



Office of Inspector General Report to the Congress

Number 14

for the six month period
April 1, 1985 through September 30, 1985
Pursuant to Section 5(b)
of Public Law 95-452

it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act be cited as the "Inspector General Act of 1978".

C. 2. In order to create independent and objective units—(1) to conduct and supervise audits and investigations relating to programs and operations of the Department of Agriculture, the Department of Commerce, the Department of Housing and Urban Development, the Department of the Interior, the Department of Labor, the Department of Transportation, the Community Services Administration, the Environmental Protection Agency, the General Services Administration, the National Aeronautics and Space Administration, the Small Business Administration, and the Veterans Administration; (2) to provide leadership and coordination and recommend policies for activities designed (A) to promote economy, efficiency, and effectiveness in the administration of, and (B) to prevent and detect fraud and abuse in, such programs and operations; and (3) to provide a means for keeping the head of the establishment and the Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action; thereby is hereby established in each of such establishments an Office of Inspector General.

C. 3.(a) There shall be at the head of each Office an Inspector General who shall

Profile of Performance

Department of Housing and
Urban Development
Office of Inspector General

April 1, 1985
through
September 30, 1985 FY 1985

| Audit Activities | | | |
|---|--------------|---------------|--|
| ■ Cash Recoveries/Savings (OIG and Non-Federal Audits) | \$54,916,425 | \$82,138,202 | |
| ■ Questioned and Disallowed Costs Sustained (OIG and Non-Federal Audits) | \$60,369,872 | \$104,940,353 | |
| ■ Cost Efficiencies | \$27,630,329 | \$50,406,538 | |
| ■ Internal Audit Reports Issued (OIG) | 46 | 91 | |
| ■ External Audit Reports Issued (OIG) | 106 | 236 | |
| ■ Non-Federal and Other Agency Reports Accepted | 2,000 | 3,662 | |
| ■ Mortgagees/Lenders Sanctioned as a Result of Referrals to HUD Mortgagee Review Board | 0 | 6 | |
| ■ Subpoenas Served | 11 | 12 | |
| | | | |
| Investigation Activities | | | |
| ■ Cash Recoveries | \$2,771,662 | \$3,739,625 | |
| ■ Total Fines Levied | \$195,738 | \$539,792 | |
| ■ Commitments to Recover Funds | \$453,106 | \$453,106 | |
| ■ Cost Efficiencies | \$2,847,610 | \$2,847,610 | |
| ■ Investigation Cases Opened | 734 | 1,449 | |
| ■ Persons/Firms Indicted | 220 | 446 | |
| ■ Persons/Firms Convicted | 189 | 310 | |
| ■ Total Years of Prison Sentences | 161 | 251 | |
| ■ Total Years of Suspended Sentences | 74 | 155 | |
| ■ Total years of Probated Sentences | 486 | 819 | |
| ■ Debarments of Persons/Firms Doing Business with HUD (years) | 64(214) | 148(477) | |
| ■ Suspensions of Persons/Firms Doing Business with HUD (years) | 32(31) | 71(70) | |
| ■ Personnel Actions Initiated Against HUD Employees | 40 | 71 | |
| ■ HUD Employees Indicted | 6 | 8 | |
| ■ HUD Employees Convicted | 0 | 1 | |
| ■ Subpoenas Served | 7 | 10 | |
| | | | |
| Fraud Control Activities | | | |
| ■ Special Fraud Control Projects Undertaken in Cooperation with HUD's Committee on Fraud, Waste and Mismanagement | 1 | 6 | |
| ■ Awareness Publications Issued | 4 | 5 | |
| ■ Hotline Complaints Received | 152 | 338 | |
| ■ Hotline Complaints Processed and Closed | 192 | 363 | |
| ■ Hotline Complaints Pending (9/30/85) | 152 | — | |
| ■ Proposed Legislation and Regulations Reviewed | 162 | 255 | |
| ■ Proposed HUD Handbooks/Issuances Reviewed | 83 | 155 | |

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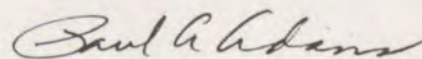
Executive Summary

This is our fourteenth report to Congress. It summarizes our efforts during the past 6 months and highlights significant audits, investigations, and fraud control activities. During this period, management's actions on audits and investigations resulted in cash recoveries and savings to the Department in excess of \$57 million, the highest 6-month figure we have ever reported. The 220 indictments and 189 convictions of persons and/or firms abusing the Department's programs further evidence the effectiveness of our efforts during this period. We have continued to devote a large part of our resources to high-risk areas having substantial payoff. In addition, our proactive efforts with the Committee on Fraud, Waste, and Mismanagement and top HUD management have and will continue to have a positive effect on the Department's operations.

