2014	Note 1
2014-OE-0002	Risk-Based Enforcement Could Improve Program Effectiveness	02/12/2016	04/09/2019	Note 2
2014-OE-0003	FY 2014 Federal Information Security Modernization Act (FY14 FISMA)	11/15/2014	11/15/2014	Note 1
2015-OE-0001	FY 2015 Federal Information Security Modernization Act (FY15 FISMA)	11/15/2015	11/15/2015	Note 1
2015-OE-0002	HUD IT Modernization	09/28/2015	09/25/2015	Note 1
2016-OE-0002	HUD Web Application Security Evaluation	06/06/2018	n/a	Note 2

Report number	Report title	Issue date	Decision date	Final action
2016-OE-0004S	Opportunities for Improvement Within CPD's Risk Management Process for Hurricane Sandy Grants	03/29/2017	08/20/2019	Note 2
2016-OE-0006	FY 2016 Federal Information Security Modernization Act (FY16 FISMA)	11/10/2016	11/10/2016	Note 1
2017-OE-0007	FY 2017 Federal Information Security Modernization Act (FY17 FISMA)	10/31/2017	08/16/2018	Note 1
2018-OE-0001	HUD Privacy Program Evaluation Report	09/13/2018	11/27/2018	Note 1
2018-OE-0002	Fire Safety Planning for the Weaver Building Needs Improvement	06/12/2018	11/29/2018	Note 1
2018-OE-0003	FY 2018 Federal Information Security Modernization Act (FY18 FISMA)	10/31/2018	05/17/2019	Note 1
2018-OE-0004	HUD IT System Management and Oversight of the Section 184 Program	08/13/2018	n/a	Note 2

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
2019-OE-0001	HUD Has Not Referred Troubled Public Housing Agencies as the Law and Regulations Require	02/04/2020	09/30/2020	Note 2
2019-OE-0002	HUD Fiscal Year 2019 Federal Information Security Modernization Act of 2014 (FISMA) Evaluation Report	06/24/2020	n/a	Note 2
2019-OE-0002a	HUD Personally Identifiable Information (PII) Records Protection and Management	06/25/2020	n/a	Note 2

Notes:

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

2 No management decision

APPENDIX 2 - TABLES

TABLE C

INSPECTOR GENERAL-ISSUED REPORTS WITH QUESTIONED AND UNSUPPORTED COSTS AT SEPTEMBER 30, 2020

(IN THOUSANDS)

Audit reports	Number of audit reports	Questioned costs	Unsupported costs
A1 For which no management decision had been made by the beginning of the reporting period	11	\$449,795	\$408,542
A2 For which litigation, legislation, or investigation was pending at the beginning of the reporting period	1	20,157	0
A3 For which additional costs were added to reports in beginning inventory	-	1,082	509
A4 For which costs were added to noncost reports	0	0	0
B1 Which were issued during the reporting period	5	4,961	4,040
B2 Which were reopened during the reporting period	0	0	0
Subtotals (A+B)	17	475,995	413,091

TABLE C CONTINUED...

Audit reports	Number of audit reports	Questioned costs	Unsupported costs
C For which a management decision was made during the reporting period	10 ¹⁶	80,971	22,178
(1) Dollar value of disallowed costs: Due HUD Due program participants	4 6	39,420 29,634	1,167 9,094
(2) Dollar value of disallowed costs:	2 ¹⁷	11,917	11,917
D For which a management decision had been made not to determine costs until completion of litigation, legislation, or investigation	0	0	0
E For which no management decision had been made by the end of the reporting period	7 <15> ¹⁸	395,024 <380,892> ¹⁸	390,913 <376,786> ¹⁸

¹⁶Six audit reports also contain recommendations with funds to be put to better use.

¹⁷Two audit reports also contain recommendations with funds agreed to by management.

¹⁸The figures in brackets represent data at the recommendation level as compared to the report level. See Explanations of Tables C and D.

