U.S. Department of Housing and Urban Development
Office of Inspector General

Office of Inspector General Report to the Congress

Number 11

for the six month period
October 1, 1983 to March 31, 1984
Pursuant to Section 5(b)
of Public Law 95-452

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Foreword

This is our eleventh report to Congress. It summarizes our efforts during the past 6 months and highlights significant audits, investigations, and fraud control activities. During this reporting period, nearly $33 million in recoveries resulted from management's action on OIG audit and investigative reports.

Our office devoted significant resources to reviewing the public housing program. Within the Department, we examined HUD's operating policies and procedures. Externally, we focused on the overall management of financially troubled Public Housing Agencies (PHAs). While the majority of PHAs operate effectively, there are inherent weaknesses that need attention. The Department must improve its ability to detect problems and assist PHAs in meeting their goals and objectives. We believe there is a pressing need for cooperative efforts at the Federal, State, and local levels to address these weaknesses, thereby improving the public housing program.

Our investigations of violations of law and Departmental regulations resulted in numerous indictments and convictions covering such areas as submission of false statements, embezzlement, theft, mail fraud, and extortion. OIG investigations also resulted in several administrative actions initiated against Departmental employees.

Conducting audits and investigations is only part of our job; we also work with management to prevent fraud, waste, and abuse. Our fraud control activities serve to assist in carrying out this responsibility. Departmental efforts to assess program vulnerabilities, increase employee awareness, and redirect monitoring resources to high-risk areas and participants clearly demonstrate the Department's commitment to strengthen operations and to minimize fraud and abuse. We commend management for this commitment and strongly urge its continuation.

Charles L. Dempsey
Inspector General

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Profile of Performance

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	• Investigation Cases Referred for Prosecution	142	35
	• Persons/Firms Indicted	133	35
	• Persons/Firms Convicted	139	35
	• Total Years of Prison Sentences	155	35
	• Total Years of Probated Sentences	349	35
	• Debarments of Persons/Firms Doing Business with HUD (Numbers/Years)	170/203	—
	• Suspensions of Persons/Firms Doing Business with HUD (Numbers/Years)	42/42	—
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	• HUD Employees Indicted	2	—
	• HUD Employees Convicted	4	—
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Overview

This report contains selected operating results for the period October 1, 1983 to March 31, 1984. Significant weaknesses disclosed by audits and investigations and fraud control activities conducted by our office, or in cooperation with others, are also discussed. The following overview provides the highlights of this report.

Audit Activities

Audit activities during the reporting period focused on significant problems, abuses, and deficiencies in specific areas. These areas include: Assisted Housing; Community Planning and Development; Multifamily Insured Housing; Single Family Insured Housing; and General Administration. Highlights include:

Assisted Housing

- A report, summarizing our audits of financially troubled public housing agencies (PHAs), discusses efforts HUD must make to overcome operating problems (see pages 8 to 13). The following are examples of some of the common problems noted during our reviews:

  - Poorly managed maintenance programs.

  - Uninhabitable units and high vacancy rates.

  - Energy conservation measures not implemented.

  - Inefficient tenant selection and placement.

  - Inadequate rental collection procedures.

- 71 PHAs received $123 million in excess operating subsidies over a 5-year period (see page 13).

- HUD paid PHAs $16.5 million more than their expenses to operate the Section 8 Existing Housing Program (see page 14).

- PHAs are not performing required energy audits and HUD Field Offices are approving modernization funding without assurance that projects are financially feasible (see page 14).

Community Planning and Development

- The Municipality of Ponce, Puerto Rico, violated procurement regulations while spending about $4.1 million on various contracts. Another $1.3 million in grant funds were questioned or disallowed (see page 19).

- Because a developer in Charlotte, North Carolina, violated the terms of the grant agreement, a $2.6 million Urban Development Action Grant appears questionable (see page 20).

- The Portland Development Commission mismanaged its Single Family Housing Rehabilitation Program. Work paid for was either not performed or not performed satisfactorily for loans valued at $1.6 million (see page 21).

- The City of Detroit, Michigan, misused letter-of-credit funds and earned $3.4 million that should be returned to the Treasury. Another $4.6 million in costs need to be justified or reimbursed to the Community Development Block Grant program (see page 22).

Multifamily and Single Family Insured Programs

- HUD's Chicago Regional Office insured 24 mortgages for projects containing units where rents were beyond the financial reach of low- or moderate-income families (see page 25).

- HUD Loan Management Branches in New York, Newark, and Providence did not identify project conditions that threaten tenants' welfare and project viability (see page 26).

• Owners have not met workout agreement conditions and mortgages on four projects are delinquent by over $2 million (see page 27).

• A review showed that one-third of 296 Title I property improvement loans were misused or not used for their intended purpose (see page 29).

• HUD's New York Office wrote off over $200,000 in tenant accounts receivable without attempting to collect the balances, and accounts receivable due from tenants increased by more than $1 million during a 1-year period (see page 29).

• Two mortgagees caused false statements to be submitted to HUD in applications for mortgage insurance (see page 30).

General Administration

• The Joint Center for Political Studies claimed $494,596 in excess costs while administering a cooperative agreement with HUD (see page 31).

Investigation Activities

Investigation activities during the reporting period include criminal matters resulting in prosecutions and convictions and investigations of violations of Departmental regulations and policies. Highlights include:

• 608 new investigation cases were opened involving HUD personnel and/or persons or firms doing business with HUD. Approximately 52 percent of these cases involved false statement allegations in HUD housing programs (see page 33).

• 625 investigation cases were closed following completion of prosecutive or administrative action. Approximately 25 percent of these cases involved landlord/tenant fraud in the rental assistance program. Twenty percent related to the Title I housing program. Approximately 12 percent of the cases involved HUD employees, and 7 percent pertained to public officials (see page 34).

• 142 investigation cases were referred for prosecutive consideration (see page 35).

• 133 indictments and 139 convictions of persons or firms having business with HUD resulted from investigations (see page 35).

• Administrative actions were initiated against 37 HUD employees following investigations (see page 40).

• The OIG participated in a crime prevention and awareness program for children in a HUD-subsidized housing project (see page 41).

Fraud Control Activities

During the reporting period, the HUD Secretary, Principal Staff, and the Office of Inspector General continued to work together in an effort to curb fraud, waste, and mismanagement. Highlights include:

Committee on Fraud, Waste, and Mismanagement

• The Assistant Secretary for Public and Indian Housing and the Deputy Inspector General testified before the House Subcommittee on Housing and Community Development on proposed fraud reform legislation resulting from Committee recommendations (see page 42).

• To assist program managers in detecting and preventing problems and abuses, the Committee prepared and distributed a Managers Guide (see page 42).

• The Secretary approved the Committee recommendation for a quality control system to monitor program administrators' compliance with HUD tenant eligibility regulations (see page 42).

• The Committee completed a follow-up study on Accountability

Monitoring of program participants (see page 43).

Employee Awareness Program

- We issued two additional Fraud Information Bulletins entitled "Time and Attendance and Leave Abuse" and "The HUD Hotline" (see page 44).

Hotline Activities

- Our office received and processed 120 hotline complaints and closed 189 complaints (see page 46).

Cooperative Efforts

During the reporting period, we participated in several special cooperative efforts with other Federal, State, and local agencies. Highlights include:

President's Council on Integrity and Efficiency

- An Inspection Project was undertaken to identify the best inspection practices employed in the IG community (see page 49).

- A project task force developed a discussion guide to address all aspects of the legislative and regulatory review function of the Inspectors General (see page 49).

- The newly formed Communications and Awareness Committee is identifying methods to increase awareness of IG activities and develop a clearinghouse for exchanging information and ideas among the IG community (see page 50).

- The OIG is involved in a project to develop technical assistance materials and advice on the best practices used by Federal, State and local governments to verify eligibility data (see page 50).

Intradepartmental Projects

- The OIG and HUD management are cooperating in implementing OMB Circular No. A-123 and the Federal Managers' Financial Integrity Act, as well as OMB Circular No. A-76 cost estimates and comparisons reviews (see page 50).

Interagency Projects

- The OIG participated with the General Accounting Office and other Federal agencies on two projects: a review of the implementation of OMB Circular No. A-123 and the Federal Managers' Financial Integrity Act, and a government-wide audit of cash management practices (see page 51).

State and Local Government Projects

- We completed orientation of HUD program staff and others on the application of the single audit concept as required by Attachment P of OMB Circular No. A-102 (see page 51).

Chapter 1

Significant Problems, Abuses, Deficiencies, and Recommendations

This chapter details the significant problems, abuses and deficiencies relating to the Department's operations and programs for the current period. Recommendations for corrective action are also provided as required.

This chapter is divided into five areas: Assisted Housing; Community Planning and Development; Multifamily Insured Housing; Single Family Insured Housing; and General Administration.

Assisted Housing Program

HUD has programs for providing rental units or rent subsidies to low- and moderate-income families. These include the development and management of Conventional Public Housing and the Lower Income Rental Assistance Program (Section 8). In the Conventional Public Housing Program, there are about 1.2 million units receiving fixed annual contributions in excess of $1 billion, and operating subsidies in excess of $1 billion.

Financially Troubled Public Housing Agencies

Over the past year, our office issued 16 audit reports covering Public Housing Agencies (PHAs) that met HUD's criteria as financially troubled. HUD considers a PHA financially troubled if it administers 1,250 or more dwelling units and its operating reserve is less than 20 percent of an approved HUD amount. When we selected the 16 PHAs identified below for audit in December 1982, HUD listed 32 of the 134 PHAs with 1,250 or more units as financially troubled. At March 31, 1984, only 21 PHAs were designated as financially troubled. In total there are about 2,800 PHAs. Although the financially troubled PHAs represent only about 1 percent of all PHAs, they account for a major segment of the program. For example, the 32 PHAs listed at September 1982 administered 23 percent (276,000) of all dwelling units and received more than 30 percent ($400 million) of operating subsidies. The 21 PHAs on the current list administer 18 percent (210,300) of all dwelling units and receive 21 percent ($283 million) of operating subsidies.

In March 1984, the last of these 16 reports was issued. The individual reports identified major problems that contributed to the PHAs' financial difficulties. The chart below together with the brief narratives summarize the problems:

- Maintenance – Management planning and oversight of maintenance were often lacking. This caused premature deterioration of housing units, extended timeframes in preparing units for occupancy, and excessive operating costs.

- Vacant/Uninhabitable Units – Several PHAs experienced serious vacancy problems and some could not maintain large portions of their housing units in decent, safe, and sanitary condition.

Problem Area / PHAs	Camden	Columbus *	Detroit	Indianapolis *	Jersey City	Memphis	Montgomery *	Newark	New Orleans	Oakland	Oklahoma City *	Paterson *	Portland *	Providence *	Tampa	Wilmington	Total
Maintenance	●	●	●	●		●	●	●	●	●	●		●	●	●	●	14
Vacant/Uninhabitable Units	●	●	●	●			●	●	●	●				●	●	●	11
Tenant Selection, Placement, Collection	●	●	●	●	●		●	●	●		●	●	●	●	●		13
Utilities and Energy Conservation	●	●	●		●	●	●	●	●			●	●			●	11
Subsidizing Local Services									●	●	●	●			●		5
Costly Projects	●	●	●				●	●	●	●				●		●	9
Procurement/Inventory			●	●		●	●	●	●	●			●		●	●	10
Administrative Controls	●	●	●		●	●	●	●	●	●	●	●	●	●	●	●	15
Overall Management	●		●	●		●		●	●					●		●	8

* As of March 31, 1984, these PHAs are no longer categorized as financially troubled by HUD. In addition, since some reports were issued as early as May 1983, the issues reported in many instances have been resolved.

• Tenant Selection, Placement, Collection – Tenants owed PHAs a substantial amount of money in unpaid rent. These problems were compounded by poor tenant screening and the lack of effective collection and eviction policies.

• Utilities and Energy Conservation – Sufficient steps were not being taken to reduce energy costs or pass along increased costs to tenants. Energy audits were not performed or used properly and other energy conservation measures were not implemented.

• Subsidizing Local Services – PHAs incurred costs for essential services that would normally be provided by local governments.

• Costly Projects – Development deficiencies with regard to certain high density units were creating a disproportionate financial drain on PHA resources.

• Procurement/Inventory – Most PHAs had sound procurement policies and procedures; however, some did not implement these procedures in making purchases and maintaining inventory levels.

• Administrative Controls – Better administrative controls and practices were needed in the areas of accounting, budgeting and staffing.

• Overall Management – At some PHAs, problems were so severe and pervasive that the overall management appeared either incapable or unwilling to address the problems.

On April 2, 1984, a summary of the audits of financially troubled projects was transmitted to the Assistant Secretary for Public and Indian Housing discussing the various operational problems. This summary discusses operational problems with respect to HUD's dealings with financially troubled PHAs in addition to those common problems noted during our audits. The report makes various recommendations to the Department including: (1) improving the system for identifying and correcting troubled PHAs; (2) providing additional HUD direction and technical assistance for troubled projects; (3) evaluating the need for continuing modernization funding at seriously deteriorated projects; (4) precluding PHAs from receiving operating subsidies for vacant units; (5) developing operating standards which can be used to evaluate the efficiency of PHA operations; (6) coordinating PHA and other HUD housing development programs to avoid needless competition for units; and (7) determining the cost/benefit of administering scattered site and other high-cost housing projects.

The following summaries highlight selected audit report findings concerning the financially troubled PHA audits completed during this reporting period.

Significant Operational and Managerial Deficiencies at Newark Redevelopment and Housing Authority

Problem

Inefficient management practices restricted the ability of the Newark Redevelopment and Housing Authority (NRHA) to operate its projects effectively, efficiently, and economically. As a result, significant revenues were lost and many low-income tenants were not provided safe and sanitary housing.

Discussion

The NRHA has not developed adequate management procedures for overseeing its maintenance program, has not made maximum use of available resources, and has not operated its maintenance programs in an efficient and economical manner. As a result, the housing stock continues to deteriorate, leaving 34 percent of the 12,904 units unoccupied. Potential income lost due to these vacancies is $6 million annually.

The NRHA received operating subsidies for numerous uninhabitable units that, by their own admission, will remain unoccupied for the foreseeable future. During Fiscal Years 1980 through 1984, the NRHA received over $25 million of subsidy for vacant units through the Performance Funding System (PFS).

The deteriorated nature of much of NRHA's housing stock also results in additional costs through the expenditure of modernization funds to renovate housing units to habitable conditions. The NRHA does not have a fully developed modernization strategy with definite timetables for implementation. As a result, actual costs may be higher due to the effect of inflation on the original budget estimates.

Other deficiencies were noted with respect to adherence to sound procurement policies, financial statement preparation, rent collection practices, and controls over motor vehicles.

Recommendations were made to improve maintenance operations, develop a plan for the reoccupancy of habitable units, develop timetables for expending available modernization funds, improve procurement operations, and comply with HUD requirements for financial reporting. In addition, numerous recommendations were made to the Newark Office to monitor the implementation of corrective actions.

Status

The audit report, "Newark Redevelopment and Housing Authority, Newark, New Jersey," was issued to the Manager of the Newark Office on March 29, 1984. A response is due by May 28, 1984.

Substantial Improvements Needed by Housing Authority of New Orleans

Problem

The Housing Authority of New Orleans, Louisiana (HANO), has not taken adequate steps to reduce costs, to increase income, and to improve operations. This has contributed to the distressed financial condition of HANO and the deterioration of project grounds and structures.

Discussion

The HANO administers a Low-Income Housing Program whose operating expenses for the 6 years ending September 30, 1983, were $154.3 million. HUD operating subsidies amounted to $73.1 million. HANO was designated as a financially troubled public housing authority in 1979, and it has continued to have financial difficulties since then. There are certain steps the HANO has not yet taken which would improve its financial position and the physical condition of its projects.

First, the HANO could save $2.4 million annually in operating expenses by taking action to remove 2,118 problem units from their inventory. This action would also save $25.2 million for the planned modernization of these units. These problem units, constituting 17 percent of HANO's total units, offer unsatisfactory living conditions, have no long-term viability, and create a serious financial drain on HANO.

HANO's maintenance operations are overstaffed, inefficient, and unproductive in many areas resulting in unsafe and unhealthy housing conditions. Through better management, HANO could reduce maintenance costs by approximately $1 million annually while improving the quality of service.

HANO has failed to implement energy conservation measures. At one of their 10 projects, we estimated that effective energy conservation measures could save HANO $238,000 annually. Similar savings are possible at other projects if HANO conducts required energy audits and implements conservation measures.

The HANO has an ineffective tenant management system. For the 5 years ended September 30, 1983, tenant accounts receivable and collection losses increased 300 and 430 percent, respectively. Losses due to vacancies were over $560,000. Almost $2 million were needed to rehabilitate heavily vandalized units.

Recommendations were for the HUD Field Office and HANO to jointly develop a strategy for improving the financial situation and the living conditions. Additional recommendations were for HANO to: (1) develop an adequate maintenance plan, reorganize the maintenance operations, and improve its management information system; (2) perform energy audits for the remainder of its projects and request funding to implement the necessary energy conservation measures; and (3) submit a detailed plan to HUD which addresses its tenant management problems.

Status

The audit report, "Housing Authority of New Orleans, Low-Income Housing Program," was issued to the Acting Manager of the New Orleans Office on December 29, 1983. The Acting Manager's response was received on March 23, 1984. Currently, one report finding has been resolved based on promised action of the New Orleans office. However, three report findings remain unresolved as the Regional Inspector General for Audit and the Field Office have not agreed on a course of action.

Management Problems at Camden Housing Authority

Problem

Management problems at the Camden, New Jersey Housing Authority (CHA) hampered effective operations. Maintenance staff were not adequately supervised and significant income was lost due to vacant units.

Discussion

The CHA did not effectively monitor the productivity of its maintenance staff and could not account for a substantial percentage of their time. Housing stock continued to deteriorate causing an increased vacancy rate. Many units were uninhabitable and required extensive rehabilitation. The CHA lost over $450,000 annually in potential rental income because of its vacant units. However, over a 4-year period, it received more than $1.2 million in operating subsidies for units that were not available for occupancy for 6 months or longer. The CHA has not instituted certain energy conservation measures which could reduce utility costs by $120,000 annually.

CHA management problems also resulted in HUD overpayments of approximately $1.6 million. The CHA failed to make proper end-of-the year utility adjustments totaling almost $1.5 million. Also, the CHA failed to repay HUD $162,000 of a duplicate modernization payment. The CHA's accounting system provided neither an accurate record of operations nor adequate control over its financial data.

Recommendations were for the Newark Office to: (1) direct the CHA to establish time standards and an accounting procedure to monitor the maintenance staff's production; (2) instruct the CHA to establish and maintain books of accounts in accordance with prescribed procedures and to exclude from calculations of operating subsidies units not made available for occupancy; and (3) determine how the excess HUD funds received by the CHA should be returned.

Status

The audit report, "Camden Housing Authority, Low-Income Housing Program," was issued on October 28, 1983, to the Newark Office Manager. All findings have been resolved and the Newark Office has sustained the finding concerning over $1 million of excess subsidies. The CHA's 1984 budget is being adjusted by this amount.

Management Improvements Are Needed at the Columbus Metropolitan Housing Authority

Problem

Potential energy savings were not realized by the Columbus, Ohio Metropolitan Housing Authority (CMHA). In addition, management improvements were needed in the area of tenant selection and maintenance management.

Discussion

The CMHA administers a low-income housing program consisting of approximately 4,800 rental units. HUD subsidies are about 45 percent of the total revenue. The CMHA has not taken steps to correct all the problems that caused past financial difficulties.

Although utility costs increased more than 300 percent between 1973 and 1983, the CMHA did not have energy audits done timely and, therefore, potential energy savings of over $500,000 were not realized. Additionally, the CMHA has not revised tenant utility allowances since 1972. As a result, tenants paid excessive utility costs between 1972 and 1983 estimated at $2.2 million.

The CMHA's 13 percent vacancy rate resulted in an annual loss of rental income of almost $500,000. The CMHA also did not have a system to ensure evictions for nonpayment of rent. This contributed to tenant accounts receivable (unpaid rent) of $167,600 as of June 30, 1983, and write-offs of $110,000 in uncollectible rents.

The CMHA did not adequately manage its maintenance program. Labor hours were not documented; work orders were not properly prepared; labor costs were not correctly allocated to projects; and supervision was not documented. The CMHA also had more automobiles than it could effectively use. Thirty cars were available, but many were idle much of the time. The CMHA could save the costs of purchasing, insuring, maintaining, and operating the excess fleet.

The CMHA did not evaluate the economic feasibility of maintaining scattered sites. The overall costs for operating the scattered site units significantly exceeded those for comparable apartment-type projects.

The CMHA was previously designated by HUD as a troubled housing authority when its 1981 operating reserves fell below minimum levels. It was removed from the troubled category after its 1982 reserves increased to 25 percent of maximum operating reserves. The CMHA recovery was due to: (1) an unusually high investment income; (2) an estimated $1.2 million in excess performance funding; and (3) a reduction in operating costs resulting from a 30 percent staff reduction. The last item is a positive step by CMHA towards long-term improvement of its financial condition. However, the benefits gained will be quickly lost if the above mentioned problems are not corrected.