This report illustrates significant weaknesses in the tenant eligibility and Single Family Housing areas. The Department is taking steps to address these problems, and we commend as well as support their actions in this regard. For example, a Single Family Task Force composed of top officials appointed by the Secretary has been established to evaluate the

primary trouble spots in Single Family Housing. This comprehensive approach has the potential to materially improve policies, procedures, and controls and will go a long way to minimize the abuses this Department has faced for a number of years.

In addition, the Department's Committee on Fraud, Waste, and Mismanagement recommended the development of a Quality Control System for Tenant Eligibility which would use periodic sampling to measure error rates, along with income matching techniques to identify incorrect benefit amounts. A task force assembled by the Under Secretary has developed a proposal for such a system. However, for the Quality Control System to be truly effective, legislation is needed requiring applicants to provide their Social Security numbers and requiring States to provide wage data on tenants receiving assistance. It is estimated that with such legislation up to \$200 million a year could be better spent. Passage of this legislation is critical to a systematic approach to preventing tenant fraud and effectively administering HUD's programs. We again urge that such legislation be passed.



Paul A. Adams
Inspector General

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Chapter 1

Significant Problems, Abuses, Deficiencies and Recommendations

This Chapter details the significant problems, abuses, deficiencies and recommendations for corrective action relating to the Department's programs and operations for the current period.

For the most part, HUD managers used OIG reports as a management tool. They initiated the actions proposed, or acceptable alternative measures, to overcome the reported deficiencies.

Proactive Efforts

Quality Control

HUD studies in the tenant fraud area have found significant losses of money and productivity in the process of determining eligibility and setting benefit levels in Assisted Housing Programs. We have estimated that \$200 million annually may be lost due to fraud, while other Departmental researchers have estimated that an additional \$80 million is lost through administrative error. To overcome these problems, the Department is considering a plan to develop a Quality Control System for Tenant Eligibility. The System would use periodic quality control samples to measure error rates and determine needed program changes to reduce administrative error. The System would also use income matching techniques to identify tenants who are either not eligible for benefits or are receiving an incorrect amount.

The Quality Control System is one of the many proactive projects undertaken by HUD's Committee on Fraud, Waste, and Mismanagement. The development of two major techniques recommended by the Committee (Quality Control sampling and income computer matching) has been endorsed by the Under Secretary. The Quality Control sampling technique can be implemented easily should the Department commit the

necessary resources. However, computer matching, on a wide scale, requires legislative action to give HUD the authority to require: (1) applicants and tenants to provide their Social Security numbers; and (2) State unemployment agencies to provide wage data to the Department in order to conduct computer matches with tenant records. HUD as well as the Office of Inspector General have conducted computer matches in the past, but have been limited to a few States that voluntarily provide the information. As reported in our last Semiannual Report, we conducted computer matching projects in Memphis, Tennessee; Athens, Georgia; and Kansas City, Kansas and Missouri. In each area, we identified rental assistance tenants who had not reported all of their income in order to qualify for assistance. To date, several of these cases have been referred to prosecutive authorities for consideration of further criminal or civil action. In Athens, 20 cases citing \$150,000 in overpaid assistance income were referred to prosecutors; in Memphis, 14 cases with overpayments of \$65,000 were referred; and in Kansas City, Kansas and Missouri, 10 cases with excessive payments of \$29,000 were referred.

HUD has requested in its authorization bill the authority to require the necessary informa-

tion to conduct computer matches. We believe passage of these proposals is critical to any systematic approach to preventing tenant fraud. The Office of Management and Budget (OMB) is also considering similar proposals that would give HUD the needed authority. These proposals are contained in the Payment Integrity Act legislation OMB is developing.