APPENDIX 2 - TABLES

TABLE D

**INSPECTOR GENERAL-ISSUED REPORTS WITH RECOMMENDATIONS
THAT FUNDS BE PUT TO BETTER USE AT SEPTEMBER 30, 2020**

(IN THOUSANDS)

Audit reports	Number of audit reports	Dollar value
A1 For which no management decision had been made by the beginning of the reporting period	13	\$8,748,897
A2 For which litigation, legislation, or investigation was pending at the beginning of the reporting period	0	0
A3 For which additional costs were added to reports in beginning inventory	-	0
A4 For which costs were added to noncost reports	0	0
B1 Which were issued during the reporting period	4	1,124
B2 Which were reopened during the reporting period	0	0
Subtotals (A+B)	17	8,750,021

TABLE D CONTINUED...

Audit reports	Number of audit reports	Dollar value
C For which a management decision was made during the reporting period	7 ¹⁹	250,498
(1) Dollar value of recommendations that were agreed to by management: Due HUD Due program participants	1 5	1,040 1,441
(2) Dollar value of recommendations that were not agreed upon by management	1	248,017
D For which a management decision had been made not to determine costs until completion of litigation, legislation, or investigation	0	0
E For which no management decision had been made by the end of the reporting period	10 <6> ²⁰	8,499,523 <4,979,976> ²⁰

¹⁹Six audit reports also contain recommendations with questioned costs.

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

EXPLANATIONS OF TABLES C AND D

The Inspector General Act Amendments of 1988 require inspectors general and agency heads to report cost data on management decisions and final actions on audit reports. The current method of reporting at the “report” level rather than at the individual audit “recommendation” level results in misleading reporting of cost data. Under the Act, an audit “report” does not have a management decision or final action until all questioned cost items or other recommendations have a management decision or final action. Under these circumstances, the use of the “report” based rather than the “recommendation” based method of reporting distorts the actual agency efforts to resolve and complete action on audit recommendations. For example, certain cost items or recommendations could have a management decision and repayment (final action) in a short period of time. Other cost items or nonmonetary recommendation issues in the same audit report may be more complex, requiring a longer period of time for management’s decision or final action. Although management may have taken timely action on all but one of many recommendations in an audit report, the current “all or nothing” reporting format does not recognize their 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 3

INSPECTOR GENERAL EMPOWERMENT ACT

SUMMARY OF REPORTS WITH NO ESTABLISHMENT COMMENT

The Inspector General Impowerment Act (IGEA) requires the Office of Inspector General (OIG) to report on each audit and evaluation report for which the U.S. Department of Housing and Urban Development (HUD) did not return comments within 60 days of HUD OIG's providing the report to the Department.

On February 22, 2019, HUD OIG's Office of Investigation delivered Systemic Implication Report FY (fiscal year) 19-001, "Systemic Implication Report (SIR) Pertaining to the Housing Choice Voucher Program Initial Certification and Annual Recertifications," to HUD's Office of Public and Indian Housing. The SIR recommended that HUD standardize the initial certification and annual recertification questionnaire for the Housing Choice Voucher Program. It specifically recommended that HUD standardize and require the use of a personal declaration form regarding a tenant's declaration of his or her income and assets. The Department did not respond within the requisite 60 days, and HUD OIG had not received a response as of September 30, 2020.

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 (OE) are presented below.

OFFICE OF AUDIT

The Department currently has 1,295 outstanding (open) unimplemented recommendations with a combined potential cost savings of more than \$21 billion. The following table and charts reflect the reasons why they remain unimplemented:

1. 1,220 recommendations have active corrective action plans in place or valid repayment plans, but HUD has not yet finished implementing the recommendation.
2. 75 recommendations are currently without management decisions (agreement between the Department and OIG), 43 of which are beyond the 180-day statutory requirement due to disagreement and were reported in table A of OIG's Semiannual Report to Congress (SAR). The remainder are within the 180-day limit, during which time management and OIG can arrive at an agreed-upon corrective action plan.
3. 434 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.