Recommendations to the Columbus Office Manager were to require the CMHA to: (1) update utility allowances and monitor utility rate changes; (2) determine whether the CMHA should reimburse tenants for the inadequate utility allowances; (3) obtain energy audits and implement the audit recommendations; (4) enforce the eviction policy and revise its procedures to quickly rent vacated units; (5) implement controls over the maintenance program and determine how many automobiles should be disposed of as excessive; and (6) address the high cost of operating scattered site units.

Status

The audit report, "Low-Income

Housing Program, Columbus Metropolitan Housing Authority," was issued to the Manager of HUD's Columbus Office on December 9, 1983. Based upon the Columbus Office's planned corrective action with respect to the problems cited in our report, all findings were resolved on March 20, 1984. The planned corrective action is now in the implementation process.

Other PHA Problems

In addition to our reviews of specific troubled projects, we examined a number of other aspects of the Public Housing program. A summary of these audits is discussed below.

HUD Pays Public Housing Agencies Excess Operating Subsidies

Problem

HUD paid Public Housing Agencies (PHAs) excess operating subsidies under the Performance Funding System (PFS). Our examination of 71 PHAs found that operating subsidies paid over a 5-year period exceeded by $123 million the amounts that would be paid if actual rather than estimated figures had been used.

Discussion

HUD provides subsidy payments to assist PHAs in meeting certain deficits in their operations. These payments are in addition to HUD's annual contribution for debt service. The operating subsidy payments are based on the PFS. Under the PFS, a PHA estimates its next year's income from rents, investments, and other sources. From this income estimate, the PHA deducts an amount for expenses based on a HUD formula.

We reviewed 71 PHAs nationwide. They received nearly half the operating subsidies paid to all PHAs. Our review showed that these 71 PHAs' income estimates were $236 million lower than their actual income. This resulted in their receiving $123 million in excess operating subsidies.

Based on the ratio of units in the review (44 percent) to total PHA units nationwide, we estimate that incomes exceeded the estimated amounts by about $522 million, which resulted in payments to the PHAs of $296 million in excess operating subsidies.

HUD Field Office staffs were generally unfamiliar with PFS requirements and did not detect or follow up on PHA errors in computing income estimates. These errors included using the wrong rent rolls, improperly considering vacancies, or improperly adjusting for tenants' utility allowances.

Recommendations were that HUD change the regulations to require that income estimates be adjusted to the actual income for operating subsidy computations. Field Office and PHA staffs should be trained on PFS income projection requirements. Additionally, HUD should require PHAs with 500 or more units to reimburse the Department for excess subsidies received due to income underestimates.

Status

The audit report, "Income Projections Used by Public Housing Agencies Under the Performance Funding System," was issued on January 20, 1984, to the Assistant Secretary for Public and Indian Housing (PIH). In response, the Assistant Secretary informed us on April 11, 1984, that the regulations will be revised and in effect for PHA fiscal years beginning January 1, 1984. In addition, monitoring procedures will be improved and training (on income estimate requirements) will be provided by June 1984. Last, PIH staff will reexamine subsidy calculations for the latest 2-year period for which calculations were submitted by PHAs with 500 or more units. They will recover from the PHAs all excess subsidies which are the result of PHA error. This reexamination was also included as an objective in the Regional Administrator-Regional Housing Commissioner's Fiscal Year 1984 Management Plan. Based on the Assistant Secretary's response and promised corrective actions, the finding in the report is considered resolved.

Better Determination of PHA Administrative Fees Needed

Problem

The current method used to pay Section 8 administrative fees to Public Housing Agencies (PHAs) is not equitable because it does not relate to actual needs.

Discussion

PHAs are paid a fee for administering the HUD Section 8 Existing Housing program. This fee is based on a percentage of the fair market rent or a minimum amount for each month a unit is rented. Fees exceeding actual administration expenses are placed in operating reserve accounts. HUD has no control over PHA use of these reserves, other than requiring they be used for any housing purpose consistent with State and local laws.

A review of financial reports for 147 PHAs disclosed that: (1) over a 2-year period, the PHAs received $75.7 million in administrative fees and these fees exceeded the PHAs' actual administration expenses by 21.8 percent or $16.5 million; (2) the PHAs had $16.3 million in Section 8 operating reserves at their latest fiscal year end; and (3) $11.9 million were withdrawn from operating reserves during the 2 fiscal years.

The overall profit margin (21.8 percent) coupled with the substantial operating reserve withdrawals and balances indicates a need to change to a more equitable system. For example, if the results of our review are indicative of the universe, then the accumulated operating reserves for the more than 1,900 PHAs administering the program could cost the Federal Government $20 million in interest annually to fund the reserves.

In addition, our site visits to 29 PHAs showed a need for HUD to improve monitoring to assure that fees claimed are accurate. At 11 of the 29 PHAs reviewed, claims exceeded the actual fees earned by about $337,000.

Recommendations were that the method currently used to determine the amount of the administrative fee be revised to a method more in line with actual needs of a PHA to administer its program. Additionally, HUD should supplement its monitoring procedures for testing the unit months used by Regional Accounting Divisions in the calculation of year-end settlement vouchers.

Status

The audit report, "Section 8 Existing Housing Program Administrative Fees," was issued on November 23, 1983, to the Assistant Secretary for Housing-Federal Housing Commissioner. Based on the Assistant Secretary's response, the findings were resolved on March 14, 1984. The Department has initiated action which should provide a more equitable level of assistance to PHAs for the administrative tasks being performed.

Need for Better Targeting of PHA Modernization Funding

Problem

The Comprehensive Improvement Assistance Program (CIAP) for Public Housing Agencies (PHAs) is not being effectively administered by HUD. Consequently, no assurance exists that: (1) projects funded are financially feasible; (2) costs are reasonable; and (3) PHAs are capable of carrying out the proposed modernization work.

Discussion

The CIAP is designed to target funds for the substantial rehabilitation of PHA projects. This comprehensive approach is designed to identify and provide for physical and management improvements needed by PHAs.

Our review found that progress in implementing the program has been slow. As of December 31, 1982, 39 of the 59 (about two-thirds) PHAs we reviewed had spent less than 25 percent of the monies budgeted for their projects. This included 13 PHAs that had expended less than 5 percent of their budgeted amounts. All of the projects had been in existence for over a year and rehabilitation should already have begun.

There were several reasons for the lack of progress. First, funds were not allocated from Headquarters to the Field Offices and from the Field Offices to the PHAs in a timely manner. For Fiscal Years 1981 and 1982, the Field Offices received their funding assignments from Headquarters more than 7 months after the start of the fiscal year. The PHAs, in turn, did not have enough time to thoroughly assess their modernization needs, and Field Office staffs did not have enough time to thoroughly review PHAs' applications for modernization funds. Second, Field Offices were too involved in routine processing activities and did not take advantage of the new certification process which allowed Field Offices to delegate more responsibility to capable PHAs. Third, program requirements and guidelines were revised frequently by Headquarters, but changes were not disseminated to the Field Offices in a timely manner.

Our audit also disclosed that PHAs were not performing required energy audits, Field Office monitoring was not effectively carried out, and Field Offices were not evaluating the need for modernization advances. As a result, modernization projects are not being completed on schedule, and PHAs are reducing the scope of these projects or are requesting additional funding to complete their projects.

Two related internal audits were also issued during this reporting period. They are: "Deficiencies in Monitoring Public Housing Authority Operations," Portland, Oregon, and "CIAP Funding Approved Without Acceptable Energy Audits," Seattle, Washington. In these audits, Field Offices were criticized for approving PHA modernization funding without acceptable energy audits. The PHAs identified energy conservation measures for energy audits which were based on assumptions as to what they considered potentially cost effective. However, HUD regulations require that the energy audits be used to identify the conservation measures necessary as well as their potential payback period.

The specific recommendations for the Portland and Seattle audits were to obtain the required energy audits, improve monitoring coverage, and improve reviews of requests for modernization advances.

The nationwide recommendations were to improve the project review and selection process by: (1) beginning the application process earlier in the year; (2) allowing PHAs more time to prepare applications; (3) allowing Field Office staffs more time to review applications; and (4) assuring that changes in program requirements are disseminated in a timely manner.

Status

The audit report, "Comprehensive Improvement Assistance Program for Public Housing Agencies," was issued to the Assistant Secretary for Public and Indian Housing on December 19, 1983. The Assistant Secretary responded to the final report on February 22, 1984, and has taken action to correct the problems noted in the report.

The audit report, "Deficiencies in Monitoring Public Housing Authority Operations," was issued to the Portland Office Manager on November 15, 1983, and the Portland Office has implemented corrective action with respect to the recommended actions in the report.

recommended actions in the report.

The audit report, "CIAP Funding Approved Without Acceptable Energy Audits," was issued to the Director, Office of Housing, Seattle Office, on January 26, 1984. The Seattle Office responded to the report on March 28, 1984. Based on the Seattle Office's response, the findings were resolved and corrective action is in the process of being implemented.

Ineffective HUD Monitoring of Denver Housing Authority

Problem

The Denver, Colorado Housing Authority (DHA) mismanaged HUD funds by using over $5.5 million for ineligible programs and activities. HUD's Denver Office failed to adequately monitor the DHA and, therefore, allowed the problems to continue.

Discussion

The DHA managed 30 low-rent housing projects under three separate Annual Contributions Contracts with HUD. Under these contracts, DHA received funds directly from HUD. The City and County of Denver, Colorado, also contracted with the DHA to carry out several HUD-funded Community Development Block Grant (CDBG) activities. The DHA was responsible for spending HUD monies, whether received directly or indirectly, on eligible program activities only. Any revenues which DHA generated from these activities were also to be used for eligible activities only. HUD's Regional Office was responsible for monitoring all housing authorities in its jurisdiction, noting the deficiencies, and making recommendations to correct the problems.

The DHA used over $3.5 million in assisted housing money to fund ineligible programs. Much of this was used to acquire additional (non-HUD) projects. The DHA diverted $700,000 in assisted housing income to other (non-HUD) projects. The records of these transfers were missing or destroyed and could not be documented or explained by the DHA.

CDBG program revenues of $500,000, resulting from the sale of CDBG-acquired properties and related investment income, were retained by the DHA and used for ineligible programs. HUD regulations require that these funds be returned to the City which will reprogram them for eligible CDBG activities. The DHA used other CDBG funds totalling over $200,000 to acquire certain unauthorized properties.

The DHA also had problems with their contracting and procurement activities. Job functions of purchasing, warehousing, disbursing, and recording supplies and equipment were not kept separate and distinct. Instead, all responsibilities rested with one individual. This absence of internal controls allowed procurement procedures to be circumvented. Our review questioned $600,000 of such costs.

Recommendations were that the DHA be directed to return funds (including any investment income earned) to the proper program account, to segregate procurement and contracting duties, and to incorporate the necessary internal controls.

We also conducted an audit of HUD's Denver Regional Office (DRO) to determine why the DRO had not corrected these problems. Our audit showed that the DRO failed to adequately monitor DHA activities. They did not measure (or know) the full impact of deficiencies in DHA internal controls and accounting procedures. As a result, DRO recommendations failed to correct DHA problems and, in some instances, even compounded them.

Recommendations were for the Regional Office to: (1) thoroughly review DHA operations; (2) improve the procedures for examining and approving acquisitions and purchases; and (3) train staff in these procedures.

Status

The external audit report, "Low Rent Housing Programs and Community Development Block Grant Programs, Housing Authority of the City and County of Denver, Colorado," was issued to the Regional Administrator-Regional Housing Commissioner on October 12, 1983. Based upon the Regional Office's response to take corrective action, all findings were considered resolved on February 9, 1984.

The internal audit report, "HUD Monitoring of Housing Agency Procurement and Contracting Activities, Region VIII," was issued to the Regional Administrator-Regional Housing Commissioner on March 20, 1984. The Region has agreed to implement the recommendations in the report.

Improper Administration of Section 8 Moderate Rehabilitation Program

Problem

Improper actions have resulted in the inclusion of excessive and ineligible rehabilitation costs in contract rent computations at two Housing Authorities administering HUD's Section 8 Moderate Rehabilitation Program.

Discussion

Under the Section 8 Moderate Rehabilitation Program, developers/owners repair units to meet HUD-established standards. Rental charges and, in turn, HUD subsidy amounts, are based in part on verified repair costs. Two audits issued during this reporting period discuss problems in program administration.

The Housing Authority of the Birmingham District, Birmingham, Alabama, included ineligible/questioned costs of about $381,000 in computing rents for 184 units under seven Housing Assistance Payment (HAP) contracts. The costs were questionable because actual rehabilitation costs were not supported or ineligible costs were included in the computation of contract rents. If these costs are not deducted from the amounts allowed in computing contract rents, HUD's expense over the 15-year life of the contracts will be increased by $1.7 million.

Because neither the Bellingham Housing Authority, Bellingham, Washington, nor the subcontractor retained to manage the program fully understood program requirements, computed contract rents were excessive. We found that the Housing Authority's computations were in error or data was not supportable for nine projects under contract with 35 units. Over the 15-year contract period, if not adjusted, the excessive contract rents would cost HUD $362,520. In addition, seven units previously in the Section 8 Existing Program were allowed in the Moderate Rehabilitation Program. These units are ineligible and the contract rents over the 15-year contract period amount to $447,120.

Recommendations were that the Housing Authorities recompute contract rents and reimburse HUD for excess subsidies made to date. In addition, the Bellingham Housing Authority should terminate the HAP contracts on the seven ineligible units.

Status

The audit report, "Housing Authority of the Birmingham District, Birmingham, Alabama, Section 8 Moderate Rehabilitation Program," was issued to the Manager of the Birmingham Office on October 21, 1983. The Birmingham Office agreed with the report and all findings are considered resolved based on promised actions.

The audit report, "Housing Authority of the City of Bellingham, Washington, Section 8 Moderate Rehabilitation Program," was issued to the Director, Office of Housing, Seattle Regional Office, on March 30, 1984. A response is due by May 29, 1984.

Management and Operations of the Consolidated Supply Program Are Deficient

Problem

Management and procedural deficiencies prevent the Consolidated Supply Program (CSP) from fully meeting its objectives of reducing Public Housing Agencies (PHAs') procurement costs. Because of internal control weaknesses, the program is susceptible to abuse and irregularities.

Discussion

Under the CSP, HUD contracts with suppliers from whom PHAs may obtain goods and services by executing a purchase order. The process is intended to reduce PHAs' procurement costs by providing the price benefits of competition while eliminating the costs of preparing individual specifications and advertising for bids. CSP sales, as reported by CSP contractors, increased from $53 million in 1978 to about $140 million in 1982.

Through competitive bidding, some PHAs have obtained goods and services at lower prices than by using the CSP. For example, one PHA obtained competitive bids for 3,000 refrigerators and received a price $56,000 less than the CSP price from the same CSP contractor. In another instance, one PHA received energy audits at a price $11,000 less than that of the CSP contractor by obtaining competitive bids. The CSP has not achieved the full price advantages that should be possible through a centralized competitive process. This results from ineffective contract award procedures and inappropriate limitations on competition.

Ineffective management has adversely affected the achievement of CSP objectives. Although CSP has operated since 1954, management has not developed a system to measure its effectiveness. Management does not monitor PHA or contractor compliance with program requirements.

In addition, internal control deficiencies regarding separation of duties of staff members who manage the program as well as let contracts, maintain bidders' lists, process bids, and establish commodities standards do not provide the Department assurance that errors or irregularities in CSP will be detected.

Fifteen specific recommendations were made for reducing CSP costs, increasing competition, and improving contract award criteria as well as for improving program management and correcting internal control deficiencies.

Status

In response to the draft report, the Assistant Secretary generally concurred with the findings and recommendations and is taking steps to improve operating procedures. Certain functions related to contracting will be transferred to the Office of Procurement and Contracts.

The final audit report, "Review of HUD's Consolidated Supply Program," was issued to the Assistant Secretary for Public and Indian Housing on March 14, 1984. A response to the report is due by May 14, 1984.

Community Planning and Development

The Housing and Community Development Act of 1974, as amended, authorizes the Secretary to make grants to units of general local governments and States for the funding of local community development programs. In 1984, approximately $2.4 billion are budgeted for assistance to 790 entitlement communities and approximately $1 billion are budgeted for the State Small Cities Program which serves 47 States and Puerto Rico.

In addition, $440 million are budgeted for Urban Development Action Grants to assist severely distressed cities in the revitalization of deteriorated neighborhoods.

Violations Recur - $1.3 Million in CDBG Funds Misused

Problem

The Municipality of Ponce, Puerto Rico, disregarded Community Development Block Grant (CDBG) program requirements in the areas of procurement, letter-of-credit drawdowns, and eligibility of program costs. Approximately $4.1 million in expenditures were made in violation of procurement regulations. Another $1.3 million in grant funds were questioned or disallowed.

Discussion

HUD provides CDBG funds to local communities to carry out approved community development projects. Communities receiving these funds must comply with program requirements and demonstrate the capacity to administer and monitor the timely progress of approved projects or services.

In carrying out its procurement functions, the Municipality of Ponce (grantee) disregarded most of the requirements of OMB Circular No. A-102, "Uniform Administrative Requirements for Grants-in-Aid to State and Local Governments," Attachment O. Most contracts were awarded without competition, work completed was seldom inspected, and contractors' billings were not verified. This resulted in the grantee's awarding contracts to contractors with possible identity-of-interest relationships, paying excess or duplicate costs, and accepting goods and services without knowing if they conformed to the amount and quality purchased. This deficiency has been brought to the grantee's attention in audit and monitoring reports since the program started in 1975.

The grantee invested rehabilitation lump-sum drawdowns and other program funds in securities, which is not authorized, and may have suffered a loss on the sale of those securities. Also, the grantee violated procedures in making an $800,000 loan to the City of Ponce, Puerto Rico, using letter-of-credit drawdowns.

Other deficiencies included the questionable use of program funds for: (1) improvements to a municipality-owned building; (2) equipment for a waste disposal facility; (3) rehabilitation loan subsidies to ineligible participants; and (4) ineligible and questionable consulting service contracts.

Based on the problems noted, costs of $751,450 were disallowed and $616,594 were questioned. In addition, because of the disregard for the requirements of OMB Circular No. A-102 by the Municipality of Ponce, we have asked the Field Office to review the reasonableness of $4.1 million in costs incurred by the grantee.

Recommendations were that HUD: (1) exercise the option granted by OMB Circular No. A-102, Attachment O, and require the grantee to submit for pre-award review and approval all proposed contracts over a certain amount; (2) direct the grantee to sell the securities in question and return the proceeds to the program; and (3) charge the grantee interest on the $800,000 loan made to the City at the going Treasury rate until all funds are returned to the program.

Status

The audit report, "Community Development Block Grant Program, Municipality of Ponce, Puerto Rico," was issued to the Manager of the Puerto Rico Office on February 13, 1984. The City has repaid the $800,000 loan to its block grant account. The Municipality's response to the report dated April 16, 1984, is being evaluated by HUD's Puerto Rico Office.

$2.6 Million in UDAG Funds Not Used in Line with Grant Agreement

Problem

The developer of an industrial park in Charlotte, North Carolina, has not met the requirements of an Urban Development Action Grant (UDAG) agreement concerning investment of private funds, creation of jobs, and repayment of Federal loan funds. Because of discrepancies involving the investment of private funds, the $2.6 million grant made to the developer appears questionable.

Discussion

UDAG funds are awarded to city governments through an agreement with HUD stating that funds are to be used solely for authorized purposes and in accordance with terms of the agreement. HUD regulations require that any significant changes to such agreements be approved by the Department.

The City of Charlotte, North Carolina (grantee), loaned $2.6 million in UDAG funds to the developer of an industrial park. The $2.6 million in UDAG funds were necessary to supplement $19.3 million in private dollars in order to make the project financially feasible. With approximately 80 percent of the estimated completion time used, the developer had incurred only about $7.2 million of the $19.3 million in costs which were required to be paid from private funds. This slow rate of expenditures indicated that the developer either would not complete the required project activities by the completion deadline, or if completed, the project cost would be less than estimated, making the UDAG loan inappropriate. Within the same time period, the grantee and the developer had met only 22 percent of the requirement to create 770 new permanent jobs. Also, the grantee maintained no data to measure compliance with the requirement to create jobs for low- and moderate-income persons.

The grantee also failed to monitor the expenditures of the UDAG loan funds by the developer to determine if they were used in accordance with the project budget.

The developer contracted to sell part of the project site before the grantee executed its agreement with the developer. Because of the terms of the land sale, the developer avoided repaying $117,061 of the UDAG loan. After the land was sold, the developer made a profit of $48,669 by constructing a building on the land and claiming the construction of the building in meeting its project development requirements.

Recommendations were that the grantee: (1) obtain and verify data on actual costs incurred by the developer and require a repayment of the UDAG loan for any failure by the developer to use the UDAG loan funds for eligible costs, spend $19.3 million of private funds, or complete construction of the industrial buildings; (2) develop new strategies for meeting the jobs goals and that HUD review the number of jobs obtained at the project completion date and either extend the completion date or impose sanctions as appropriate; and (3) require the developer to either repay the $117,061 in loan funds or not include the building in meeting the developer's development requirements.

Status

The audit report, "City of Charlotte, North Carolina, Urban Development Action Grant Program," was issued to the Manager of the Greensboro Office on February 14, 1984. We received the Manager's response on April 11, 1984, and are currently evaluating these comments.