In a related issue, the Department is developing regulations that would prohibit certain aliens from receiving HUD assistance. These regulations stem from a law passed in 1981. Our surveys and discussions with the Immigration and Naturalization Service lead us to conclude that a significant amount of HUD subsidies are going to illegal aliens. Until the regulations are implemented, illegal aliens are eligible for HUD housing assistance. We have continued to encourage HUD's Office of General Counsel to implement these regulations because of their potential impact on the availability of units for needy and eligible recipients. This eligibility factor would also be added to the Quality Control System, making the work of the System even more beneficial to the Department.

Accountability Monitoring

Accountability monitoring is a strategy that was developed by HUD's Committee on Fraud, Waste and Mismanagement and approved for internal implementation by Secretary Pierce in April 1981. The strategy's basic premise is to target available monitoring resources at high risk activities and program participants. Since approval of the concept, HUD program managers have been slow to adopt and/or

implement it. Several activities during this reporting period focused attention on accountability monitoring.

The Office of Community Planning and Development (CPD) has made the most progress in implementing the concept. Handbooks were changed and training sessions were held for Field Office monitors. However, based on a recent audit within the Fort Worth Region, we believe several factors continue to hamper CPD from implementing the concept effectively. Generally, we found that the failure to identify high risk grantees in a structured manner and the continued use of a numerical goal-oriented monitoring plan resulted in a virtual return to past practices of cursory reviews of all grantees. On September 30, 1985, we issued a draft report to the Assistant Secretary for CPD discussing the need to refocus attention and activities toward accountability monitoring in order to more effectively use monitoring resources.

Regarding the other major HUD organizational elements, a Committee report to Secretary Pierce on September 26, 1985, indicates that the Offices of Housing and Public and Indian Housing have lagged in implementing this concept. While they have created schedules, some of the target dates have already been missed. We opposed the issuance of three handbooks because accountability monitoring was either not included or needed to be expanded. Two have been revised and recently issued. We are continuing to work with program staff to ensure the concept is being properly implemented.

We believe the accountability monitoring concept, if properly

implemented, can minimize many of the problems or pro-

gram weaknesses discussed throughout this Chapter.

Assisted Housing Programs

During the reporting period, we focused our efforts on three major areas within Assisted Housing: Section 8 Programs; the Performance Funding System; and Indian Housing Programs.

Section 8 Programs

Section 8 Moderate Rehabilitation

Recent audits continue to confirm serious problems in the Section 8 Moderate Rehabilitation Program (MRP), which was established to upgrade substandard rental housing and to provide rental subsidies to lower income families. The major problem common to almost all audits is excessive rents. Thirty-one of the thirty-three audit reports issued in Fiscal Years 1984 and 1985 discuss excessive rents. Rents were excessive in 78 percent of the units tested and excess subsidies over the 15-year life of the Housing Assistance Payment (HAP) contracts for these units could total over \$32 million. In addition, we believe that the following factors support the high probability that other PHAs have excessive MRP rents: (1) the complexity of the rent computation; (2) public housing authority (PHA) contentions that HUD mandated unrealistic deadlines to get units under contract in the early program stages, and did not provide adequate guidelines on the rent computations; and (3) lack of PHA incentive to properly compute rents.

The following audits completed during the current reporting

period highlight deficiencies in the MRP:

■ The Elizabethton, Tennessee Housing Development Agency (EHDA) established initial contract rents based on cost estimates supplied by owners, and did not adequately evaluate the data, which frequently was unsupported and/or inflated. Rents for all of its 112 MRP units were excessive, resulting in HAP overpayments through March 31, 1985, of \$102,791. We estimated that overpayments over the 15-year HAP contracts will total about \$1.8 million if the rents are not corrected. We recommended that HAP contracts be amended to specify proper base and contract rents, and that excess HAPs already paid be recovered. (Audit Report No. 85-AT-203-1018.)

■ The State of Florida Department of Community Affairs (PHA) made excessive HAP payments to owners of ten contracts reviewed because MRP requirements were not followed by the PHA in calculating rents. The incorrect contract rents resulted in questionable HAP payments of \$128,000. If contract rents are not adjusted, about \$794,000 in excess assistance will be paid over the balance of the 15-year contract period. We recommended that HUD require the PHA to recompute the contract rents in question; amend HAP contracts as appropriate; and recover all excess assistance payments made through the dates of contract rent redetermination. (Audit Report No. 85-AT-203-1016.)