Office of Audit Summary

Calendar year	Number of open recommendations	Cumulative estimated cost savings from open recommendations
Pre-2001	4	\$1,851,998
2001	1	200,000
2002	7	1,379,626
2003	14	1,811,658
2004	8	8,275,883
2005	5	3,006,373
2006	14	10,736,031
2007	16	5,081,749
2008	29	71,766,547
2009	27	78,886,410
2010	19	23,636,037
2011	37	100,042,538
2012	18	14,416,217
2013	68	374,998,402
2014	120	397,607,476
2015	116	344,391,399
2016	155	7,582,067,245
2017	159	907,061,704
2018	171	4,456,713,816
2019	168	6,678,612,864
2020	139	11,004,699
Total	1,295	21,073,548,672

OFFICE OF EVALUATION

OE conducts evaluations focused on improving departmental process and programs. As of the writing of this SAR, OE's recommendations have not focused on producing direct cost savings but, rather, improving program effectiveness, reducing the likelihood of negative outcomes, and addressing HUD's top management challenges.

The following table summarizes OE's open recommendations by calendar year.

Calendar year	Number of open recommendations
2013	4
2014	14
2015	18
2016	5
2017	17
2018	38
2019	0
2020	39
Total	135

Statistical Table Showing Investigative Report Metrics

The data used in this statistical table were extracted from HUD OIG's Case Management System. The Case Management System 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 the Case Management System to meet business requirements, such as the information used to create this statistical table. The footnotes referenced in the table provide additional guidance pertaining to each requested category of information.

Reporting Period: FY 2020, Period 2 (SAR 84), April 1, 2020 , through September 30, 2020

Measure	Total
A. Total number of investigative reports issued during the reporting period ²¹	140
B. Total number of persons referred to the U.S. Department of Justice for criminal prosecution during the reporting period	132
C. Total number of persons referred to State and local prosecuting authorities for criminal prosecution during the reporting period	29
D. Total number of indictments and criminal informations during the reporting period that resulted from any prior referral to prosecuting authorities ²²	66

²¹Includes approved reports of investigations

²²Includes all charging documents reported: criminal complaints, indictments, informations, and superseding indictments

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.

HUD OIG has no instances of substantiated misconduct involving Senior Government employees to report this SAR period.

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.

HUD OIG has no instances of whistleblower retaliation to report in this SAR period.

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.

HUD OIG has no instances of attempts to interfere with OIG independence to report in this SAR period.

REPORTS THAT WERE CLOSED DURING THE PERIOD THAT WERE NOT DISCLOSED TO THE PUBLIC

Section 5(a)(22) of the IGEA, as amended, requires that OIG report on each audit and investigation conducted by the office that is closed during the reporting period and was not disclosed to the public

OFFICE OF AUDIT

The office of audit did not close any audits this semiannual period that were not disclosed to the public.

OFFICE OF INVESTIGATION

During the current reporting period, OIG has one investigative report that was closed but not disclosed to the public. The allegations include the following:

HUD OIG initiated an investigation regarding allegations that a HUD subcontractor was terminated after notifying a senior HUD official that the subcontractor's supervisor (the contractor) was convicted of a crime and failed to notify HUD about the conviction. The subcontractor alleged that the contractor was not held accountable for the criminal conduct and the senior HUD official disclosed the subcontractor's complaint to the contractor but, otherwise, did not take action. The investigation determined that the contractor did not provide false information to HUD and was not deceptive about the criminal conviction. The investigation did not substantiate the claim that the subcontractor notified the senior HUD official or that the contractor was not held accountable for the criminal conduct. The investigation determined that the contractor

received administrative disciplinary action in the form of a warning letter through a different HUD division. The investigation was not referred for criminal prosecution.

OFFICE OF EVALUATION

HUD Fiscal Year 2019 Federal Information Security Modernization Act of 2014, Issue Date: June 24, 2020

HUD OIG assessed the effectiveness of HUD's information security (IS) program in accordance the Federal Information Security Modernization Act (FISMA), which directs OIGs to conduct an evaluation using the OIG FISMA metrics. The metrics consisted of eight domains aligned with the five functional areas (identify, protect, detect, respond, and recover) from the National Institute of Standards and Technology Framework for Improving Critical Infrastructure Cybersecurity.

HUD's IS program was evaluated as not effective based on the FY 2019 Inspectors General FISMA metrics. Key components of HUD's IS program remain ineffective or have inconsistent processes throughout the HUD program offices and among their information technology (IT) contracts. Significant limitations and challenges negatively impact the Chief Information Officer's (CIO) ability to establish an effective IS program.