Subgrantee Mismanages Portland Housing Rehabilitation Program

Problem

The Portland Development Commission, a subgrantee for the City of Portland, Oregon, mismanaged its Single Family Housing Rehabilitation Program by emphasizing loan production and use of all available funds instead of focusing on program objectives. This led to substandard housing, rehabilitation work that was performed unsatisfactorily or not at all, and loans which did not meet underwriting guidelines.

Discussion

The Section 312 and Community Development Block Grant (CDBG) loan programs of the City of Portland, Oregon, are administered by the Portland Development Commission (a subgrantee). Rehabilitation loans from these programs are intended to assist low- and moderate-income families to bring their homes up to local housing codes and/or correct serious deficiencies.

The Portland Development Commission mismanaged its single family housing rehabilitation program. In carrying out the program, the Commission placed primary emphasis on producing loans and using all the loan funds available without regard to national and local program objectives and requirements. Certain homeowners were in a worse position after participating in the program because of substandard work and legal fees associated with getting deficiencies corrected. This occurred because the Commission ignored underwriting guidelines to qualify applicants and then placed virtually all technical and administrative responsibilities on homeowners. Based on a statistical sampling of the 2,367 loans made during the 41-month period ended May 31, 1983, we are 95 percent confident that:

- 50 to 70 percent of the applicants failed to meet underwriting guidelines, i.e., incorrect income determinations, excessive debt, poor credit histories.

- work paid for was either not performed or not performed satisfactorily for at least 199 or 8 percent of the loans valued at $1.6 million.

- Homes were not brought up to local codes as required for at least 90 or 4 percent of the loans valued at $780,049.

In total, we projected that between 1,327 and 1,841 loans had one or more of the reported deficiencies.

In addition, the audit disallowed costs of $297,536 for ineligible investor rehabilitation loans, ineligible use of investor loan funds, an ineligible community facility, and other administrative matters.

Both the City and the Commission have taken some action to improve the program, e.g., improvements in underwriting, but more corrective actions are needed. We recommended that: (1) the Commission establish controls to ensure that required work is completed in an acceptable manner and at a reasonable price; (2) the City develop quality control procedures over underwriting decisions; (3) HUD revoke Section 312 loan authority and the City reduce CDBG funding for the program until the Commission can demonstrate it has the capacity to effectively use the funds; and (4) the City identify homeowners who paid for work either not performed or not performed satisfactorily and initiate action to have the work completed in an acceptable manner.

Status

The audit report, "Community Development Block Grant Program, City of Portland, Oregon," was issued to the Portland Office Manager on March 30, 1984. A response is due by May 30, 1984.

City of Detroit Mismanages CDBG and UDAG Programs

Problem

The City of Detroit, Michigan (grantee) has not administered its Community Development Block Grant (CDBG) and Urban Development Action Grant (UDAG) programs in accordance with HUD requirements. The City misused letter-of-credit funds, inadequately monitored a maintenance subgrantee, and incurred excessive rehabilitation administrative costs.

Discussion

Both UDAG and CDBG funds are awarded to City governments through an agreement with HUD stating that funds are to be used solely for authorized purposes. Regulations require that any significant changes to such agreements be approved by HUD.

In 1980, HUD authorized the grantee to temporarily use CDBG letter-of-credit funds instead of Section 108 loan guarantee funds, for financing the Central Industrial Park project. Accordingly, the grantee used CDBG letter-of-credit funds ranging from $46 million to $74.4 million interest-free for over 3 years. Interest cost to the Federal Government for the grantee's use of these funds during the period was $24.9 million. HUD also authorized the grantee to retain interest from investing Federal funds with the understanding that the income would be placed in an escrow account. The grantee earned interest totaling $3,430,223 on funds earmarked for escrow and other Federal funds advanced to the project. Because it did not meet HUD's conditions for retaining cash requirements, we disallowed $3,430,223 that should be returned to the Treasury.

The grantee did not adequately monitor the operations of a maintenance subgrantee and did not require the subgrantee to correct operational deficiencies previously identified in HUD monitoring reviews. In addition to mismanaging its CDBG-funded small repair program, the subgrantee used CDBG funds to pay the salary of a debarred employee. Accordingly, we disallowed the employee's salary costs of $31,131.

The grantee incurred rehabilitation administrative costs of $1,458,673 between July 1, 1982, and June 30, 1983, in excess of HUD-suggested guidelines. Additionally, the rehabilitation staff processed, on the average, 8 cases per rehabilitation staff person, a ratio significantly less than the HUD guideline of 25 cases per staff person. High administrative costs, coupled with low productivity, indicated that the grantee did not effectively and efficiently manage its rehabilitation programs. We questioned the $1,458,673 in rehabilitation administrative costs.

In addition, we identified another $4,595,755 that the grantee should support as reasonable and necessary program expenses, or reimburse costs to the CDBG program. These included expenditures of $2,534,474 by the maintenance subgrantee, $1,887,287 spent on administrative staff, site offices, and operating costs for 16 citizen district councils, and $174,000 to install a brick patio and retaining walls at a low-income housing project administered by the Detroit Housing Department.

Recommendations were that the Detroit Office Manager require the grantee to: (1) return to the Treasury the $3,430,223 in interest income; (2) cease providing CDBG funds to the maintenance subgrantee until it demonstrates the capacity to operate the small repair program in accordance with Federal regulations; and (3) provide justification to support the reasonableness of the excess rehabilitation administrative costs. In addition, $4,595,755 in costs incurred by the grantee should be supported or reimbursed to the CDBG program.

Status

The audit report, "Community Development Block Grant and Urban Development Action Grant Programs, City of Detroit, Michigan," was issued to the Regional Administrator-Regional Housing Commissioner on March 30, 1984. A response is due by May 30, 1984.

Over $600,000 in Excess Grant Funds Not Returned to HUD

Problem

The New Haven, Connecticut Redevelopment Agency has not submitted a final financial statement on the Church Street Urban Renewal project, although over 10 years have passed since the closeout agreement. As a result, HUD has not received excess grant funds, plus interest income, amounting to nearly $602,000.

Discussion

The HUD contract with Urban Renewal grantees specifies that program revenues generated from the operation of Federally aided projects are to be applied against project costs and used to reduce HUD grants.

The Church Street Urban Renewal project in New Haven, Connecticut, was closed out under Section 213 early closeout procedures in November 1973. In a 1979 audit report, we recommended that the Hartford Office obtain final financial settlement by requiring that the New Haven Redevelopment Agency submit a supplemental completion certificate and that the project grant be recomputed and the excess grant monies returned to HUD. Based on an anticipated reduction in site improvements and other activities, a substantial grant overpayment due HUD was expected at that time.

The New Haven Redevelopment Agency has yet to submit a final financial statement on the project or return excess grant funds to HUD. Since all activities stated in the early closeout agreement have been either completed or are not planned to be undertaken, the project should be financially settled and surplus funds returned to HUD. These funds amount to nearly $602,000.

Recommendations were for HUD to instruct the New Haven Redevelopment Agency to take immediate action to submit a final financial statement on the Church Street project, recompute the Federal grant, and repay excess funds to HUD.

Status

The audit report, "New Haven Redevelopment Agency, City of New Haven, Connecticut," was issued to the Boston Regional Administrator-Regional Housing Commissioner on October 11, 1983. The findings were sustained on January 17, 1984.

Increased Relocation Monitoring Needed

Problem

Community Development Block Grant recipients and Public Housing Agencies are not complying with the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act. In addition, Relocation Specialists in the Chicago and Columbus Field Offices did not effectively monitor relocation activities on HUD-assisted projects.

Discussion

The Act provides for the uniform and equitable treatment of persons displaced from their homes, businesses, or farms by Federal and Federally assisted programs. Relocation assistance paid by the government can include payments for moving expenses, replacement housing, and personal property. The Community Planning and Development Division (CPD) in the HUD Field Offices is responsible for monitoring and providing technical assistance to agencies administering relocation programs on all HUD-assisted projects, including those assisted by the Office of Housing. This includes the day-to-day monitoring of these agencies.

In Fiscal Year 1983, the Chicago and Columbus Field Offices conducted virtually no monitoring of relocation activity on projects assisted by the Office of Housing. These offices processed over $800,000 in relocation claims between April 1, 1982, and September 8, 1983. We found $36,825 in disallowed costs and $253,308 in questioned costs, as well as administrative weaknesses at five relocation agencies visited.

There were two reasons for this inadequate monitoring of the agencies: (1) Relocation Specialists did not establish systems to gather workload data on projects assisted by the Office of Housing and consequently, were unable to plan their monitoring activities; and (2) Relocation Specialists are hampered by staffing constraints and limited travel funds. In July 1982, the Assistant Secretary for CPD gave the Field Offices permission to use "mail in" monitoring reviews in certain circumstances. In these reviews, the Field Office requests grant recipients to mail completed acquisition and relocation files to the Field Office for review. The Field Office then sends a letter to the grant recipient outlining its findings and returning the files. Neither Field Office used this process between July 1982 and September 1983.

Recommendations were for the Regional Administrator to: (1) assure that all Relocation Specialists establish systems to gather workload data and include housing projects in their monitoring; (2) assure that "mail in" review is used whenever feasible; and (3) develop other alternatives to on-site reviews to offset staffing and travel constraints on relocation monitoring.

Status

The audit report, "Compliance With Uniform Relocation Act, Region V," was issued to the Regional Administrator-Regional Housing Commissioner on March 29, 1984. A response is due by May 29, 1984.

Monitoring of Grantees' Cost Allocation Plans Needs Improvement

Problem

HUD's Newark, New Jersey Field Office has not adequately monitored grantees to ensure compliance with Federal cost principles and has not adequately reviewed grantees' cost allocation plans to detect unsupported or improper costs.

Discussion

Community Development Block Grant (CDBG) grantees are required to charge direct and indirect program costs in accordance with OMB Circular No. A-87, "Cost Principles Applicable to Grants and Contracts with State and Local Governments." This Circular requires grantees to support indirect cost charges through a cost allocation plan. The cost allocation plan must be submitted to and reviewed by the local HUD Field Office.

The Newark Office's monitoring reviews were not detailed enough to adequately identify and correct grantees' noncompliance with Federal cost principles pertaining to indirect costs. Two of the three grantees in the audit sample charged unsupported indirect costs totaling $308,671 to their CDBG programs between July 1981 and June 1983. This amount included overhead costs which were not supported by proper cost allocation plans and salaries of grantees' employees who divided their time between CDBG and non-CDBG activities. This time was not supported by required time distribution records. The deficiencies were not detected by the Newark monitoring teams during their grantee reviews.

The Newark Office also approved cost allocation plans which contained deficiencies. As a result, these approved plans may not have produced the most equitable allocation of indirect costs. In addition, the

Newark Office took as long as 6 months after receipt to approve cost allocation plans. This delay was due to the absence of established time-frames for reviewing cost allocation plans.

The review also disclosed that Independent Public Accountants (IPAs) did not detect and disclose indirect cost deficiencies during financial audits of grantee CDBG programs. As a result, the Newark Office was not aware that some grantees improperly charged indirect costs to their programs.

Recommendations were that the Newark Office Manager: (1) inform all entitlement grantees under its jurisdiction of the Federal requirements for charging indirect costs to the CDBG program; (2) instruct monitoring teams to perform more detailed reviews of grantees' compliance with Federal cost principles pertaining to indirect cost; (3) require grantees to retroactively support or reimburse the CDBG program for all unsupported or improper indirect cost charges; and (4) implement a system to: (a) advise IPAs either directly or through the grantees of known indirect cost deficiencies; (b) review issued IPA audit reports to ascertain whether known indirect cost deficiencies were disclosed by the IPA; and (c) refer indications of deficient IPA audit work to the Office of Inspector General.

Status

The audit report, "Field Office Review of Cost Allocation Plans," was issued on February 3, 1984, to the Newark Office Manager. All questioned costs in the report have been sustained, and all findings have been closed based on promised corrective actions.

Multifamily Insured Programs

HUD administers several programs that provide mortgage insurance for financing the construction or rehabilitation of multifamily projects. There are approximately 18,500 multifamily projects with $42 billion in mortgages which are insured or held by HUD. Fifteen hundred of these mortgages, valued at nearly $3 billion, have been assigned to HUD. In addition, the Department directly owns some 77 multifamily projects acquired through its insurance and loan programs.

Under the multifamily housing programs, HUD also subsidizes the rents for eligible low-income households through Section 8, Rent Supplement and Rental Assistance Payments. These subsidy programs provide about $7 billion of subsidy assistance to about 2.7 million units in privately owned housing.

Mortgage Insurance Should Be Targeted Towards Affordable Units

Problem

The Chicago Regional Office did not process low- and moderate-income multifamily housing projects in accordance with HUD requirements. As a result, HUD has insured mortgages totalling $494.5 million on 24 projects containing units where the rents are beyond the financial reach of low- or moderate-income families.

Discussion

Mortgage insurance provided under Sections 220 and 221(d)(4) of the National Housing Act provides housing for low- and moderate-income families. Section 220 insurance covers projects in specific geographical areas where urban renewal or neighborhood preservation is being carried out. Section 221(d)(4) has lower per unit cost limits than Section 220. However, there are no restrictions on the geographic location of the projects.

Our review of the Chicago Regional Office's processing of multifamily housing projects found that between October 1982 and August 1983 the office approved projects with units not affordable to low- or moderate-income families; with mortgages inflated by overstating costs not attributable to dwelling use (such as commercial space, utilities, lobbies, garages, and swimming pools); and outside the geographic areas eligible for the Section 220 program. Thus, HUD mortgage insurance did not benefit the families it was designed to help.

Recommendations to the Regional Administrator-Regional Housing Commissioner were to: (1) establish procedures to ensure that Sections 220 and 221 insurance be only for units that low- and moderate-income families can afford; (2) instruct Field Offices in computing costs not attributable to dwelling use; and (3) ensure that geographic requirements for insured projects are followed.

Status

The audit report, "Multifamily Project Development Processing, Chicago Regional Office," was issued on March 5, 1984, to the Regional Administrator-Regional Housing Commissioner. A response to the report is due by May 4, 1984.

Inadequate Servicing by Loan Management Branches Threatens HUD Interests

Problem

Loan Management Branches (LMB) of the New York, Newark and Providence Field Offices did not effectively service multifamily projects with HUD-insured and HUD-held mortgages. The results have been increased costs to HUD and a failure to identify or improve substandard housing conditions.

Discussion

Servicing of HUD's portfolio of insured multifamily mortgages and assigned multifamily mortgages is the responsibility of the LMB. HUD policy stresses aggressive servicing of its inventory of multifamily projects. Servicing includes: (1) the review of annual financial statements and accounting reports with prompt follow-up to resolve questions; and (2) the inspection of physically troubled projects to ensure correction of problems.

The LMBs in the New York and Newark Offices did not have adequate inspection systems to identify projects in need of repair. LMBs did not use up-to-date servicing information to identify projects with physical problems and instead, scheduled inspections randomly. As a result, LMBs did not identify poor physical conditions that jeopardized tenants' welfare and project viability such as structural damage to the exterior and interior walls and the roofs, broken locks on doors, water leaks, and open sewers. The prompt detection and correction of problems may have avoided or reduced approved repair costs of $231,396 that were funded through the HUD Flexible Subsidy program.

In addition, LMBs did not effectively monitor those deficiencies cited in HUD and mortgagee physical inspection reports. There was little evidence that LMBs followed up on physical deficiencies reported in 13 of 15 inspection reports. These uncorrected deficiencies included broken sewer pipes, exposed electrical lines, rodent infestation, damaged walkways, and severely rusted fire escapes. These deficiencies remained uncorrected for an average of 16 months. HUD handbooks require mortgagors to develop plans to correct physical deficiencies within 30 days of the report. There was no evidence that LMB managers obtained such work plans for those cases reviewed.

The Providence LMB did not adequately review mortgagor financial reports and consequently did not detect unauthorized or questionable uses of project funds. Deficiencies were noted in 7 of 12 financial statements examined. In addition, the LMB did not sufficiently analyze the available data before entering into workout plans. We noted questionable actions in some of the workout plans. In one instance, the LMB approved a workout plan to convert apartments to condominiums but did no analysis to see if the plan was feasible. In a second instance, the LMB recommended approval of a workout plan that did not address the question of how to pay for $750,000 to $1 million in necessary repairs. In a third instance, the LMB executed a workout plan that did not consider: (1) a plan for reducing debt; (2) capital contribution requirements; (3) repairs; and (4) the discounted value of the mortgage. The lack of quality analysis and servicing by the LMB has made the Department susceptible to further losses.

Recommendations were to require the New York and Newark LMBs to: (1) comply with Headquarters May 1983 instructions to implement an adequate system to identify and schedule inspections of physically troubled projects through a priority listing; and (2) improve their follow-up systems to ensure that required corrective actions are completed promptly.

With respect to the Providence LMB, we recommended that the Regional Administrator-Regional Housing Commissioner evaluate the current levels of management, supervision, and staff at the Providence Office to determine if they possess the necessary skills to effectively direct and perform Loan Management activities.

Status

The audit report, "Physical Inspection of Projects in Management, New York Regional Office and Newark Office," was issued to the Regional Administrator-Regional Housing Commissioner on January 4, 1984. The Regional Administrator concurred with the findings and is in the process of implementing corrective actions.

The audit report, "Special Operational Survey, Providence Office, Providence, Rhode Island," was issued to the Regional Administrator-Regional Housing Commissioner on March 15, 1984. The Providence Office Manager has indicated that selected staff changes have been made within the Loan Management Branch. The Regional Administrator advised the Providence Office Manager to implement each of the report recommendations. A formal response to the report is due by May 15, 1984.

Owners Fail to Meet Obligations of Workout Agreements-Mortgages Are Delinquent by Over $2 Million

Problem

Owners and management agents have misused funds, failed to collect and account for rental income, and allowed HUD-held projects to seriously deteriorate while under workout agreements.

Discussion

When the owner of a HUD-insured multifamily project defaults, the lender may choose to assign the mortgage to HUD. HUD may negotiate a workout agreement. The objective of a workout agreement is to provide for the project's physical and financial needs while eliminating the mortgage delinquency. On June 18, 1982, the Field Offices were instructed to analyze all delinquent loans to determine whether to consider a workout arrangement, a modification agreement, or to foreclose. The instructions emphasized that the primary responsibility for bringing the mortgages current lies with the owners and not the Department.

The owners or agents for four multifamily projects disregarded their obligations under the Regulatory Agreement and their workout agreements, and have failed to reduce their mortgage delinquency.

The owner of the Wiggin Village project, Providence, Rhode Island, has been unable to implement a plan to bring the mortgage current, and the mortgage delinquency has increased from $108,000 to $847,000 in 8 years. The primary reason for the project's financial problems is the lack of sufficient operating income. The audit also disclosed weaknesses in internal controls over records, rent collection, security deposits, and nonexpendable equipment. As much as $1.9 million is needed to eliminate the mortgage delinquency and pay for needed repairs and improvements.

The owner of the Barbour-Waverly Cooperative Apartments in Hartford, Connecticut, has not maintained effective rent collection procedures after assignment and the mortgage delinquency has grown to $663,684 in 7 years. This audit disclosed that the project contained seriously deteriorated HUD-subsidized units which jeopardize the safety of the residents. A site inspection showed severe water leaks and fire hazards, which a Field Office engineer later confirmed.

The Third Stone Ridge Cooperative Corporation, Bridgeport, Connecticut, has been unable to generate sufficient rental income to cover its mortgage payments. The amount of delinquency rose from $164,054 to $387,885 in less than 4 years. Also, its management agent has not maintained proper accountability and internal controls over rent collections and was unable to account for $146,422 of potential rental income.

The owner of Nicholas Marra, a HUD-insured nursing home in East Providence, Rhode Island, misused about $171,500 while the project's mortgage was under workout agreement and the delinquency was about $394,800. This owner used the project's funds for questionable and improper purposes such as paying himself an excessive salary, paying his personal expenses, and charging expenses of a non-HUD-insured nursing home to this project. The owner could have reduced the $394,800 mortgage delinquency by about 43 percent if the $171,500 had been paid to HUD as called for in the workout agreement.

Recommendations in these audits were to seek reimbursement for disallowed costs and cash shortages which will be used to reduce the mortgage delinquency and to require the mortgagors of the Third Stone Ridge Apartments and the Wiggin Village complex to submit viable plans to cure the default. If these owners are unable to do so, HUD should institute foreclosure proceedings.

Recommendations in the Barbour-Waverly audit were that HUD should make every effort to take possession of the project and ensure correction of the hazardous conditions. In addition, the audits recommended that the Field Offices establish collection procedures and collection responsibilities for both the Barbour-Waverly and Wiggin Village complexes.

Status

The audit report, "Providence Building Sanitary and Educational Association (Wiggin Village)," was issued to the Regional Administrator-Regional Housing Commissioner on December 15, 1983. The findings in the report have been closed based on the Regional Office's recommendation of foreclosure proceedings.

The audit report, "Barbour-Waverly Cooperative Apartments, Inc.," was issued to the Regional Administrator-Regional Housing Commissioner on February 28, 1984. A response to the final report is due by April 27, 1984.

The audit report, "Third Stone Ridge Cooperative Corporation," was issued to the Regional Administrator-Regional Housing Commissioner on December 21, 1983. The findings in the report were closed based on the approval of an acceptable workout agreement and proposed legal action to recover the unaccounted for funds.