■ An internal audit of HUD's Greensboro, North Carolina Office showed that the Office did not properly compute base and contract rents for the Cherry Hotel project in Wilson, North Carolina. The higher contract rents, if not corrected, will result in excessive Section 8 subsidies of about \$604,800 over the 15-year HAP contract period. The Office incorrectly computed base rents using the higher management and maintenance cost experience of projects not administered by a housing authority. The base rents as approved will result in additional excessive HAP subsidies of about \$245,000. We recommended that the Greensboro Office recompute base and contract rents for the project and instruct appropriate staff on procedures for computing rents for Section 8 MRP projects. (Audit Report No. 85-AT-112-0002.)

Because of the problems with excessive MRP rents, we suggested establishing a task force to determine the best way to recompute rents for units already under HAP contract and to recommend preventive actions for units not yet under HAP contract. The Acting General Deputy Assistant Secretary for Housing-Federal Housing Commissioner stated that she will initiate steps to address the cited problems.

Section 8 Existing Housing

During the reporting period, we initiated an overall evaluation of PHAs' administration of the Section 8 Existing Housing Program. At September 30, 1985, three audits were completed. We expect to complete an additional 17 audits during the first half of Fiscal Year 1986. The Section 8 Existing Housing Program has

long-standing problems that have existed since the inception of the Program. We found that Housing Quality Standards (Standards) have not been met and HUD has been paying excess rents. Many of the problems result from PHAs' failure to perform adequate inspections of units and to conduct sufficient market reviews to support their certifications that contract rents are reasonable in relation to rents being paid for comparable units.

■ The State of Connecticut Department of Housing has not conducted annual surveys to assure that tenants are receiving proper utility allowances. We estimated that current annual utility allowances were inappropriate, placing an additional financial burden on tenants. The PHA also failed to: (1) conduct market reviews to support its certifications that contract rents were reasonable, resulting in HUD's paying excessive subsidies; and (2) implement an adequate monitoring system to assure that units met the required Standards. As a result, 20 percent of the units we inspected contained serious Standards violations. We recommended that the PHA: (1) establish adequate management systems to assure that HUD guidelines are followed, including implementation of utility allowance surveys; (2) perform market rent surveys; and (3) enhance its inspection process. (Audit Report No. 85-BO-203-1012.)

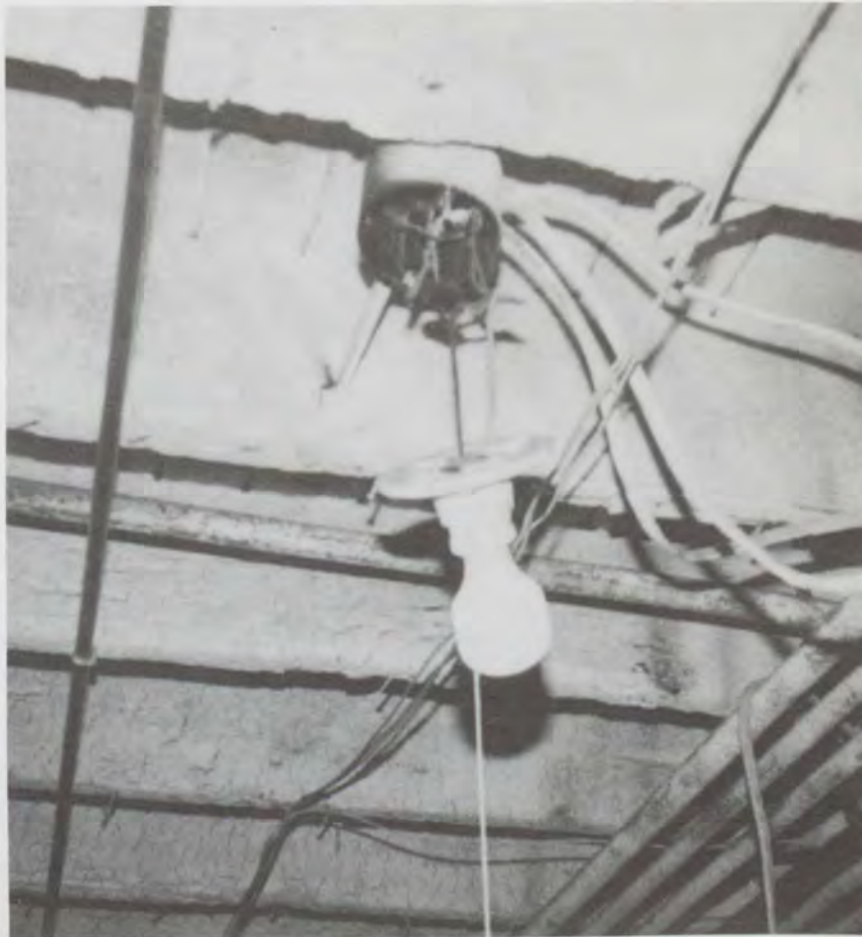
■ The Fall River, Massachusetts Housing Authority had neither adequate knowledge of Standards nor sufficient resources to perform effective inspections. Ninety-five percent of the units we inspected failed to meet Standards (see following pictures).