HUD began to address recommendations that HUD OIG made in previous years. HUD's Office of the Chief Information Officer had early successes in modernizing some of the HUD infrastructure, such as the data centers, cloud adoption, and a mainframe system. Further, the CIO initiated a tiger team to address and create remediation plans for the past FISMA

recommendations. OIG recommended that HUD continue to address all outstanding FISMA recommendations and refine and implement its IT strategic modernization roadmap. This approach will encourage a focused and accountable method to improve the IS program. OIG has made 26 recommendations to assist HUD in increasing its IS posture. OIG determined that the contents of this report would not be appropriate for public disclosure and has, therefore, limited its distribution to selected officials. **(Evaluation Report: 2019-OE-0002)**

APPENDIX 4

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.	37-44
Section 5(a)(1)-description of significant problems, abuses, and deficiencies relating to the administration of programs and operations of the Department.	13-30 72-73
Section 5(a)(2)-description of recommendations for corrective action with respect to significant problems, abuses, and deficiencies.	45-70
Section 5(a)(3) ²³ -identification of each significant recommendation described in previous Semiannual Report on which corrective action has not been completed.	Appendix 2, table B, 85
Section 5(a)(4)-summary of matters referred to prosecutive authorities and the prosecutions and convictions that have resulted.	13-30
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 instance

²³Unsupported costs are a subset of questioned costs that the Inspector General Act requires be identified separately from the cumulative questioned costs identified.

REPORTING REQUIREMENTS CONTINUED...

Source requirement	Pages
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 1, 77
Section 5(a)(7)-summary of each particularly significant report.	13-30
Section 5(a)(8)-statistical tables showing the total number of audit reports and the total dollar value of questioned and unsupported costs.	Appendix 2, table C, 114
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 2, table D, 116
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 2, table A, 82
Section 5(a)(11)-a description and explanation of the reasons for any significant revised management decisions made during the reporting period.	63-70
Section 5(a)(12)-information concerning any significant management decision with which the Inspector General is in disagreement.	66-70
Section 5(a)(13)-the information described under section 05(b) of the Federal Financial Management Improvement Act of 1996.	71

APPENDIX 5

ACRONYMS AND ABBREVIATIONS

ACD.....Accelerated Claims Disposition
ADA.....Antideficiency Act
CARES Act.....Coronavirus Aid, Relief, and Economic Security Act
CDBG.....Community Development Block Grant
CFR.....Code of Federal Regulations
CIGIE.....Council of the Inspectors General on Integrity and Efficiency
CIO.....Chief Information Officer
COVID-19.....2019 coronavirus
CPD.....Office of Community Planning and Development
CWCOT.....Claims Without Conveyance of Title
DAFUO.....Development Audit Followup Official
DCIA.....Debt Collection Improvement Act of 1990
DEC.....Departmental Enforcement Center
DHS.....U.S. Department of Homeland Security
DoD.....U.S. Department of Defense
DOT.....U.S. Department of Transportation
eVMS.....Enterprise Voucher Management System
FAST.....Fixing America’s Surface Transportation Act
FBI.....Federal Bureau of Investigation
FFMIA.....Federal Financial Management Improvement Act
FHA.....Federal Housing Administration
FHFA.....Federal Housing Finance Agency
FISMA.....Federal Information Security Modernization Act of 2014
FR.....Federal Register
FSS.....Family Self-Sufficiency program
FY.....fiscal year
GAAP.....generally accepted accounting principles
GAO.....U.S. Government Accountability Office
Ginnie Mae.....Government National Mortgage Association
HECM.....home equity conversion mortgage
HOPWA.....Housing Opportunities for Persons With AIDS
HOTMA.....Housing Opportunity Through Modernization Act of 2016
HUD.....U.S. Department of Housing and Urban Development
IAA.....interagency agreement
IDI.....Integrated Disbursement and Information System