The audit report, "Nicholas Marra Nursing Home," was issued to the Regional Administrator-Regional Housing Commissioner on December 28, 1983. A response to the final report has not yet been received from the Regional Administrator who is currently evaluating the project owner's reply to the report.

Single Family Insured Programs

HUD's best known program is FHA mortgage insurance for single family homes. During Fiscal Year 1983, HUD insured 394,224 loans valued at $20.8 billion. This program area also includes insurance of home improvement loans and loans for mobile home purchases.

Property Improvement Loan Proceeds Not Used for Intended Purpose

Problem

Borrowers are misusing Title I Property improvement loans because they are not held accountable for use of the funds. Of 296 insured loans valued at $2.2 million, some or all proceeds from 100 loans were not used for their intended purpose.

Discussion

The Title I Property Improvement Loan Program provides insurance to lenders for loans made to finance the repair and improvement of existing buildings. Under the program, HUD insures lenders for 90 percent of the loss on loans made to borrowers. A review of 296 Title I loans insured for $2.2 million showed that about one-third were being misused by borrowers. The value of the misused loans was $815,000.

In 59 of 100 loans, borrowers used some or all of the proceeds for other than home improvement purposes such as personal debts, living expenses, furniture, appliances, and property improvements not eligible under the program. For 28 loans, borrowers did not spend proceeds, but claimed the work would still be performed. Other borrowers said they could not recall what happened to the money or would not provide information about the use of the funds. Some borrowers claimed they spent proceeds on property improvements, but inspections showed this was not always true. In seven cases, borrowers obtained more than one loan on a particular property and the combined loans exceeded the $15,000 program limit.

Borrowers are able to misuse Title I loans because program controls are inadequate to detect or deter abuse. For example, borrowers are not required to account for loan proceeds, no time period is specified for completing property improvements, and loans are made based almost entirely on the borrower's credit rather than the type and cost of proposed improvements. In addition, lenders are not required to make physical inspections to verify that improvements are made.

As a result of our audit report recommendations, HUD program staff made significant changes to the proposed regulations on the Property Improvement and Manufactured Home Program to strengthen underwriting procedures. These changes should reduce the recurrence of problems such as those described in this Title I audit report. See Chapter 5 for details on the proposed regulation changes.

Status

The audit report, "Title I Property Improvement Loan Insurance Program," was issued to the Assistant Secretary for Housing-Federal Housing Commissioner on January 25, 1984. In an April 10, 1984 response, the Assistant Secretary stated that all recommendations have been incorporated in proposed regulations.

More Aggressive Collection Procedures Could Result in Substantial Savings

Problem

The New York Office Property Disposition Branch has not adhered to procedures for rent collection workout agreements, collection actions, and property conveyance for single family properties. This has resulted in the New York Office's writing off over $200,000 in tenant accounts receivable. At the same time, tenant accounts receivable have increased by more than $1 million.

Discussion

HUD Property Disposition Branches (PDBs) are responsible for aggressively pursuing rent collection efforts at HUD-acquired properties, preparing or approving workout agreements with delinquent tenants, reviewing area management brokers' leasing and collection performance, and determining property conveyance actions that are acceptable to the Department. The primary objective of this process is to reduce the inventory of acquired properties while insuring the maximum return to the mortgage insurance fund and preserving residential communities.

The New York Office PDB has not: (1) required all tenants in occupancy to sign leases providing for late charges or monitored area management brokers to assure that they have assessed and collected delinquent rents and late charges from tenants in occupancy; (2) determined if delinquent tenants should be offered workout agreements; or (3) pursued collection efforts against former tenants prior to recommending write-offs. During Fiscal Year 1983, the New York Office wrote off over $200,000 in former tenant accounts receivable without attempting to collect the balances. In addition, tenant accounts receivable due from tenants in occupancy and former tenants were $465,452 and $702,749, respectively, at August 31, 1983.

The New York PDB did not determine if acquiring occupied properties was in HUD's best interest. As a result, HUD may have acquired properties occupied that should have been acquired vacant. Since PDB officials have established that properties acquired occupied take longer to sell than vacant properties, HUD is incurring additional rental expenses such as plumbing repairs, painting, and area management broker fees for the management and repair of acquired occupied properties in its inventory. Furthermore, the Department's objective of reducing the inventory of acquired properties is not being achieved as soon as possible.

Recommendations were that the New York PDB: (1) review all leases for tenants in occupancy and require tenants whose leases do not provide for late charges to execute new leases; (2) direct area management brokers to assess and collect late charges from delinquent tenants and perform required rent collection duties; and (3) assure that aggressive rent collection actions are taken before tenant accounts receivable balances are written off. The Chief Property Officer should also be directed to assure that all properties are conveyed vacant to HUD unless documentation is provided that an occupied conveyance is in the best interest of the Department and that occupants meet eligibility criteria.

Status

The audit report, "Management of HUD-Acquired Occupied Properties," was issued to the Regional Administrator-Regional Housing Commissioner on January 31, 1984. All findings have been closed based on promised corrective actions and an implementation schedule.

Mortgagee Violations Result in Sanctions

Problem

Mortgagees caused false statements to be submitted to HUD and failed to comply with HUD regulations concerning mortgage origination practices.

Discussion

The Mortgagee Review Board was established in September 1975 to strengthen HUD's monitoring and control of mortgagees' performance. Findings in audit reports are directed to the Board which has the authority to take sanctions against mortgagees up to and including the withdrawal of HUD-approved status.

During this reporting period, two mortgagee audits were referred to the Board for its consideration.

In the first case, a Columbus, Ohio mortgagee permitted "strawbuyers" to purchase properties with HUD-FHA insured mortgages, permitted the mishandling and falsification of verification of employment forms, did not assure that mortgagors made required downpayments, permitted the signing of loan origination forms in blank, and allowed mortgagor assets to be overstated. The mortgagee also submitted forged financial statements to HUD indicating they were prepared by an Independent Public Accountant.

In the second case, a Cerritos, California mortgagee's loan origination procedures and practices were deficient. The mortgagee furnished HUD with incomplete, inaccurate, or false information and was aware, or should have been aware, that it was furnishing incorrect information. Applications submitted to HUD omitted mortgagor debts, overstated mortgagor income, and contained secondary financing. The mortgagee also permitted third-party handling of mortgagor verification forms used to verify mortgagor income.

Status

The Columbus, Ohio mortgagee's HUD-FHA mortgagee approval was withdrawn for a period of 6 years. This mortgagee has requested an administrative hearing in order to contest the Board's determination. In the second case, the Board notified the mortgagee that the Board was considering withdrawal of the mortgagee's HUD-FHA approval but in lieu of such action, the Board has stated that it would accept a settlement agreement providing for indemnification and other protections for the Department.

General Administration

Problems of a general administrative nature not related to specific programs are discussed below.

HUD Monies Used for Ineligible Purposes

Problem

The Joint Center for Political Studies (JCPS) claimed costs significantly in excess of those allowable under the terms of a cooperative agreement with HUD.

Discussion

The JCPS, a nonprofit, tax-exempt corporation, was awarded a cooperative agreement in the amount of $978,074, to be funded equally ($489,037 each) by HUD and JCPS. A cooperative agreement is a contractual agreement between the Federal Government and another party to perform work in an area of public benefit. The agreement called for JCPS to prepare a comprehensive demographic study of specific population factors, to examine their effect on selected small cities, and to conduct a national forum on the public policy implications of the demographic changes observed.

At the time of our audit, HUD had been billed and had paid its full share of $489,037 to JCPS. Although JCPS reported total costs of $989,193, our final audit disclosed acceptable project costs of $513,874. The Federal portion of this was $256,937. Most of the unacceptable costs were for other projects that JCPS claimed were related to the cooperative agreement. An example was a proposal to two major oil companies calling for a study of the current methods of delivering energy assistance to the poor. Another example involved charging for research and reference material already maintained by JCPS and available to the general public free of charge. Three other projects were also questioned as not being within the agreement's scope of work and Office of Management and Budget requirements.

Status

Our "Advisory Report on Final Costs Submitted by: Joint Center for Political Studies, Inc., Washington D.C.," was issued on January 27, 1984, to the Director of the Office of Procurement and Contracts (OPC). OPC agreed with all the questioned and unresolved costs contained in the audit report. On March 13, 1984, OPC issued a letter of determination to JCPS, requesting repayment of $232,100 in overpayments made under this agreement or submission of documentation that would support the cost. OPC expects that JCPS will submit documentation by the end of April and plans to complete contract negotiations by May 30, 1984.

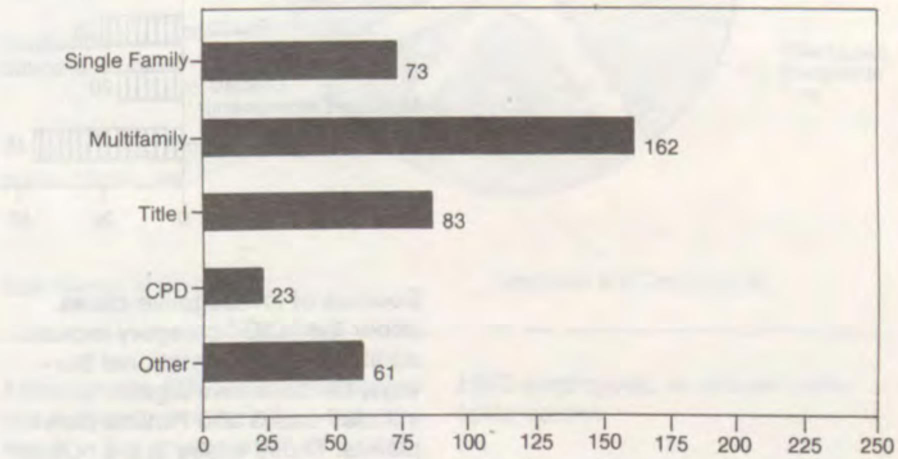
Investigation Activities

The following is a summary of investigative activities during the period October 1, 1983, to March 31, 1984. These include criminal matters investigated which resulted in prosecutions and convictions as well as investigations of violations of Departmental regulations and policies.

Investigation Cases Opened

We opened 608 new investigation cases involving HUD personnel and/or persons or firms doing business with HUD. The majority of case openings are False Statement cases (402). The table below is a breakdown of these cases.

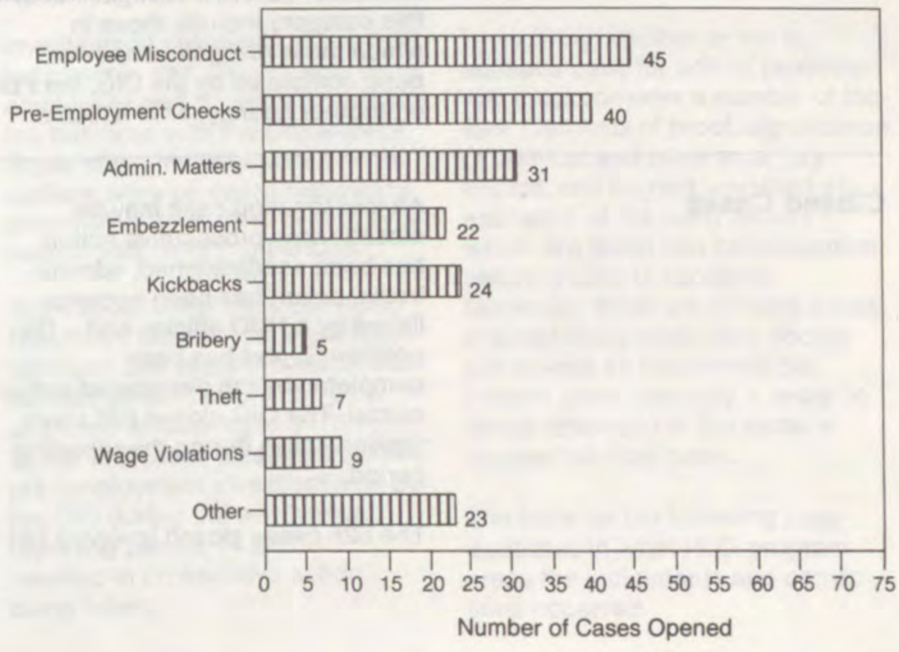
Investigation Cases Opened Concerning False Statements
October 1, 1983 to March 31, 1984



The cases opened in the multifamily area include investigations of individual tenants in HUD's rental assistance programs.

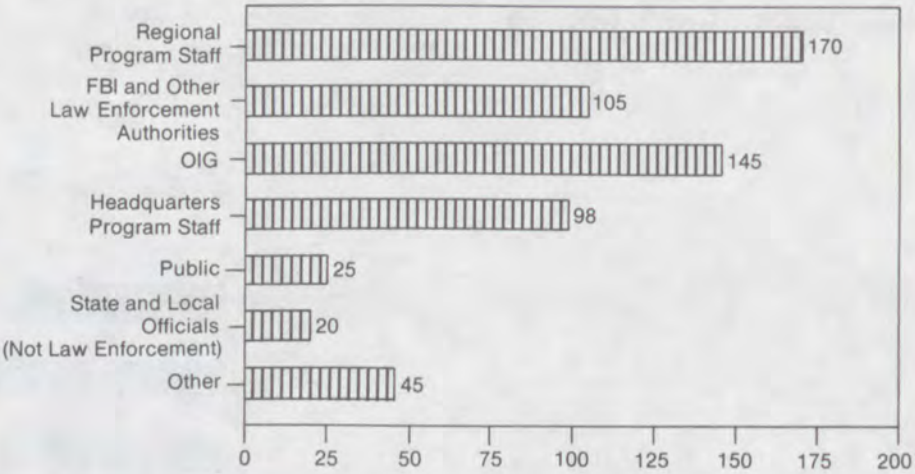
The remaining 206 case openings are in categories displayed in the following table.

Other Categories of Investigation
October 1, 1983 to March 31, 1984



Investigation cases which are opened by the HUD-OIG originate from various sources. The graph below represents the origin of the 608 case openings in the OIG during the semiannual reporting period.

Sources of Investigative Cases
October 1, 1983 to March 31, 1984



Sources of investigative cases under the "OIG" category include audit referrals, Operational Surveys, Office of Investigation initiated cases and Hotline complaints. Those cases in the "Other" category include matters referred by other Federal officials, including Members of Congress, and reported by HUD employees in other than their official capacity.

Pending Cases

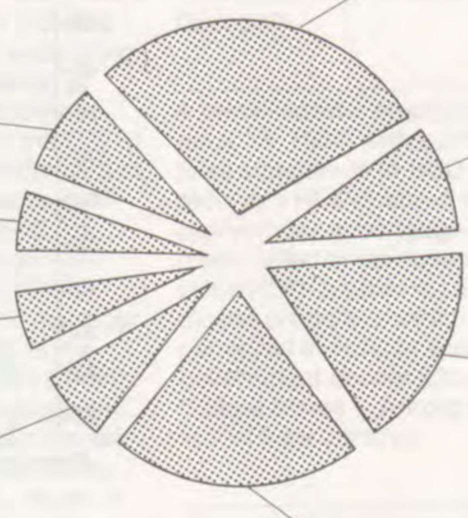
A pending case refers to the status of an investigation during that period between the opening of the case and dissemination of the investigation report(s) to a HUD official for action. Investigations in this category include those in which the investigation has not been completed by the OIG, the FBI or another agency, or in which a completed investigation is pending with a prosecutive official. At March 31, 1984, we had 1,507 investigation cases either in process or awaiting investigation. Of these cases, 551 were FBI/other cases, 692 were cases of the OIG, and 264 were OIG-completed cases pending with the U.S. Attorney.

Closed Cases

An investigation case may be closed when prosecutive action has been accomplished, administrative action has been accomplished by a HUD official, and a Disposition Report has been completed by the designated action official. The OIG closed 625 investigation cases during the reporting period.

The 625 cases closed involved 751 individuals who were the subjects of the investigations. The graph on the following page represents a breakdown of the subjects. The "Other" group includes a wide diversity of subjects such as builders, architects, and Area Management Brokers. Each of these comprises 3 percent or less of the total.

Distribution of Subjects of Investigation by Category
October 1, 1983 to March 31, 1984



Investigation Cases Referred for Prosecution

Although the FBI is not a prosecutive authority, referrals to it may result in the presentation of a case for prosecutive consideration. The OIG referred 142 investigation cases for prosecutive consideration, including five cases relating to HUD employees, as shown in the table below:

Referred by OIG to:	No. of Cases
FBI (Prima Facie-OIG Investigation)	3
FBI (No OIG Investigation)	23
Department of Justice	116
Total	142

Prosecutions and Convictions

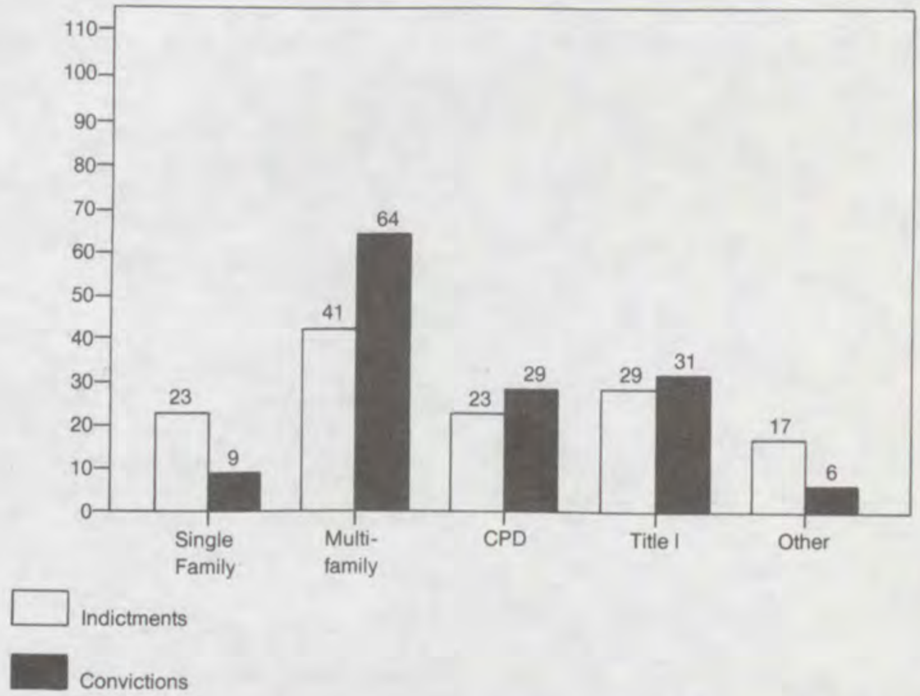
Investigation cases resulted in 133 indictments and 139 convictions of employees and persons/firms having business with the Department. Some of the indictments and convictions were on cases referred to prosecutive authorities during prior semiannual reporting periods.

The 139 persons/firms convicted received a total of 155 years imprisonment, 349 years probation, suspended sentences of 135 years, and fines amounting to $175,150. Of the 625 cases closed (excluding pre-employment investigations) by the OIG during the semiannual reporting period, 14 percent resulted in prosecutive action being taken.

In deciding whether or not to accept a case for action, prosecutors must consider a number of factors. Elements of proof, significance of criminal and other acts, jury appeal, and current workload are examples of the many factors which are taken into consideration before a case is accepted. Moreover, there are criminal cases in which the prosecutors decide not to seek an indictment, but instead grant immunity in order to obtain testimony in the same or another criminal case.

The table on the following page illustrates in what HUD program areas the indictments and convictions occurred.

Indictments and Convictions
October 1, 1983 to March 31, 1984



The prosecutions shown for the multifamily area include indictments and convictions of individual tenants who participate in HUD's rental assistance programs.

Monetary recoveries resulting from investigations from October 1, 1983, to March 31, 1984, totalled $1,786,474. This figure includes court-ordered restitution and recoveries resulting from administrative actions. Of the 625 cases closed during the semiannual reporting period (excluding pre-employment investigations), 55 percent resulted in some administrative action being taken.

Description of Selected Prosecutive Actions

Below is a brief description of some of the indictments and/or convictions which occurred during the reporting period. Some of these resulted from investigation cases referred to prosecutive authorities prior to October 1, 1983.

- **False Statements**

A bookstore owner was sentenced on March 23, 1984, on a one-count charge of making a false statement to HUD. He received a suspended 3-year prison sentence, 3 years probation, and was ordered to make restitution of $50,000 to HUD. The bookstore owner had previously pled guilty to the one count, after having been originally charged in a ten-count indictment with causing and making false estimates of repairs and false financial statements on behalf of ten Title I home improvement loan borrowers. (United States v. Julio Hernandez Falcon, d/b/a Bayamon Book Distributors, Inc., District of Puerto Rico.)

A HUD multifamily project developer was sentenced on December 6, 1983, to 60 days work release, placed on probation for 5 years, and required to make restitution of $197,000. The developer was charged with making false statements to HUD by inflating multifamily project construction costs. HUD will receive $35,000 of the restitution for excess Section 8 rent subsidies paid to the developer. The mortgagee will receive $162,000 of the restitution to reduce the mortgage amount insured by HUD. (United States v. Michael D. Lerner, Eastern District of Wisconsin.)

A program recipient was indicted on January 24, 1984, for submitting and aiding in the submission of false statements. The recipient received two grants from the City of Boston for home improvements that were not performed or were completed prior to his acquiring the home. A one-count charge was also filed on January 24, 1984, against the neighborhood manager who approved the grants to the recipient. The neighborhood manager pled guilty to the charge, and on March 1, 1984, was sentenced to a 1-year suspended sentence, 2 years probation, and 312 hours of community service to run concurrently with the probation. (United States v. Douglas Cardinale and Michael Larkin, District of Massachusetts.)

A public housing tenant was sentenced on February 15, 1984, for submitting false statements in order to receive rental assistance. The tenant failed to report income from a full-time job, and falsified income from a part-time job on the Verification of Employment form submitted to the housing authority. As a result, she received rental assistance to which she was not entitled. She was sentenced to 5 years supervised probation with the provision that she repay $2,738 to the Department. (United States v. Belinda L. Jones, Northern District of Georgia.)

An Area Management Broker (AMB) was sentenced on February 23, 1984, for submitting false statements to HUD. He submitted false monthly accounting reports to obtain reimbursements for bills which had not been paid. Bank statements and cancelled checks showed that the AMB claimed reimbursements for checks payable to repair contractors; however, the checks were never disbursed. He forged checks and simulated bank stamps in order to conceal nonpayment of debts to the contractors. He was sentenced to 3 years probation. (United States v. Tom E. Worthy, Northern District of Georgia.)

A borrower was charged on February 14, 1984, with submitting false statements to HUD in order to receive a HUD-insured loan. When applying for a mortgage, the borrower failed to disclose two previous HUD-insured loans on foreclosed properties which were conveyed to HUD at a loss to the government of over $30,000. (United States v. Arnold Banks, District of New Jersey.)

A Section 8 tenant was charged on January 26, 1984, with falsifying documents which resulted in the payment on the tenant's behalf of nearly $10,000 in ineligible rent subsidy. The tenant allegedly failed to report the income of her husband as well as his occupancy in the subsidized unit. She also allegedly received $22,000 in welfare payments and $9,000 in food stamps to which she was not entitled. (Commonwealth of Pennsylvania v. Sheila Davis.)

A student alien and his spouse were indicted on March 8, 1984, for submitting false statements to HUD to obtain rental assistance under the Rent Supplement Program. As a result of the false statements made regarding employment and income, they received $3,263 in rental assistance to which they were not entitled. In addition to three false statement charges on HUD matters, they were charged on 17 other violations pertaining to defrauding Department of Education programs and making false statements in an application for a U.S. Passport. The student alien is presently in custody at a Federal Correctional Institution. (United States v. Alexander O. Nkenchor and Jane Doe, a/k/a Mary Elizabeth Nkenchor, Western District of Texas.)

- **Embezzlement**

A former district manager for a property management company was sentenced on December 2, 1983, for embezzling over $37,000 from various HUD projects. The former manager forged invoices and withdrew funds which he then deposited into his personal checking account. He was sentenced to 5 years probation and ordered to make full restitution to HUD. He has also been denied participation in HUD programs. (United States v. Richard Wayne Shaw, Middle District of Florida.)

A former Executive Director of a housing authority pled guilty on January 30, 1984, to two counts of a 21-count indictment charging embezzlement/theft of more than $34,000 in housing authority funds from January 1981 through November 1982. The former Executive Director wrote checks to herself on a Section 8 bank account and cashed or deposited the checks in her own personal account. She was placed on 5 years probation and ordered by the court to repay a bonding company $165 per month while on probation. The bonding company made full restitution to the housing authority. (United States v. Phyllis Bridgers, Eastern District of North Carolina.)

A former housing authority bookkeeper was sentenced on January 16, 1984, for embezzling housing authority funds. Instead of depositing both cash and checks from rent payments, the bookkeeper kept over $20,000 in cash for his own use. He was sentenced to make full restitution and was placed on 5 years probation. He has also been suspended from participation in HUD programs. (United States v. Samuel Bauer, District of Montana.)

- **Embezzlement and False Statements**

A former housing authority Executive Director was sentenced on March 20, 1984, for embezzlement and submission of false statements. She converted $18,328 in HUD funds and $9,962 in funds of the Department of Health and Human Services to her own use between October 1981 and February 1983. The former Executive Director used a unique scheme to embezzle the HUD funds and cover up the fraud. She withdrew cash from the housing authority's low-rent account and replaced the amounts with monies fraudulently obtained from an unrelated Section 8 account. This was done by creating nine fictitious Section 8 files. She then deposited checks made payable to the nonexistent landlords and tenants into the low-rent account to conceal the embezzlement. The Regional Housing Management Division periodically schedules routine reviews of the Section 8 program. When notified of these reviews, the former Executive Director would place all the false Section 8 files in the inactive files, which indicated the tenants and landlords were no longer receiving assistance. She knew the review did not include inactive files. She was sentenced to 5 years probation and ordered to make restitution of $23,290. The housing authority has submitted a claim to the bonding company for the remaining $5,000. (United States v. Shellie Reeves, District of Wyoming.)

- **False Statements and Mail Fraud**

A Section 8 tenant was indicted on January 16, 1984, on charges of submitting false statements and mail fraud. The tenant allegedly failed to report her employment income to HUD, and collected her deceased mother's Social Security benefit payments as well as her own Social Security disability payments. She is charged with defrauding HUD of nearly $20,000 and the Department of Health and Human Services of over $22,000 in Social Security benefits via the U.S. mail. (United

States v. Dorothy Brown, Southern District of New York.)

• Theft

A tenant in a rent supplement project was sentenced on December 19, 1983, on theft charges stemming from his illegal receipt of rent supplement benefits and a relocation housing assistance payment. The tenant failed to report his income at two rent supplement projects. He did not qualify to receive housing assistance or to live in two projects. HUD made overpayments of $4,707 in rental assistance. The tenant also received an ineligible $4,000 relocation housing assistance payment from the City of Portland, Oregon, when one of the two rent supplement projects was demolished. He was sentenced to make full restitution to both HUD and the City of Portland, placed on 5 years probation, and required to perform 180 hours of community service work. (State of Oregon v. Ahmed Rahman Turay.)

• Theft of Government Property

A former HUD clerk-typist pled guilty on January 6, 1984, to theft of government property charges. A joint investigation by the OIG and the FBI disclosed that the former employee had stolen four checks payable to HUD as earnest money deposits submitted by purchasers of HUD-acquired properties. The checks totaled nearly $20,500. The former employee was arrested on July 25, 1983, with two of the checks in her possession. (United States v. Sharnette Hayward, District of New Jersey.)

• Interstate Commerce Fraud

A developer was sentenced to 3 years in prison on January 23, 1984, for violating the interstate commerce statute. The developer fraudulently induced two midwest firms to provide loans totaling $3 million for the construction of an office and a retail complex. The developer also attempted to obtain a $2.2 million Urban Development Action Grant (UDAG) loan by stating in the application documents to HUD that she had a commitment from the Economic Development Administration (EDA) to provide a $2 million loan for the UDAG project, even though EDA never committed itself to doing so. The EDA "commitment" was also used to obtain the loans from the midwest firms. In addition, the developer obtained a $6.6 million loan commitment from a Virginia savings and loan association by falsely representing that the District of Columbia would guarantee the rental income of the office and retail complex by up to $1.1 million per year. (United States v. Patricia H. Parker, District Court for the District of Columbia.)

• Extortion and False Statements

A former city official and advisor to the former Mayor of Boston was indicted on March 5, 1984, for extortion, submission of false statements, aiding in the submission of false statements, and illegal transfer of currency in excess of $10,000. The official was charged with receiving kickbacks from an architectural firm doing business with HUD-funded City agencies. He was also charged with not reporting cash transfers in excess of $10,000 to the Internal Revenue Service. (United States v. Theodore V. Anzalone, District of Massachusetts.)

• Title I Fraud

A former owner of a mobile home dealership was sentenced on March 16, 1984, on a conspiracy charge and his mobile home company was found guilty of four false statement charges. He was sentenced to a 90-day prison term and $20,000 in fines. The owner was convicted of falsely reporting downpayments, making side notes for downpayments, submitting false invoices for mobile home accessories, and falsely reporting the true location of the placement of the units he sold during 1978. (United States v. Carl Anthony Magno, Western District of Washington.)

A loan applicant and her boyfriend were indicted on December 6, 1983, for conspiring to submit false statements to HUD in connection with an application for a home improvement loan. The individuals allegedly failed to use the loan proceeds as certified to in documents submitted to HUD, and failed to make monthly payments. The applicant defaulted on the loan, causing a loss to HUD of over $13,000. (State of California v. Mary Michele Denham and Gregory Allen.)

Administrative Actions Against HUD Employees

In its report on the Fiscal Year 1981 Supplemental Appropriations and Rescission Bill, the Senate Committee on Appropriations indicated that if fraud within government is to be contained and curtailed, then appropriate administrative action must be taken in cases where employees have been found to have acted improperly.

Examples of administrative actions taken against HUD employees during the semiannual reporting period, in connection with investigations, are shown below.

- A Realty Clerk resigned after receiving a notice of proposed removal. Investigation by the OIG confirmed that the clerk forged the signature of the Chief Property Officer on sales documents related to two HUD properties. This action delayed marketing of the properties and caused HUD to incur additional holding costs.

- A Senior Construction Analyst was given a letter of caution following an investigation that revealed the employee may have violated conflict of interest regulations when he contracted for work at his personal residence with a firm doing business with HUD. While the employee paid for the work, it was determined the employee's actions created the appearance of a conflict of interest.

- A Construction Analyst was suspended from duty for 30 days for accepting a free 4-day fishing trip with a company doing business with the Department. In addition, the Analyst conducted official business with a family member who was employed by a mortgagee doing business with HUD. The employee was also required to reimburse $75 for lodging expenses which were claimed but not incurred by the employee.

- A Construction Analyst was suspended from duty for 3 days for not disclosing his outside business activities. The employee claimed he was acting as an unpaid consultant for his son's construction business. However, the employee signed a $16,910 contract as Vice-President of a firm for maintenance repairs on two properties owned by a private citizen.

- The Acting Chief of a Multifamily Property Disposition Section was suspended from duty for 45 days for: (1) using his position and influence to secure employment for a friend; (2) using a government vehicle for personal travel; and (3) violating HUD contract and procurement procedures in the award of contracts.

- A Time and Attendance Clerk received a letter of reprimand after she falsified her time and attendance records. Her supervisor received a letter of caution for failure to properly supervise the timekeeping functions. The clerk also was required to repay the unclaimed leave totalling 141 hours by offsetting accrued and future leave.

- A Special Assistant to an Area Manager was terminated from his position with HUD due to his felony conviction for mail fraud outside the scope of his official duties. The employee lost an appeal through the Merit Systems Protection Board for reinstatement. The employee identified recently-deceased, elderly people through newspaper obituaries and filed change of address notices to have their mail directed to a Post Office box under his control. He collected in excess of $20,000 by forging endorsements to Social Security checks through this scheme. He was sentenced to 3 years in prison, to serve 6 months with the balance suspended, and he was ordered to make restitution to the estates of the deceased persons.

- An Equal Opportunity Specialist was suspended without pay for 5 days for falsifying a travel voucher and extending a field trip beyond a reasonable length of time.

- A clerical employee was issued a letter of warning for giving the appearance of a conflict of interest by handcarrying HUD documents to an Area Management Broker (AMB). It was determined that the employee's actions gave the appearance that the AMB was receiving preferential treatment.

New Initiatives

During the reporting period, an Office of Inspector General (OIG) Special Agent organized a crime prevention and awareness program for children in a HUD-subsidized housing project in West Roxbury, Massachusetts. A young child was violently murdered at the project in October 1983. The project staff requested OIG assistance in educating tenants on measures to protect the minor occupants. Representatives from other Federal and local agencies assisted the OIG in the program on November 19, 1983. Each child participating in the program was fingerprinted for identification purposes. An estimated 200 children were reached by the program. OIG is preparing a plan to organize similar crime prevention and awareness programs for children in HUD-subsidized projects in other areas of the United States.

Chapter 3

Fraud Control Activities

The HUD Secretary and Principal Staff continue to maintain a high interest in obtaining the involvement of all Departmental managers and employees in minimizing fraud and abuse.

Committee on Fraud, Waste, and Mismanagement

The Committee on Fraud, Waste, and Mismanagement coordinates the Department's fraud control efforts. Through various Committee assignments, recommendations are made to the Secretary to improve program operations by minimizing opportunities for fraud and abuse. Several of the current projects reflect problems which were identified in audit work. The Committee representatives include HUD officials designated by Assistant Secretaries or other Principal Staff. The Committee is chaired by the Inspector General. During the past 6 months, several significant activities were completed as a result of studies and recommendations.

1. Fraud Reform Legislation

We previously reported that the Committee developed legislative recommendations to strengthen HUD's ability to identify fraud, waste, and mismanagement in various programs.

On November 16, 1983, the House Subcommittee on Housing and Community Development held a hearing on "Public Housing Income Verification" (report Serial No. 98-56). The Assistant Secretary for Public and Indian Housing and the Deputy Inspector General testified for the Department. Both officials emphasized the need for statutory authority to obtain Social Security numbers and have access to State unemployment wage data files. Representatives of the Public Housing Authorities Directors Association and the National Association of Housing and Redevelopment Officials also testified in favor of these two proposals. We are continuing our work with Departmental officials to get these provisions enacted.

2. Managers Guide: Detection and Prevention of Fraud, Waste, and Mismanagement

The Committee, in cooperation with its Regional Coordinators, developed a Guide for program managers to assist them in detecting problems and abuses in areas where program operations have been particularly vulnerable to fraud, waste, and mismanagement. The Guide contains information on past abuses and identifies techniques that managers can apply in everyday program operations.

In December 1983, the Guide was distributed to all Field Office program managers. Responses from Field staff indicated that this new approach to employee awareness is extremely useful. The Guide was developed to be a working document which would periodically be updated to incorporate additional information.

3. Quality Control System for Tenant Eligibility

This project, started in May 1983, recommended a Departmental Quality Control System for Tenant Eligibility. Specifically, the Committee examined how a quality control system could improve the ability of program administrators to accurately determine tenants' eligibility for housing assistance.

The Committee found that HUD's present monitoring of tenant eligibility requirements is conducted in a non-scientific manner. Consequently, there is no statistical reliability of data being collected in HUD reviews; no regional or national data on error rates; and no systematic way for determining what area of program administrators' performance should be examined or focused on for improvements.

The Committee found a need for a systematic method of evaluating the quality of tenant eligibility determinations being made in HUD's assisted housing program. The Committee recommended that a quality control system be developed to monitor program administrators' compliance with HUD regulations. The implementation of this system should: (1) considerably reduce fraudulent tenant reporting by increasing the reliability of income verification procedures (i.e., computer matching techniques); (2) reduce errors by simplifying procedures and encouraging the use of verification practices which have proven to be effective; (3) target HUD monitoring resources to those program administrators with the highest error rates; and (4) provide incentives to those program participants operating the most efficient and effective programs.

On February 16, 1984, the Secretary approved the report recommendation. A task force has been established, under the leadership of the Under Secretary, to assess various options and coordinate the implementation. The task force has scheduled an August 31, 1984 completion date for goals and design features of the proposed system.

4. Accountability Monitoring-Follow-up

In April 1981, Secretary Pierce approved Committee recommendations to revise the Department's approach to monitoring HUD's various program participants. A concept of "Accountability Monitoring" that targets reviews to high risk participants and their high risk activities was adopted.

The Committee completed a follow-up study that found some program offices had not progressed as far as others in implementing this new approach. For the programs that had not started Accountability Monitoring, the Committee learned that generally three factors contributed to their lack of progress in changing old procedures. These were: (1) confusion over what needed to be done; (2) failure to involve key program managers; and (3) lack of priority given to the project. In the Committee report to the Under Secretary, recommendations were made that will assure that proper attention and priority are given to full implementation.

5. In Process - Multifamily Loan Management Servicing

In November 1983, the Committee began a project to examine problems associated with the servicing of multifamily loans and to research techniques to address the problems and enhance the overall effectiveness of the loan management function.

The working group researched audit reports and other studies to compile a comprehensive list of problems and deficiencies associated with current loan management practices. The group also solicited ideas and suggestions from Field Office loan management staff, Housing managers in Headquarters and Field Offices, and the Regional Inspectors General.

After the data is analyzed, the Committee will identify problems that must be addressed and develop options for HUD staff to improve their servicing of multifamily project loans.

6. In Process - Independent Public Accountant (IPA) Audit Requirements

This project, started in February 1984, is evaluating HUD requirements for audits done by IPAs. Specifically, the Committee will evaluate: (1) the frequency requirements for audits; (2) the sufficiency and scope of audit requirements; and (3) management's use of information obtained in grant/loan program audits.

During this reporting period, requirements for IPA audits and the purpose and authority for such requirements were researched.

Also, program officials in Headquarters were interviewed to obtain their views on audit requirements and possible actions to improve the usefulness of IPA audits.

7. In Process - Review of the Fraud Vulnerability Assessment System

This project is reviewing the operation of the Fraud Vulnerability Assessment System (FVAS) to evaluate its effectiveness. As described later in this chapter under Management Control Improvements, the FVAS is used to assess the risks and needed management controls for new or substantially revised programs or activities.

To date, the work group has gathered information from staff who prepared assessments, program office coordinators, and staff representatives from the Offices of the General Counsel and Inspector General. Problems have been identified and anticipated recommendations are to require major revisions to HUD's current procedures.

8. In Process - Deterrents to Sound Management of the Public Housing Program

This project is designed to research and identify deterrents to sound management of the Public Housing program by local administrators and HUD.

The Committee has researched and evaluated the results of: (1) studies preformed by HUD; (2) OIG audits; and (3) the report of the President's Private Sector Survey on Cost Control. In addition, the Public Housing Authorities Directors Association (PHADA) and the National Association of Housing and Redevelopment Officials are providing assistance in this effort.

PHADA has developed a survey of problem areas to send to its members. After compiling the data, the Committee will identify possible options for resolving the problems.

Management Control Improvements

The Fraud Vulnerability Assessment System requires Departmental managers to formally evaluate the risks or vulnerabilities in new or substantially revised HUD programs or activities. Once the risks are identified for the proposed legislation, regulation, or handbook, managers document or design the appropriate management controls to reduce or eliminate the risks. These early reviews effectively prevent potential errors or irregularities before they occur. The System complements the internal control evaluations performed under OMB Circular No. A-123, "Internal Control Systems" (see Chapter 4). Efforts to improve the system and to enhance management awareness of its usefulness are underway by the Committee on Fraud, Waste, and Mismanagement.

During the reporting period, one Fraud Vulnerability Assessment was completed by the Office of Housing. At March 31, 1984, three assessments were in draft, and another 34 assessments were under consideration or in progress. The Fraud Vulnerability Assessment completed on "One-time Mortgage Insurance Premiums" identified potential vulnerabilities in the areas of computing earned income and making refunds to mortgagors. The results of the assessment indicated that the overall system provided adequate safeguards against fraud, waste, and mismanagement.

Employee Awareness Program

We continue to issue our series of Fraud Information Bulletins. Designed to inform HUD auditors, investigators, and program personnel of the major types of abuse and the indicators of fraud in HUD activities and programs, the Bulletins now have a wider readership which includes fund recipients, various government agencies, independent public accountants, consultants, contractors, and the general public. There are now 15 Bulletins published by the OIG with several more in process. Two Bulletins were published recently and are summarized below; earlier Bulletins were described in previous Semiannual Reports.

- The fourteenth Fraud Information Bulletin addresses "Time and Attendance and Leave Abuse." Fraud, abuse, and mismanagement in this area occur throughout the Federal Government because of either willful intent or the lack of concern and knowledge about time and attendance requirements. The Bulletin applies to all employees and in particular to timekeepers, superviors, administrative officers, and others who control or handle time and attendance matters. The Bulletin cities case examples of abuse dealing with: (1) entering data on the Time and Attendance Reports; (2) making informal leave agreements; (3) conducting personal business during official duty hours; (4) being absent without having approved leave; and (5) taking leave while in travel status.

- The fifteenth Fraud Information Bulletin concerns "The HUD Hotline" and informs employees and others about the hotline--what it is, what it has accomplished, and how it can be effectively used. Case histories are presented in the Bulletin which illustrate fraud, waste, and abuse that have been exposed by hotline complainants. Examples are categorized as program or non-program related, with particular emphasis on reported abuse about the Section 8 (Lower-Income Rental Assistance) Program. Disposition of the hotline cases is duly noted in the Bulletin, including indictments, convictions, fines, recoveries of funds, program suspensions and debarments, etc.

- In order to maximize the use of our Fraud Information Bulletins throughout the Federal Government, an article was printed in the January 1984 "News Bulletin" of the Joint Financial Management Improvement Program describing our Fraud Information Bulletins.

Other Initiatives

We have accelerated our efforts to identify fraud, waste, and mismanagement through the use of microcomputers. During the first 6 months of FY 1984, 99 OIG staff members attended microcomputer training. This brings the total number of OIG employees trained in the use of microcomputers to 114. This consisted of three courses. One was a basic course designed specifically for auditors and investigators. The second was a general course for executives and senior managers. The third was an advanced course for staff to enable them to expand the current HUD applications of the microcomputers.