IGEA.....Inspector General Empowerment Act
IPERA.....Improper Payments Elimination and Recovery Act of 2010
IRS.....Internal Revenue Service
IS.....information security
IT.....information technology
LLC.....limited liability company
LOS.....Loan Origination System
LTW.....Louisiana, Texas, and West Virginia
M2M.....Mark-to-Market program
ML.....mortgagee letter
MRB.....Mortgagee Review Board
MTW.....Moving to Work program
OBGA.....Office of Block Grant Assistance
OCAF.....operating cost adjustment factor
OCFO.....Office of the Chief Financial Officer
OCIO.....Office of the Chief Information Officer
OCPO.....Office of the Chief Procurement Officer
OE.....Office of Evaluation
OI.....Office of Investigation
OIG.....Office of Inspector General
OMB.....Office of Management and Budget
ONAP.....Office of Native American Programs
OSC.....Office of Special Counsel
PHA.....public housing agency
PIH.....Office of Public and Indian Housing
PII.....personally identifiable information
PRWORA.....Personal Responsibility and Work Opportunity Reconciliation Act
RAD.....Rental Assistance Demonstration Program
REAC.....Real Estate Assessment Center
SAM.....System for Award Management
SAR.....Semiannual Report to Congress
SFIC.....single-family insurance claim
SIR.....systemic implication report
SRPP.....Small Rental Property Program
TPA.....transfer of physical assets
SRPP.....Small Rental Property Program
U.S.C......United States Code
USDA.....U.S. Department of Agriculture
VA.....U.S. Department of Veterans Affairs

APPENDIX 6

OIG TELEPHONE DIRECTORY

OFFICE OF AUDIT

Headquarters	Washington, DC	202-708-0364
Region 1	Boston, MA Hartford, CT	617-994-8380 860-240-9739
Region 2	New York, NY Buffalo, NY Newark, NJ	212-264-4174 716-551-5755 973-622-7900
Region 3	Philadelphia, PA Baltimore, MD Pittsburgh, PA Richmond, VA	215-656-0500 410-962-2520 412-644-6372 804-771-2100
Region 4	Atlanta, GA Greensboro, NC Miami, FL San Juan, PR	404-331-3369 336-547-4001 305-536-5387 787-766-5540
Region 5	Chicago, IL Columbus, OH Detroit, MI	312-913-8499 614-280-6138 313-226-6190

Region 6	Fort Worth, TX Baton Rouge, LA Houston, TX New Orleans, LA Albuquerque, NM Oklahoma City, OK San Antonio, TX	817-978-9309 225-448-3975 713-718-3199 504-671-3000 505-346-6463 405-609-8606 210-475-6800
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REGION 7-8-10	Kansas City, KS St. Louis, MO Denver, CO Seattle, WA	913-551-5870 314-539-6339 303-672-5452 206-220-5360
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REGION 9	Los Angeles, CA Las Vegas, NV Phoenix, AZ San Francisco, CA	213-894-8016 702-366-2100 602-379-7250 415-489-6400
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OFFICE OF EVALUATION

Headquarters	Washington, DC	202-708-0430
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OIG TELEPHONE DIRECTORY CONTINUED...

OFFICE OF INVESTIGATION

Headquarters Washington, DC 202-708-5998

Region 1-2 New York, NY 212-264-8062
Boston, MA 617-994-8450
Hartford, CT 860-240-4800
Manchester, NH 603-666-7988
Newark, NJ 973-776-7347

Region 3 Philadelphia, PA 215-430-6756
Baltimore, MD 410-209-6695
Pittsburgh, PA 412-644-2668
Richmond, VA 804-822-4890

Region 4 Atlanta, GA 404-331-5001
Greensboro, NC 336-547-4000
Miami, FL 305-536-3087
San Juan, PR 787-766-5868

Region 5 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

Region 6 Fort Worth, TX 817-978-5440
Baton Rouge, LA 225-448-3941
Houston, TX 713-718-3220
New Orleans, LA 504-671-3700
Oklahoma City, OK 405-609-8601
San Antonio, TX 210-475-6822

Region 7-8-10 Denver, CO 303-672-5350
Billings, MT 406-247-4080
Kansas City, KS 913-551-5566
Salt Lake City, UT 801-524-6091
St. Louis, MO 314-539-6559
Seattle, WA 206-220-5380

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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