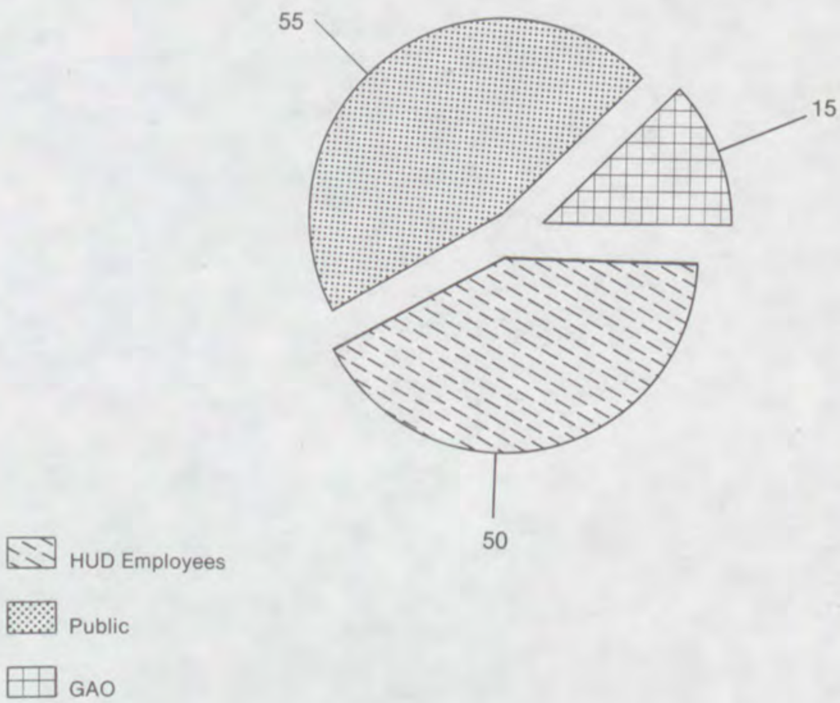
These machines are being used throughout the OIG to perform analytical functions needed in both audits and investigations. At one Field site, auditors used the microcomputer to examine over 1,900 cash disbursements. At another site, the microcomputer was used to chart audit fundings of interest to the Federal Bureau of Investigation. Another use involved the measuring of workload data of HUD Field employees. Graphing information of this type on the microcomputer makes it much easier to identify trends and patterns. Auditors have used the microcomputers to compute and compare multifamily operating income and costs. Investigators have also used them to compare information from different data bases to uncover possible false statements made to HUD.

Microcomputers are also being used throughout the IG community. A consensus to ensure that machines are compatible with one another has enabled the OIGs to develop interchangeable programs, data bases, and training courses. As user knowledge and familiarity grow, the potential for what can be accomplished will increase dramatically.

Hotline Activities

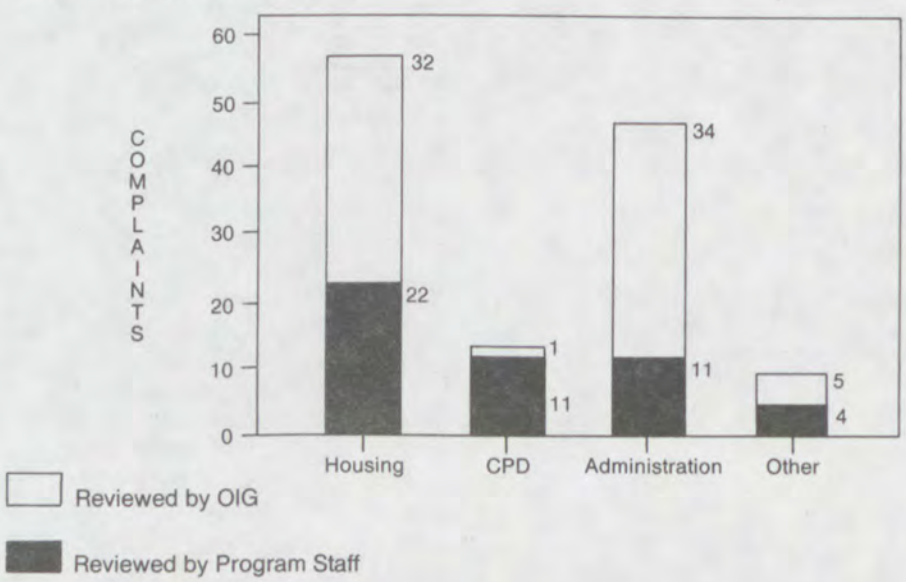
HUD hotline complaints originate from HUD employees or the general public. Also, complaints are referred to the OIG by the General Accounting Office and the Office of Management and Budget. We received 120 complaints during the reporting period. We also received 258 inquiries over the HUD hotline. These inquiries include additional information on previously submitted complaints, requests for complaint status information, and questions regarding HUD matters. The following chart breaks down the origin of the 120 complaints.

Sources of Hotline Complaints
October 1, 1983 to March 31, 1984



The chart below shows the program areas affected and the offices assigned to review and resolve the complaints.

Distribution of Hotline Complaints
October 1, 1983 to March 31, 1984



During this reporting period, 189 hotline complaints were closed. Of these, 55 (29 percent) were valid and resulted in corrective actions.

Those complaints found valid resulted in actions such as fines, recovery of funds, termination of assistance, and suspension and debarment from participation in HUD programs. The following synopses illustrate hotline complaints substantiated during this reporting period.

- A confidential complainant alleged that a HUD employee was abusing time and attendance procedures by not signing for leave and using a GSA vehicle for personal business. The allegations were substantiated during an investigation and the employee was suspended for 30 days without pay.

- A complainant alleged a waste of Federal funds when a Public Housing Agency (PHA) moved from a city owned rent-free building to a commercial building where rent was required. An audit determined that the growth of the PHA necessitated a move to a building where more space was available. However, the audit did disclose that the PHA relocation staff worked 69 percent of the time on relocation activities not funded by the Community Development Block Grant (CDBG) Program, yet this staff's space rental was charged to the CDBG program. The Supervisor of Special Accounting for the PHA agreed to the finding, and will develop a plan to prorate shares of the rent to non-funded relocation activities.

- An investigation disclosed that an employee's Standard Form-171, Personal Qualifications Statement, submitted for employment consideration, contained false and misleading information. Although the employee has left HUD, other action is still pending because this employee again used a Standard Form-171 containing false statements to obtain another Federal job.

- Allegations that a HUD employee violated HUD Standards of Conduct by abusing HUD's time and attendance procedures and Federal Telecommunications System (FTS) lines were substantiated during an investigation. The employee was suspended for 5 days without pay and required to reimburse HUD $180 for unofficial use of the FTS lines.

- A complainant alleged a HUD employee violated HUD Standards of Conduct by abusing HUD time and attendance procedures and Federal Telecommunications System (FTS) lines. An investigation substantiated the allegations. The employee received a letter of official reprimand and was required to reimburse HUD $179.10 for unofficial use of the FTS lines.

- A complaint of shoddy workmanship was verified by program personnel. The contractor was required to correct the deficient rehabilitation work to the satisfaction of the homeowner and the City.

- Several complaints dealing with false statements to obtain Section 8 housing assistance payments were received and verified, as follows:

  - Four tenants at one project collectively received $17,491 in excess benefits by submitting false applications to the management agent. The Assistant United States Attorney declined prosecution in favor of administrative action by HUD and collection of the overpayments.

  - Tenants did not disclose that they owned a home and obtained $885 in ineligible assistance. They were required to repay the assistance payments.

  - A tenant did not disclose all income sources and obtained $7,193 in excess assistance. The Assistant United States Attorney declined prosecution based on the tenant's execution of a restitution agreement for the full repayment of the excess rental assistance.

– A caller reported that a housing unit was not being maintained in a safe and sanitary condition. A review by the program staff determined that the allegation was correct. The housing assistance contract was terminated until the landlord made the proper repairs.

- A complainant alleged that two mortgagors submitted a false statement in obtaining an FHA-insured mortgage. Investigation disclosed that the mortgagors purchased a home as owner-occupants when, in fact, they intended to use the property for investment purposes. The mortgagors were required to pay an additional $10,016 downpayment, which reduced the HUD-insured loan amount and the potential liability to HUD.

- A caller alleged that a Section 8 project claimed an excessive utility allowance from HUD. An audit substantiated the allegation. Based on this, the management agent was required to conduct an immediate survey and analysis of tenants' utility costs and to recommend a specific utility allowance amount. The action taken by HUD will result in an annual savings to HUD of $14,904 in reduced subsidy payments.

Cooperative Efforts

During the current semiannual reporting period, we participated in several special cooperative efforts with other Federal, State, and local agencies. These activities, as required by the Inspector General Act of 1978, relate to the promotion of economy and efficiency and the prevention and detection of fraud and program abuse. The cooperative efforts, as described below, are in addition to our regular coordination with non-Federal auditors, other Offices of Inspector General and agencies, various Congressional Committees, Intergovernmental Audit Forums, the Federal Audit Executive Council, and professional organizations and societies.

President's Council on Integrity and Efficiency

By an Executive Order in March 1981, the President established the President's Council on Integrity and Efficiency (PCIE). The Council is chaired by the Deputy Director, Office of Management and Budget. THe HUD Inspector General is the Vice Chairperson. The Council also includes the Deputy Attorney General, the Director of the Office of Personnel Management, the Executive Assistant Director of Investigations of the FBI, all statutory Inspectors General and other key officials. The PCIE was established as an integral part of a broader plan to attack fraud, waste, and inefficiency in Federal programs.

1. Inspection Project

This project was begun by the PCIE's standing committee on Prevention Activities. The HUD Inspector General chairs the Inspection project. Inspection activities refer to the various review/assessment/evaluation methods (apart from audits and investigations) of Inspector General techniques. These activities enhance Inspector General efforts in preventing fraud, waste, and abuse through improved management efficiency and effectiveness.

The purpose of this project is to inventory the various types of review activities to identify the best practices for consideration by Inspectors General. The study will address issues such as: differences between traditional audits, investigations, and inspections; desirability of procedural guidelines; most cost effective level of detail, time, and effort; composition of inspection teams; and level of involvement by management. Members of the working group will contact Inspector General staffs in departments and agencies to gather specific information on their activities.

A report will be prepared which describes ongoing inspection activities in the Federal Government and highlights the best of these practices for consideration and use by other members of the PCIE.

2. Legislative and Regulatory Review Procedures

The legislative and regulatory review function of the Inspectors General has significant potential for preventing fraud, waste, and abuse. Recognizing this, the Prevention Committee assigned one of its subcommittees a project to analyze the legislation and regulation review practices of all the Offices of Inspector General and to a lesser extent, those of States and the private sector.

The purpose of this review is to: (1) identify common elements, requirements and best practices in the review process (for dissemination to the Inspectors General); (2) create a compendium of successful practices and suggested procedures for performIng the function; and (3) develop recommendations, as appropriate, for strengthening Inspector General prevention efforts.

The task force members developed an extensive discussion guide addressing all aspects of the legislative and regulatory review function. They are currently working with Inspector General offices to obtain their discussion guide responses.

3. Other PCIE Projects

• Communications and Awareness. This is a newly formed committee chaired by the HUD Inspector General. The initial project will have a dual goal. The first is to inventory existing methods used to increase public and employee awareness of Inspector General activities. The second is to develop recommendations for a clearinghouse that will exchange information and ideas among the Inspectors General.

• Front-End Eligibility Verification Systems. This study seeks to identify and develop: (1) technical assistance materials that describe common eligibility factors critical to determining the proper level of benefits for needs based on Federal programs; (2) front-end computer applications and on-line integrated systems used to verify eligibility data; and (3) best practices employed by Federal, State and local governments. The project will also address the issue of cost/-benefit analysis in using the front-end verification techniques.

Intradepartmental Projects

1. OMB Circular A-123 and the FMFIA

The Assistant Secretary for Administration is responsible for HUD's implementation of OMB Circular No. A-123, "Internal Control Systems," and the Federal Managers' Financial Integrity Act (FMFIA). The Office of Fraud Control and Management Operations within the Office of Inspector General (OIG) has provided ongoing support to the Office of Administration in performing its responsibilities through continual consultation and technical advice.

During this reporting period, major efforts by the Office of Administration include: (1) preparing the annual report to the President and the Congress as required by the FMFIA; (2) revising the preliminary review guide; (3) preparing the Internal Control Handbook for Departmental clearance; and (4) completing Field Office vulnerability assessments. In each case, the OIG provided input to the preparation of related correspondence, instructions, and other materials.

Our Office of Audit reviewed the adequacy of HUD's compliance with A-123 and FMFIA and issued a report to the Secretary on November 16, 1983. The results of our review, including our recommendations for improving and completing the process, were reflected in the Secretary's first annual statement on internal controls to the President and the Congress on December 31, 1983. Our Departmental review was part of a larger effort with the GAO, which is discussed in greater detail under Interagency Projects.

2. A-76 Cost Estimates and Comparisons

OMB Circular No. A-76, "Policies for Acquiring Commercial or Industrial Products and Services Needed by the Government," establishes the policies and procedures used to determine whether needed commercial or industrial type work should be done by contract with private sources or by government personnel using government facilities. One of the A-76 requirements is that all cost comparisons be reviewed by an organization which is independent from the one which prepared the cost analysis. This is to ensure compliance with established policies and procedures. At HUD, the OIG performs the independent reviews. Upon request, the OIG also provides advice to the A-76 estimate preparers prior to the submission of such estimates for review. During the 6-month period ending March 31, 1984, the OIG: (1) completed a review of a cost comparison for library services; (2) completed a review of the in-house cost estimates for single family property disposition activities; and (3) provided advice on the development of the in-house cost estimates for debt collection activities.

Interagency Projects

1. Joint Review With The General Accounting Office

Our Office of Audit and the General Accounting Office (GAO) performed a joint review of the Department's implementation of OMB Circular No. A-123, "Internal Control Systems," and the Federal Managers' Financial Integrity Act. The Circular and Act require an assessment of internal control systems throughout the Federal Government and development of improvements as necessary.

A joint review was conducted to enable the OIG and the GAO to carry out similar audit assignments, while avoiding a duplication of effort and minimizing the disruption of HUD operations. Our review was required for the Secretary's use in preparing his annual statement to the President and the Congress on the adequacy of HUD's internal control systems. The GAO effort was required as part of a governmentwide review of the implementation of the Act covering 17 Federal agencies. The joint review was scheduled in a manner to enable the GAO and our office to meet these respective reporting requirements.

Our report to the Secretary was issued on November 16, 1983. We advised the Secretary that HUD was proceeding with its internal control evaluation in a reasonable and prudent manner, but that there was still much to do before the full assurances required by the Circular and the Act could be provided. We made specific recommendations on actions needed to better enable HUD to provide these assurances. GAO plans to issue their report on HUD in May 1984. We plan to conduct another joint review with GAO to determine the adequacy of HUD evaluation efforts and to assess the adequacy of actions taken by HUD to correct weaknesses found in Fiscal Year 1983.

2. Audit of HUD's Cash Management Project

At the request of the Office of Management and Budget (OMB), we participated in a governmentwide audit of cash management. The Office of Inspector General, U.S. Department of Treasury, was the lead agency for the review. The audit objectives were to: (1) review existing collection procedures to determine whether funds are promptly received and deposited; (2) identify alternative collection and deposit mechanisms that would improve the deposit process; and (3) assess the effectiveness and timeliness of the implementation of HUD's Cash Management Plan.

OMB requested that we examine four particular accounts. They were: (1) Multifamily Mortgage Note Collections; (2) Single Family Sales Proceeds; (3) the Government National Mortgage Association Securities Guaranty Fee Collections; and (4) HUD-owned Multifamily Rental Payments. We plan to issue our report in May 1984.

State and Local Government Projects

1. Implementation of the Single Audit Concept

Attachment P to OMB Circular No. A-102, "Uniform Administrative Requirements for Grants-in-Aid to State and Local Governments," issued in 1979, provides for a single audit that encompasses all grants or activities of an organization that receives Federal funds. Federal agencies have been required to issue regulations to implement the provisions of the Circular.

We have worked closely with HUD's Office of General Counsel to develop an interim rule which requires all non-Federal governmental recipients of HUD assistance to comply with the provisions of Attachment P. This rule became effective on March 5, 1984.

We have completed the orientation of HUD program staff, recipient organizations, and Independent Public Accountants as to the objectives and application of the single audit concept. On a continuing basis, we conduct briefings of HUD program staff to provide updates on the status of single audit implementation. When requested, we make presentations to professional accounting and auditing organizations on single audit issues.

Review of Legislation and Regulations

During the current semiannual reporting period, we reviewed a number of legislative bills, regulations, and other issuances relating to the economy and efficiency of programs and operations and the prevention and detection of fraud and abuse. This includes a review of 69 proposed/revised regulations, 37 legislative proposals, and 99 other issuances.

Some of the more significant legislative proposals, regulations, and other issuances on which we commented are described as follows:

Legislation

H.R. 4821, The Single Audit Act of 1984, establishes uniform audit requirements for State and local governments receiving Federal financial assistance. We favor the provision in this bill that would make single audits applicable to more entities and Federal assistance over **S. 1510,** Uniform Single Financial Audit Act of 1983. We had the following comments on this bill:

• The entire State should not be the audit entity. Levels of materiality are too high to provide meaningful financial statements.

• The audit report should not be available to the public until 30 days after receipt by the State or local government or distribution by the cognizant agency if appropriate, rather than upon 30 days after completion of the audit. Also, the report should be transmitted to the cognizant agency no later than 120 days after the end of the fiscal year.

• It would not be feasible to establish cognizant assignments for each entity subject to audit because of the large numbers involved. More than 7,500 general purpose governments receive Federal assistance of $100,000 or more annually.

• Sanctions could be stronger to ensure that an acceptable audit is obtained.

Regulations

Proposed **Rule 24 CFR (Part 201)** on the Property Improvement and Manufactured Home Program rewrites and reorganizes present regulations which implement Section 2 of the National Housing Act relating to the insurance of loans to finance improvements to property or finance the purchase of manufactured homes and lots on which to place such homes. This proposed rule implements recommendations contained in our Title I Property Improvement audit (see Chapter 1) and our previous Special Operational Survey of the Manufactured Home Loan program.

Proposed changes in the Property Improvement regulations will require that:

• Lenders obtain a copy of either the contract between the borrower and the contractor/seller, or furnish the lender cost estimates for the proposed property improvement.

• Borrowers submit a completion certificate to the lender documenting that funds were spent on eligible improvements.

• Lenders conduct an on-site inspection of improvements on all loans whose principal obligation is $7,500 or more and on 10 percent of these loans with a lesser principal obligation.

• Borrowers remit any unused loan proceeds to the lender after completion.

Proposed changes in the Manufactured Home program will require that:

• Loan origination practices be improved by requiring:

– Lenders to receive and insert in each Title I loan file documentation on all transactions surrounding the loan.

- Lenders to more fully investigate a borrower's credit worthiness so that prudent lending practices can be better defined.

- An income requirement be implemented defining reasonable boundaries of a borrower's credit worthiness and ability to carry out obligations.

• Procedures for valuation of property as security be upgraded by requiring that:

- The basic valuation of a manufactured home begin with the manufacturer's invoice.

- Certain removeable personal property, such as furniture and appliances, be excluded as eligible for financing with loan proceeds.

- Certain fees and charges be paid by the borrower at closing rather than be included in the loan amount.

• Lender servicing practices be improved by better defining what a prudent lender's basic servicing responsibilities entail, requiring lenders to have an organized means of monitoring delinquent accounts, and requiring face-to-face contacts with delinquent borrowers after certain periods.

Proposed **Rule 24 CFR (Part 970),** Public Housing Program, Demolition of Buildings or Disposition of Real Property, would implement new statutory provisions regarding the demolition or disposition of Public Housing Agency (PHA)-owned, low-income public housing projects which are subject to Annual Contributions Contracts under the United States Housing Act of 1937. We nonconcurred because the rule does not recognize HUD's and ultimately the taxpayers' interest in demolition or disposition policy decisions and criteria and is too vague for proper implementation. We had the following comments on this rule:

• We believe the rule which requires HUD approval of PHA requests for demolition should be revised to allow the Department to recommend demolition or disposition. A key to HUD's recommending this action would be when a PHA experiences serious vacancy problems over a period of time and demonstrates that the units cannot be rented.

• There are several terms that are not defined and could lead to waste or abuse. For example, one section describes that a "certification" is to be filed regarding the "consistency" of the proposed activity to the applicable Housing Assistance Plan. "Consistency" is neither described nor defined.

• The rule does not state under what conditions property appraisals are not required to accompany the PHA request for HUD approval. There is no assurance for appraiser independence in the rule. We believe independent appraisals should be required.

Other Issuances

HUD Handbook 1905.1 REV, Accounting Principles and Standards, establishes the general accounting principles and standards under which the accounting systems and internal financial controls of the Department must operate. We nonconcurred with the handbook for the following reasons:

• The handbook's management control objectives do not conform to Section 113 of the Accounting and Auditing Act as amended, and Title 2, Accounting, of the General Accounting Office's (GAO's) Policies and Procedures Manual for Guidance of Federal Agencies. For example, the reporting objectives do not address accountability.

• The management control objectives should recognize the need to be responsive to the findings and recommendations in audits as independently performed by the Office of Inspector General under the provisions of the Inspector General Act of 1978 as well as audits performed by Independent Public Accountants or the General Accounting Office.

- Financial management control systems must include program related objectives in addition to budgetary and general ledger controls. Compliance with the June 1983 GAO Standards for Internal Control requires the expression of control objectives and techniques.

- The control levels do not clearly recognize the need to assign budgetary and financial controls to other principal staff such as the Inspector General and the President of the Government National Mortgage Association.

- Any reference to "internal audits" must recognize the independence of the Inspector General to perform such reviews as he or she deems necessary or refer to HUD Handbook 2000.3 REV-2, Office of Inspector General Activities.

- The internal control section conforms largely to the GAO's Standards for Internal Control but does not use all six "specific standards." The substance of those included differs somewhat from the prescribed standards, and the control techniques described are not always complete or accurate.

- The handbook should require reports that are timely and assign responsible parties.

Chapter 6

Requests for Information or Assistance

As required to be reported by law, the following describes any instances in which information or assistance requested by the Inspector General was unreasonably refused or not provided. It also includes cases during the reporting period in which we exercised subpoena authority.

1. Unreasonable Refusal or Non-Provision of Requested Information or Assistance - No instances were reported to the HUD Secretary during the semiannual reporting period.

2. Subpoenas Issued - During the reporting period, we found it necessary to exercise our subpoena authority 11 times. Three of the subpoenas were issued with respect to investigations, and eight were issued in connection with audits.

Since the passage of the IG Act, we have, to date, issued a total of 85 subpoenas. It has been necessary to seek enforcement in District Courts nine times.

Audit Resolution

The Inspector General Act requires the reporting of all significant recommendations described in previous Semiannual Reports to Congress which remain unresolved and for which corrective action has not been completed.

The Supplemental Appropriations and Rescission Act of 1980 and the Appropriations Act of 1981 require that any audits involving questioned costs be resolved within 6 months, and that the Inspectors General include in their reports to Congress a summary of unresolved audits including total numbers, dollar amounts, status, age and other related information.

Cash Recoveries

During the semiannual reporting period, Office of Inspector General and non-Federal audits of HUD program participants were instrumental in recovering and reprogramming significant amounts of improperly used funds and identifying possible waste, noncompliance, and program abuse. Highlights for the 6-month period are as follows:

- Cash recoveries resulting from audits - $31.2 million.
- Questioned/disallowed costs sustained by HUD management - $60.4 million.
- Value of unresolved audit findings - $104.9 million.

One of the significant sustained findings involved the Jersey City Housing Authority. An audit by the Office of Inspector General disclosed that the Housing Authority overstated their estimated utility expenses and therefore received excess utilities subsidies from HUD for Fiscal Years 1982 and 1983. The HUD Field Office is now seeking a $5.9 million repayment from the Housing Authority.

A similar situation existed at the Camden, New Jersey Housing Authority. They overestimated their utility costs and failed to make year-end adjustments to these estimates. As a result, they received over $1 million in excess utilities subsidies for Fiscal Years 1981 and 1982.

The following table provides additional detail on findings and cash recoveries:

Audit Findings and Cash Recoveries

(Dollars in Thousands)

	Dollar Value of Reported Audit Findings			Audit Findings Sustained			*Cash Recoveries*		
	OIG	Non-Federal	Total	OIG	Non-Federal	Total	OIG	Non-Federal	*Total*
Activity on Audits Issued During Last Six Months									
Housing	23,291	10,246	33,537	18,173	7,150	25,323	6,692	3,503	10,196
CPD	10,812	34,254	45,066	1,995	3,253	5,248	119	2,766	2,884
Admin	1,919	178	2,097	317	0	317	3	0	3
Subtotal	36,022	44,678	80,700	20,486	10,403	30,889	6,813	6,269	13,083
Prior to 10/1/83 Unresolved									
Housing	86	4,900	4,986	11,729	5,914	17,643	6,634	6,566	13,199
CPD	5,176	0	5,176	5,035	4,531	9,566	3,315	1,571	4,886
Admin	0	0	0	2,327	7	2,334	36	7	43
Other	0	0	0	11	0	11	0	0	0
Subtotal	5,262	4,900	10,162	19,102	10,451	29,554	9,986	8,144	18,129
Total				39,588	20,854	60,442	16,799	14,413	31,212

Note: Numbers may not add due to rounding.

Follow-Up on Audit Findings

In accordance with the requirements of Office of Management and Budget Circular No. A-50, "Audit Follow-up," we performed an evaluation of the Department's Audits Management System (AMS). This evaluation covered: accounting and collection controls; the process for handling auditee appeals of sustained audit findings; the existence and adequacy of performance appraisal elements pertaining to audit resolution; the post-audit verification process; procedures for timely resolution of audit findings; and adequacy of documentation and evaluation of reasons for sustaining less than 100 percent of monetary audit findings. Overall, the results indicate that the design of the Department's AMS and its implementation provide adequate assurance that prompt and proper resolution is made and corrective actions are taken on audit recommendations.

Following are statistics on the inventory of open audit findings and the activity for the reporting period:

- Open audit findings at 10/1/83 – 1,644
- Audit findings issued during the period – 3,188
- Audit findings resolved during the period – 3,375
- Audit findings unresolved at 3/31/84 – 1,457

Following is a listing of eight unresolved audits which were over 6 months old at the end of the period.

Title	*Date Issued*	*Number of Findings*	*Amount*
Philadelphia Housing Authority (82-PH-202-2270)	05/28/82	27	$ 4,900,000
First Columbia Management, Inc. (83-SF-214-1009)	11/24/82	1	$ 85,863
CDBG Rehab Activities (83-CH-144-0007)	03/23/83	1	-0-
City of Dearborn, MI - CDBG (83-CH-241-1042)	05/05/83	1	$ 272,159
CDBG - Lump Sum Drawdowns (83-TS-145-0007)	05/11/83	2	$ 3,900,000
Kansas City, MO - CDBG (83-KC-241-1014)	05/13/83	2	$ 1,003,718
Detroit Housing Agency (83-CH-201-1051)	08/26/83	6	-0-
Detroit Housing Agency (83-CH-201-5504)	09/26/83	14	-0-
Total		*54*	*$10,161,740*

The Inspector General Act of 1978 requires the Inspector General to identify each significant recommendation described in previous semiannual reports on which corrective action has not been taken. Appendix 4 lists the audit reports that were identified in previous semiannual reports as having recommendations on which corrective action has not been completed. Target dates for completed action are also shown.

Resolution of General Accounting Office Findings

HUD managers are responsible for taking appropriate action on the recommendations addressed to the Department in GAO reports. The OIG Liaison with GAO is the focal point for information from Primary Organization Heads on actions promised and/or taken by HUD on GAO recommendations. We furnish the Under Secretary with a quarterly report on the status of corrective actions on all GAO report recommendations. When HUD's response satisfactorily addresses a GAO recommendation or when HUD management nonconcurs in a recommendation for valid reasons, the recommendation is reported as closed. The final authority for resolving GAO audit findings is vested in the Under Secretary who is HUD's audit follow-up official.

- Recommendations open at 10/1/83 – 12

- Recommendations issued during the period – 22

- Recommendations closed during the period – 0

- Recommendations open at 3/31/84 – 34

Following is a listing of all unresolved audits which were over 6 months old at the end of the period.

Title	*Date Issued*	*Number of Recommendations*
Action Being Taken to Correct Weaknesses in the Rehabilitation Loan Program (FGMSD-79-14)	03/14/79	1
Weaknesses in Servicing and Accounting for Home Mortgages Held by HUD (FGMSD-79-41)	08/16/79	1
HUD Not Fulfilling Responsibility to Eliminate Lead Based Paint Hazards in Federal Housing (CED-81-31)	12/16/80	4
Weaknesses in the Planning and Utilization of Rental Housing for Persons in Wheelchairs (CED-81-45)	06/19/81	2
Defaulted Title I Home Improvement Loans (AFMD-82-14)	12/07/81	4

Errors and Omissions Insurance

A matter brought to our attention during this reporting period which impacts on the audit resolution process is errors and omissions insurance. The insurance companies which offer this maintain it will protect grantees from losses resulting from disallowed audit costs. However, we believe that Federal grantees' use of this insurance will: (1) reduce their incentive to effectively manage their programs; and (2) significantly delay the audit resolution process. In addition, the cost for insurance premiums should not be an allowable cost chargeable to Federal grants.

Appendix 1

Background, Organization, and Staffing

Establishment

The Office of the Inspector General (OIG), Department of Housing and Urban Development (HUD), was established on January 29, 1972, and became a matter of law with the signing of the Inspector General Act of 1978, P.L. 95-452, on October 12, 1978.

Role and Authority

The HUD Inspector General heads an independent organization responsible for audit, investigation, fraud control and designated security services relating to programs and operations of HUD.

The Inspector General reports directly to the Secretary of HUD and has authority to inquire into all programs, grants and activities of HUD and related parties. These inquiries may be in the form of audits, surveys, criminal and other investigations, personnel security checks or other inquiries, as appropriate.

Pursuant to the Inspector General Act of 1978, the Inspector General is responsible for providing leadership, supervision and coordination; for recommending policies to promote economy, efficiency, and effectiveness; and for detecting and preventing fraud and abuse in the administration of programs and operations of the Department. In this regard, the Inspector General is responsible for keeping the Secretary and the Congress fully and currently informed about problems and deficiencies in HUD programs and operations, and the necessity for, and progress of, corrective actions.

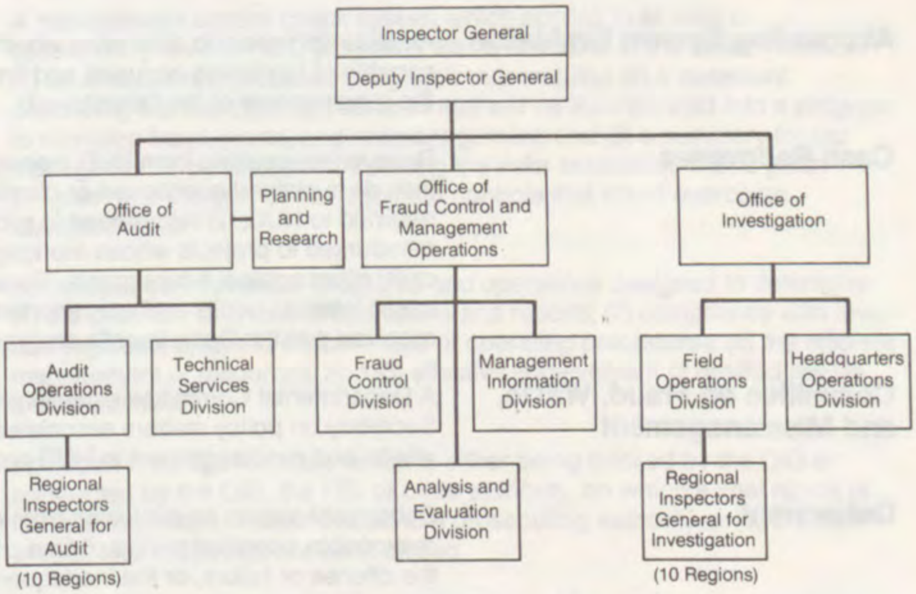
Organization and Staffing

The Office of the Inspector General consists of three major offices, each headed by an Assistant Inspector General. These offices are the: (1) Office of Audit; (2) Office of Investigation; and (3) Office of Fraud Control and Management Operations.

Within each of HUD's 10 Regions is a Regional Inspector General for Audit and a Regional Inspector General for Investigation who direct a staff of auditors and investigators, respectively, and who report to the appropriate Assistant Inspector General in Headquarters.

Organizational and Staff Distribution Charts are on the following page.

Department of Housing and Urban Development
Office of Inspector General



Staffing Distribution

FY 1984

	Headquarters	Field	Total
Inspector General	6	—	6
Office of Audit	63	288	351
Office of Investigation	21	82	103
Office of Fraud Control & Management Operations	35	—	35
Total	125	370	495

Appendix 2

Glossary of Terms

Accounting System Evaluation

An external review to determine whether a recipient's accounting system is capable of furnishing accurate and timely financial reports consistent with the requirements of the Department.

Cash Recoveries

Recoveries resulting from HUD management's actions on OIG reports. These include sustained questioned or disallowed costs for which money is: (1) returned to HUD; (2) reimbursed to programs or projects funded by HUD; (3) reimbursed to projects whose mortgage loans are made or insured by HUD; or (4) offset against future grants. These result from external, and in some cases internal, audits and are reported only after evidence has been received that the Department's program costs have actually been reduced.

Committee on Fraud, Waste, and Mismanagement

A Departmental Committee established in November 1978 to advise the Secretary on policy matters associated with minimizing occurrences of fraud, waste, and mismangement in HUD programs and activities.

Debarment

Debarment means an exclusion from participation in HUD programs for a reasonable, specified period of time commensurate with the seriousness of the offense or failure, or the inadequacy of performance.

Disallowed Costs

These are costs charged to a HUD-financed or insured program or activity which are not allowable by law, contract, or Federal, State or local policies or regulations.

External Audit

A review of the records and performance of grantees, borrowers, mortgagors, mortgagees and other contractors to determine compliance with the statutes, regulations, and terms and conditions of the agreements under which Federal funds are made available. The appropriate disposition of funds granted, loaned, or contributed is also determined.

Final Resolution

Final resolution occurs when the necessary corrective action on an audit finding and the selected recommendation as agreed upon by HUD management have been fully implemented or completed.

Finding, Closed

A finding in an issued audit report on which the recommended action has been completed or where sufficient action has been taken for all related recommendations to reasonably assure that corrective action will be completed to satisfy the intent of the finding. Therefore, the finding is no longer tracked under the Audits Management System.

Finding, Opened

A finding contained in an issued audit report that is being tracked under the Audits Management System. Either corrective action has not been completed or there is insufficient assurance that it will be completed.

Finding, Resolved

A finding on which HUD management has made a determination with respect to the action that is to be taken. This determination can be made when an agreement is reached between the OIG and action official or when a decision is made by an Audits Review Group or a higher level in the audit clearance process.

Finding, Unresolved

A finding on which no determination has been made by HUD management on the corrective action to be taken.

Fraud Vulnerability Assessment System

A management control check system which applies to all new or substantially revised HUD programs. Basic elements of the system include: (1) an analysis of a proposed program's vulnerability; (2) a statement describing the management controls that will be incorporated into a program to minimize fraud, waste, and mismanagement; and (3) a summary for top management's consideration detailing the risks associated with a given program and the cost of management controls that could overcome identified risks.

Internal Audit

An independent review of programs and operations designed to determine: (1) the propriety of financial operations and reports; (2) compliance with laws and regulations; (3) the effectiveness of operating procedures; (4) the efficient management of resources; and (5) effective achievement of desired results and objectives.

Investigation Case Pending

Any open investigation case which is either being tracked by the OIG or conducted by the OIG, the FBI, or other authority, on which a final report of investigation has not been issued to a prosecuting authority or HUD action official, and which has not been closed.

Questioned Costs

These are costs charged to a HUD-financed or insured program or activity whose eligibility cannot be determined at the time of audit. These costs require a future decision on the part of HUD program officials regarding their eligibility. This decision can involve a legal interpretation or clarification of Departmental policies and procedures, or can be contingent upon review of supporting documentation.

Survey

A fact-finding review designed to obtain and analyze information on a program or activity to identify matters warranting detailed examination or analysis.

Suspension

Suspension means a disqualification from participation in HUD programs for a temporary period of time because a contractor or grantee is suspected upon adequate evidence of engaging in criminal, fraudulent, or seriously improper conduct.

Audit Reports Issued

The Inspector General Act requires the identification of each audit report completed by the OIG during the reporting period. A graphic summary of reports issued is presented on page 73.

Internal Audit and Survey Reports

Report No.	Title	Issue Date
Housing		
84-BO-182-0002	Special Operational Survey - Providence Office	03/15/84
84-NY-111-0001	Physical Inspection of Projects in Management	01/04/84
84-NY-123-0002	Management and HUD Acquired/Occupied Properties	01/31/84
84-AT-103-0001	Greensboro Office Processing of Administrative Fees for Section 8 Projects	12/02/83
84-CH-112-0004	Multifamily Project Development Processing	03/05/84
84-CH-119-0005	Regional Role in Administering Housing Programs	03/08/84
84-FW-112-0001	Adequacy of Field Office Review of Financial Information Submitted by Multifamily Mortgagors	12/29/83
84-KC-112-0001	Review of Multifamily Project Processing	10/14/83
84-SF-101-0001	Comprehensive Improvement Assistance Program	11/04/83
84-SF-112-0004	Section 202 Direct Loan Program for Housing For The Elderly or Handicapped	02/10/84
84-SF-111-0005	Improper Approval of Use of Tenant's Security Deposits - Eugene Burger Management Agent	03/02/84
84-SE-101-0001	Review of Deficiencies in Monitoring Public Housing Operations	11/15/83
84-SE-101-0002	Comprehensive Improvement Assistance Program Funding Approved Without Acceptable Energy Audits	01/26/84
84-AO-108-0003	Review of Consolidated Supply Program	03/14/84
84-TS-103-0001	Section 8 Existing Housing Program Administrative Fees	11/23/83
84-TS-113-0002	Protection of Property and Preservation of Income on Multifamily Projects Recommended for Foreclosure	11/25/83

Report No.	Title	Issue Date
84-TS-101-0003	Comprehensive Improvement Assistance Program for Public Housing Agencies	12/19/83
84-TS-101-0004	Income Projections Used by Public Housing Authorities Under Performance Funding System	01/20/84
84-TS-122-0005	Title I Property Improvement Loan Insurance Program	01/25/84
Community Planning and Development		
84-NY-145-0003	Field Office Review of Cost Allocation Plans	02/03/84
84-PH-145-0002	Monitoring/Control of Real Estate Inventory Acquired by Grantees	03/19/84
84-AT-145-0002	Reasonableness of Travel Costs Incurred by Public Housing Authorities and Community Development Block Grant Authorities	02/08/84
84-CH-182-0006	Compliance with Uniform Relocation Act	03/29/84
84-DE-145-0002	HUD Monitoring of Housing Agency Procurement and Contracting Activities	03/20/84
Administration		
84-BO-169-0001	Special Survey of Audits Management System	12/30/83
84-PH-169-0001	Special Survey of Audits Management System	12/30/83
84-CH-161-0001	Regional Accounting Division Operations	12/15/83
84-CH-169-0001	Special Survey of Audits Management System	12/30/83
84-CH-162-0003	Control Over Receipt and Deposit of Funds	02/02/84
84-DE-169-0801	Survey of HUD Salt Lake City Office, Salt Lake City, Utah	03/22/84
84-SF-169-0002	Special Survey of Audits Management System	12/30/83
84-SF-161-0003	Regional Accounting Division Operations	01/11/84
84-AO-161-0002	Review of Internal Controls Over Disbursements of Travel Advances from Imprest Fund	02/16/84
Other		
84-DE-179-0001	Implementation of the Freedom of Information Act in Region VIII	01/27/84
84-AO-175-0001	Survey of Corporation Expenditures – New Community Development Corporation	01/05/84
	Review of HUD's Implementation of OMB Circular A-123 and the Federal Mangers' Financial Integrity Act of 1982	11/16/83
	Evaluation of Audits Management System	01/07/84

External Audit and Accounting System Evaluation Reports

Report No.	Title	Location	Issue Date
Housing			
84-BO-214-1002	American Properties Team, Inc.	Boston, MA	10/26/83
84-BO-212-1004	Providence Building Sanitary and Educational Association	Providence, RI	12/15/83
84-BO-212-1005	Third Stone Ridge Cooperative Corporation	Bridgeport, CT	12/21/83
84-BO-212-1006	Nicholas Marra Nursing Home	East Providence, RI	12/28/83
84-BO-202-1008	Hartford Housing Authority	Hartford, CT	02/09/84
84-BO-212-1009	Barbour-Waverly Cooperative Apartments, Inc.	Hartford, CT	02/28/84
84-BO-212-1011	Commonwealth Avenue Housing Associates	Allston, MA	03/09/84
84-NY-201-1001	Jersey City Housing Authority	Jersey City, NJ	10/13/83
84-NY-211-1002	Las Americas Housing	Ponce, PR	10/13/83
84-NY-201-1004	Camden Housing Authority	Camden, NJ	10/28/83
84-NY-221-1006	R.F. Mortgage and Investment Corp.	San Juan, PR	11/10/83
84-NY-203-1012	Doram Management Serv. Corp.	San Juan, PR	02/03/84
84-NY-229-1016	Island Park, New York	Nassau County, NY	03/02/84
84-NY-201-1019	Puerto Rico Urban Renewal and Housing Corporation	San Juan, PR	03/20/84
84-NY-201-1020	Newark Redevelopment and Housing Authority	Newark, NJ	03/29/84
84-PH-212-1001	Mon View Heights Apartments	West Mifflin, PA	10/25/83
84-PH-215-1002	Project Manager Operations-The Management Group,	Washington, DC	10/26/83
84-PH-221-1006	Jersey Mortgagee Company	Bala Cynwyd, PA	12/07/83
84-PH-222-1008	Flagg Real Estate, Inc.	Camp Springs, MD	01/05/84
84-PH-209-1010	Portsmouth Redevelopment and Housing Authority	Portsmouth, VA	03/02/84

Report No.	Title	Location	Issue Date
84-PH-212-1011	Benning Park Terrace Apartments	Washington, DC	03/30/84
84-AT-211-1040	Callier Forest Partners, Ltd.	Rome, GA	11/23/83*
84-AT-203-1003	Housing Authority of the Birmingham District	Birmingham, AL	10/21/83
84-AT-212-1004	Eastwyck Village Towne Houses, Inc.	Decatur, GA	11/16/83
84-AT-222-1007	Coleman Realty Company	Atlanta, GA	12/13/83
84-AT-202-1009	Charleston Co. Housing and Redevelopment Authority	Charleston, SC	01/09/84
84-AT-202-1010	Winter Haven Housing Authority	Winter Haven, FL	01/10/84
84-AT-221-1011	National Mortgage Company	Memphis, TN	01/20/84
84-AT-214-1014	G and M Management Corp.	Atlanta, GA	02/24/84
84-CH-215-1002	Downs, Mohl and Company	Chicago, IL	10/21/83
84-CH-215-1004	Urban Services Realty and Management Group, Inc.	Chicago, IL	11/03/83
84-CH-215-1005	Hobbs and Grubb, Inc.	Chicago, IL	11/09/83
84-CH-212-1006	Amber Manor Apartments	Sauk Village, IL	12/12/83
84-CH-201-1007	Columbus Metropolitan Housing Authority	Columbus, OH	12/09/83
84-CH-213-1009	Pullman Wheelworks	Chicago, IL	02/24/84
84-CH-221-1010	Westamerica Mortgage Company	Schaumburg, IL	02/16/84
84-FW-203-1001	Housing Authority of Carrizo Springs	Carrizo Springs, TX	11/03/83
84-FW-203-1002	Housing Authority of Del Rio, Texas	Del Rio, TX	11/07/83
84-FW-212-1004	Pepco, Inc.	Norman, OK	11/10/83
84-FW-212-1008	Lasby Park Terrace Apartments	San Benito, TX	12/03/83
84-FW-203-1009	Housing Authority of Dallas, Texas	Dallas, TX	12/09/83
84-FW-202-1011	Housing Authority of Kickapoo Tribe	Horton, KS	12/16/83

*Delayed Release

Report No.	Title	Location	Issue Date
84-FW-203-1013	Section 8 Moderate Rehabilitation Program	Baton Rouge, LA	12/23/83
84-FW-201-1014	Housing Authority of New Orleans	New Orleans, LA	12/29/83
84-FW-202-1021	Housing Authority of Hubbard, Texas	Hubbard, TX	02/09/84
84-FW-221-1022	Central Mortgage Bancshares, Inc.	Fort Smith, AR	02/24/84
84-FW-212-1023	White River Apartments	Diaz, AR	03/07/84
84-FW-203-1024	Housing Authority of Starr County	Starr County, TX	03/30/84
84-KC-201-1002	St. Louis Housing Authority	St. Louis, MO	11/18/83
84-KC-221-1003	Regional Investment Company	Leawood, KS	11/30/83
84-KC-202-1004	Topeka Housing Authority	Topeka, KS	02/23/84
84-DE-229-1001	Homestead Farms	St. George, UT	10/19/83
84-DE-221-1003	Ogden First Federal Savings and Loan Association	Ogden, UT	11/08/83
83-DE-209-1008	Casper Housing Authority	Casper, WY	03/28/84*
84-SF-214-1001	Sabina Realty Corporation	Los Angeles, CA	10/14/83
84-SF-212-1003	Loring Heights Apts.	Greenbrae, CA	10/28/83
84-SF-214-1004	CDC Management Corporation	Los Angeles, CA	11/01/83
84-SF-212-1005	Regency Tower Apartments	Oakland, CA	11/04/83
84-SF-212-1007	Westgate Gardens	Fresno, CA	12/08/83
84-SF-212-1008	Pittsburg Plaza	Pittsburg, CA	01/20/84
84-SF-202-1009	Riverbank Housing Authority	Riverbank, CA	02/08/84
84-SF-212-1010	Santa Clara Methodist Retirement Foundation, Inc.	Santa Clara, CA	02/24/84
84-SF-214-1011	Eugene Burger Management Corporation	Greenbrae, CA	02/29/84
84-SF-212-1012	Bigby Villa Limited	Fresno, CA	03/05/84
84-SF-214-1013	Foundation for Senior Adult Living	Phoenix, AZ	03/12/84
84-SF-211-1016	Victoria Plaza	Oakland, CA	03/22/84

*Delayed Release

Report No.	Title	Location	Issue Date
84-SE-201-1001	King County Housing Authority	Portland, OR	12/15/83
84-SE-203-1003	Moderate Rehabilitation Program Bellingham Housing Authority	Bellingham, WA	03/30/84
84-TS-221-1007	Percy Wilson Financial Corporation	Houston, TX	02/13/84
Community Planning and Development			
84-BO-257-1001	New Haven Urban Renewal	New Haven, CT	10/11/83
84-BO-241-1010	Lowell CDBG Program	Lowell, MA	03/06/84
84-NY-259-1005	Section 312 Rehab Loan Program	Buffalo, NY	11/09/83
84-NY-241-1009	CDBG-City of Glens Falls	Glens Falls, NY	12/23/83
84-NY-248-1011	Bolton, New York	Bolton, NY	01/11/84
84-NY-241-1013	Ponce CDBG Program	Ponce, PR	02/13/84
84-NY-244-1015	Catano CDBG Program	Catano, PR	02/16/84
84-NY-248-1017	Carolina CDBG and UDAG Programs	Carolina, PR	03/09/84
84-NY-241-1018	Section 312 Rehab Loan Program-Buffalo	Buffalo, NY	03/06/84
84-PH-248-1003	Berlin, Maryland	Berlin, MD	11/15/83
84-PH-248-1004	North Beach, Maryland	North Beach, MD	11/18/83
84-PH-248-1005	Frostburg, MD	Frostburg, MD	11/25/83
84-PH-248-1007	St. Mary's County, MD	St. Mary's County, MD	12/08/83
84-PH-241-1009	Wilkes-Barre, Pennsylvania	Wilkes-Barre, PA	02/28/84
84-AT-243-1002	Powder Springs CDBG Program	Powder Springs, GA	10/17/83
84-AT-241-1006	Knoxville CDBG Program	Knoxville, TN	12/06/83
84-AT-248-1008	UDAG-Town of Wartrace	Wartrace, TN	12/29/83
84-AT-242-1012	Charlotte UDAG Program	Charlotte, NC	02/14/84
84-AT-242-1016	Sylva UDAG Program	Sylva, NC	03/02/84
84-AT-248-1017	Monterey, Tennessee	Monterey, TN	03/14/84

Report No.	Title	Location	Issue Date
84-CH-242-1008	Mankato, Minnesota	Mankato, MN	02/10/84
84-CH-241-1011	Detroit CDBG Program	Detroit, MI	03/30/84
84-FW-248-1005	Thlopthlollo Tribal Town	Thlopthlollo, OK	11/15/83
84-FW-242-1006	Hartshorne, Oklahoma UDAG	Hartshorne, OK	11/21/83
84-FW-252-1007	Grand Prairie, Texas CDBG	Grand Prairie, TX	11/22/83
84-FW-242-1010	Royse City, Texas CDBG	Royse City, TX	12/12/83
84-FW-241-1012	CDBG Activities - Lubbock	Lubbock, TX	12/22/83
84-FW-248-1016	Houma, Louisiana CDBG	Houma, LA	01/10/84
84-FW-248-1017	Slidell, Louisiana CDBG	Slidell, LA	01/10/84
84-FW-248-1018	Thibodaux, Louisiana CDBG	Thibodaux, LA	01/10/84
84-FW-243-1019	Camp Wood, Texas CDBG	Camp Wood, TX	01/13/84
84-FW-244-1020	Cheyenne and Arapaho Tribes - CDBG	Cheyenne-Arapaho Tribe, OK	01/27/84
84-KC-248-1001	Small Cities Program Jobs Bill	Topeka, KS	10/20/83
84-KC-241-1005	Topeka CDBG Program	Topeka, KS	03/08/84
84-DE-249-1001	Denver Housing Authority - CDBG Program	Denver, CO	10/12/83
84-DE-248-1002	Georgetown, Colorado	Georgetown, CO	10/28/83
84-DE-248-1004	Oak Creek, Colorado	Oak Creek, CO	11/09/83
84-DE-248-1005	Empire, Colorado	Empire, CO	12/12/83
84-SF-248-1002	Calaveras County, CA	Calaveras County, CA	10/14/83
84-SF-241-1006	City and County of San Francisco CDBG	San Francisco, CA	11/30/83
84-SF-248-1014	Lodi, California	Lodi, CA	03/20/84
84-SF-248-1015	Turlock, California	Turlock, CA	03/20/84
84-SE-252-1002	Central Service Cost Allocation Plan-Boise	Boise, ID	03/09/84
84-SE-241-1004	Portland CDBG Program	Portland, OR	03/30/84
84-TS-249-1003	Harbison Development Corporation	Conway, SC	10/28/83

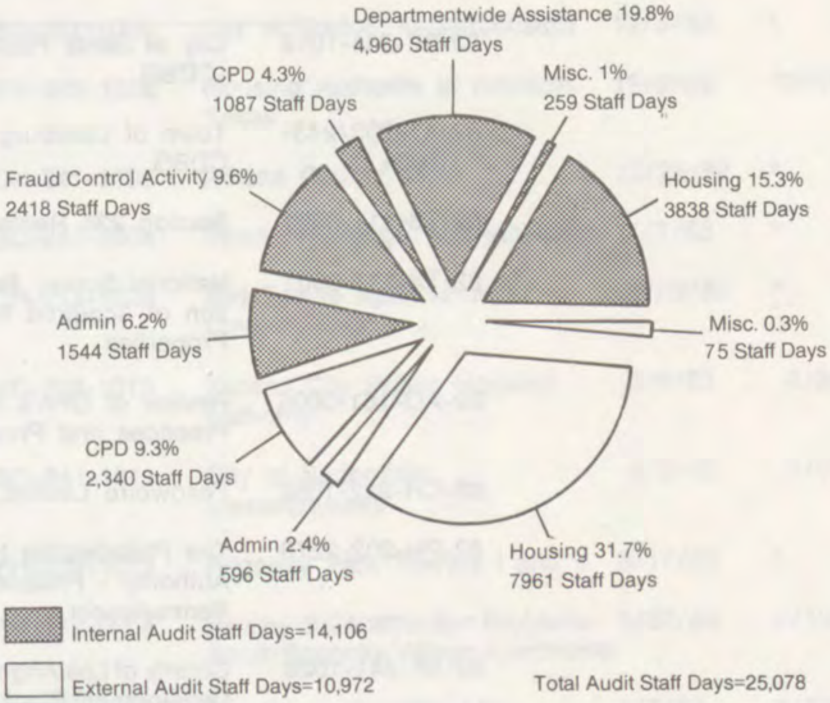
Report No.	Title	Location	Issue Date
Administration			
84-BO-261-1003	Mansfield Retirement Community, Inc.	Storrs, CT	11/04/83
84-BO-262-1007	OKM Associates, Inc.	Boston, MA	01/06/84
84-BO-261-1012	Northeast Economic Action Research Corporation, Inc.	Boston, MA	03/27/84
84-NY-262-1003	South Bronx Development Corporation, Inc.	New York, NY	10/13/83
84-NY-262-1007	Pratt Institute	Brooklyn, NY	11/28/83
84-NY-262-1008	Project for Public Spaces, Inc.	New York, NY	11/25/83
84-NY-262-1010	Private Industry Council	New York, NY	12/30/83
84-NY-262-1014	National Urban League, Inc.	New York, NY	02/22/84
84-NY-262-1021	National Urban League, Inc.	New York, NY	03/29/84
84-AT-262-1001	Mississippi Action for Community Education, Inc.	Greenville, MS	10/07/83
84-AT-261-1005	Housing Authority of Fayette	Fayette, AL	11/30/83
84-AT-262-1013	Jackson State University	Jackson, MS	02/16/84
84-AT-262-1018	National Conference of Black Mayors, Inc.	Atlanta, GA	03/26/84
84-CH-262-1001	The Woodlawn Organization	Chicago, IL	10/12/83
84-CH-262-1003	American Bar Association	Chicago, IL	10/26/83
84-FW-261-1003	Cherokee Nation Housing Authority	Cherokee Nation, OK	11/09/83
84-FW-262-1015	Mexican American Research Center	Austin, TX	01/10/84
84-AO-261-1001	McClure-Lundberg Associates	Washington, DC	12/22/83
84-AO-262-1002	National Concrete Masonry Association	Herndon, VA	12/22/83
84-AO-261-1003	Housing Assistance Council	Washington, DC	12/30/83
84-AO-262-1004	Joint Center for Political Studies	Washington, DC	01/27/84
84-AO-261-1005	National Association of Towns and Townships	Washington, DC	01/30/84
84-AO-262-1006	National Conference of States on Building Codes and Standards	Fairfax County, VA	03/28/84

Report No.	Title	Location	Issue Date
Government National Mortgage Association			
84-TS-271-1001	Midland Mortgage Corporation	Detroit, MI	10/12/83
84-TS-271-1002	First Interstate Real Estate Services Company	Denver, CO	10/21/83
84-TS-271-1004	Lomas & Nettleton Company	Dallas, TX	12/08/83
84-TS-271-1005	Regional Investment Company	Lebanon, KS	12/22/83
84-TS-271-1006	American Savings and Loan Association	Salt Lake City, UT	02/08/84
84-TS-271-1008	Fidelity Savings Association of Kansas	Wichita, KS	02/14/84

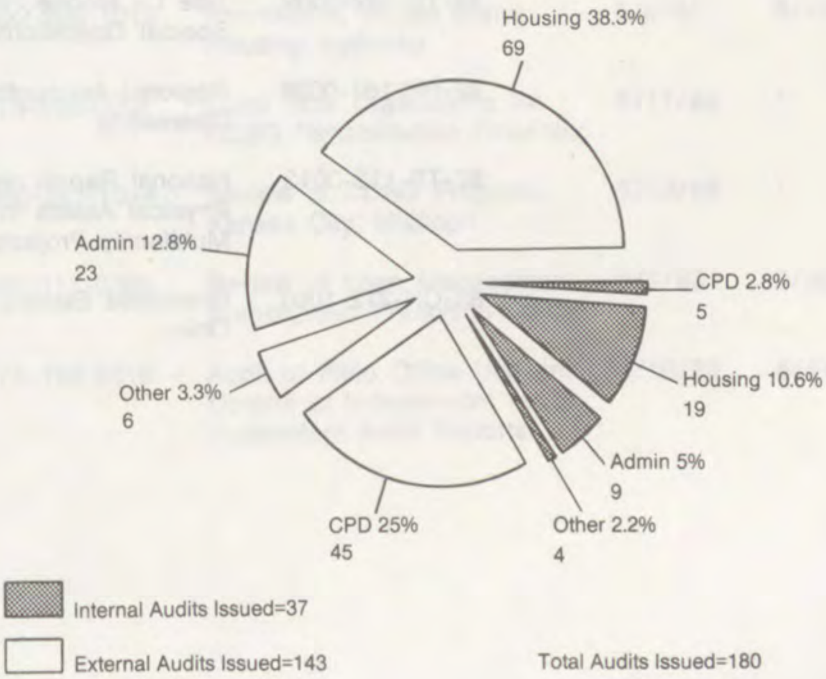
Audit Resources and Results

The charts below show distribution of audit staff time and reports issued by program area and type of audit.

Distribution of Audit Staff Time by Program Area and Type of Audit
October 1, 1983 to March 31, 1984



Distribution of Audit Reports Issued by Program Area and Type of Audit
October 1, 1983 to March 31, 1984



Appendix 4

Previously Reported Items-Corrective Actions Not Completed

The audit reports listed below were discussed in prior Semiannual Reports to Congress disclosing significant problems, abuses, and deficiencies. As of March 31, 1984, findings are either unresolved or corrective actions agreed upon to resolve these matters were in the process of being implemented but were not yet completed.

Report No.	Title	Issue Date of Report	Target Date
80-SF-244-1018	City of Santa Paula, California -CDBG	7/10/80	[1]
82-AT-203/243-1004	Town of Leesburg, Florida - CDBG	10/23/81	[2]
82-TS-111-0001	Section 236 Rental Income	11/6/81	9/30/84
82-TS-113-0001	National Survey Report Disposition of Acquired Multifamily Properties	3/25/82	5/31/84
82-AO-161-0006	Review of GPA's Management, Practices and Procedures	4/16/82	12/31/84[6]
82-CH-212-1062	Yellowbird Limited, Xenia, Ohio	5/19/82	[3]
82-PH-202-2270	The Philadelphia Housing Authority - Philadelphia, Pennsylvania	5/28/82	5/31/84
82-SF-241-1028	County of Los Angeles Community Development Block Grant Program	6/10/82	[2]
82-TS-111/112-0008	Management Input Into Processing Multifamily Housing Projects	7/12/82	5/30/84
82-TS-182-0009	Title I - Mobile Home Loans-Special Operational Survey	7/13/82	12/31/84
82-PH-161-0009	Regional Accounting Division Operations	8/11/82	1/31/85
82-TS-113-0013	National Report on Transfer of Physical Assets in the Sale of Multifamily Projects	8/24/82	8/31/84
83-CH-212-1001	Greenfield Estates, Groveport, Ohio	10/14/82	4/30/84

Report Number	Title	Issue Date of Report	Target Date
83-DE-257-1001	Denver Urban Renewal Authority	10/15/82	[3]
83-NY-201-1004	Virgin Islands Housing Authority	10/18/82	6/30/84
83-SF-214-1002	Executive Services Company	10/22/82	[3]
83-BO-241-1005	City of Boston, Massachusetts	12/3/82	[3]
83-FW-203-1006	Housing Authority of Houston, Texas	12/3/82	12/31/84
83-CH-241-1008	Athens County, Ohio	12/23/82	[2]
83-BO-243-1008	Town of Orange, Massachusetts	1/7/83	[2]
83-CH-212-1028	Mid-Towne Apartments, Cincinnati, Ohio	2/23/83	[2]
83-KC-202-1013	Kansas City Public Housing Authority	3/2/83	6/30/84
83-BO-241-1011	City of Springfield, Massachusetts	3/2/83	5/31/84
83-PH-212-1012	Regency Park Towers I and II	3/17/83	[2]
83-PH-112-0006	Review of Construction Problems-South Roanoke Village Apartments	3/30/83	5/15/84
83-AT-221-1017	Henderson Heights, Ltd.	4/7/83	8/13/84
83-TS-161-0005	Regional Accounting Division Operations	4/28/83	6/30/84[6]
83-BO-202-1013	Providence, Rhode Island Housing Authority	5/6/83	8/15/84
83-TS-145-0007	Lump Sum Drawdowns for CDBG Rehabilitation Financing	5/11/83	[4]
83-KC-241-1014	Review of CDBG Program-Kansas City, Missouri	5/13/83	[4]
83-SF-111-0003	Review of Loan Management Branch, San Francisco Office	6/1/83	6/30/84
83-TS-198-0010	Audit of Field Office Use and Control of Independent Public Accountant Audit Reports	6/10/83	6/1/84

Report Number	Title	Issue Date of Report	Target Date
83-SE-201-1004	Housing Authority of Portland, Oregon	6/30/83	12/31/84
83-HQ-101-0012	Review of Control Over Procurement and Payment of Architectural Services	7/26/83	8/31/84[6]
83-HQ-145-0013	Survey of Planning, Management Development and Administrative Costs in CDBG Program	8/4/83	11/30/84
83-CH-201-1049	Low Income Housing Program, Indianapolis Housing Authority	8/10/83	6/30/84
83-AT-201-1038	Housing Authority of the City of Tampa, Florida	8/12/83	6/30/84
83/AT-201-1039	Memphis Housing Authority, Low-Income Housing Programs	8/19/83	9/30/84
83-HQ-103-0014	Section 8 Moderate Rehabilitation Program	8/24/83	6/30/84
83-PH-112-0008	Multifamily Processing Activities -Philadelphia and Richmond Offices	8/24/83	9/30/84[6]
83-CH-201-1051	Low-Income Housing Program, Detroit Housing Department	8/26/83	[5]
83-HQ-111-0016	Flexible Subsidy Funds for Multifamily Projects	9/7/83	12/31/84[6]

[1] Finding resolution determined by Field Audits Review Group but corrective actions not yet completed.
[2] Recovery of sustained monetary amounts is in process.
[3] Final corrective actions are pending litigation or investigation.
[4] Currently under review by Headquarters officials as prescribed in HUD Audits Management System.
[5] Auditee has yet to respond to audit report as required.
[6] Target date extended from previously reported date due to changes in scope or dates for implementing automated systems or delays in obtaining clearance of revised regulations/guidance.

HUD EMPLOYEES' HOTLINE
FTS 8-472-4200

451 7th St., S.W.
Washington, D.C. 20410

Room 8254

The hotline is available to all HUD Field Staff through the FTS from their offices, and OIG headquarters staff will handle calls from 8:45 to 5:15, *Eastern Standard Time.* An answering service will record all incoming calls during nonworking hours.

Remember—the number to call is 8-472-4200.

May 1984
HUD-IG-428-11

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