The PHA did not independently verify tenants' income or utilize anticipated income to compute tenants' share of the rent. As a result, tenants may be paying less than their correct share of the rent. In addition, the PHA is under a court order which prohibits issuance of 264 Section 8 certificates received in February 1984. Since the court order has not been lifted and the the PHA has failed to assure that units meet Standards, we recom-

mended that \$14.8 million in budget authority for the 264 units be recaptured. We also recommended that fee inspectors be hired to reinspect all units now under the PHA's jurisdiction, tenant management controls be changed to comply with HUD requirements, and sanctions be considered if the PHA shows it lacks the capacity to implement corrective actions in a timely manner. (Audit Report No. 85-BO-203-1014.)



Gross rents of approximately \$28,000 (including \$21,000 of HUD subsidies) are paid annually on this six-unit building.



This picture illustrates an electrical hazard. This is one of six Housing Quality Standards violations that was not reported after a November 1984 PHA inspection (8 months prior to our inspection). Tenants advised us that the charred joists resulted from a fire about 1 year earlier.

We are conducting several additional compliance reviews of the Section 8 Existing Program focusing on Standards, fair market rents, cash management practices, and utility allowances, among other areas. We plan to issue a report by June 1986 discussing the results of these reviews.

Section 8 Housing Assistance Payments

The Oregon State Housing Division (OSHD) did not comply with regulatory requirements when developing and administering its Section 8 Housing Assistance Payments Program. Consequently, HUD paid \$1.2 million in excess Housing Assistance Payments (HAPs) and could pay an additional \$13.3 million in excess payments over the term of

the HAP contract. The excess payments are a result of these factors:

- OSHD did not reduce initial contract rents to reflect actual development costs because they erroneously believed they were exempt from cost certification requirements.
- OSHD established annual rent increases that resulted in significant differences between assisted and unassisted unit rents.
- OSHD applied rent increase factors to rents that were initially established at unusually high levels and inappropriately applied rent increase factors to finance adjustment amounts.

We recommended that OSHD be required to repay the excess assistance payments and to adjust contract rents and annual rent increases to prevent future occurrences. (Audit Report No. 85-SE-203-1003.

Fraud In Section 8 Housing Programs

During the reporting period, we expended significant investigative resources in the Section 8 Program area. Investigations have resulted 137 indictments and 98 convictions of individuals participating in the Program, as well as fines and monetary recoveries totalling \$690,002. Examples of significant cases follow.

■ Twenty tenants of the Pleasant Homes Apartments, Seat Pleasant, Maryland, were convicted of making false statements or conspiring to defraud HUD in the rental assistance program. Sixteen tenants, six of whom were Federal employees, were sentenced for submitting false statements about their family composition or income to obtain housing assistance to which they were not entitled in 1982 and 1983. The Assistant Resident Manager, a project maintenance employee and two others were also convicted of conspiracy to defraud HUD. The conspirators received more than \$10,200 in "under the table" payments to assist prospective tenants in avoiding the waiting list and falsifying their assistance applications. The court has thus far ordered restitution of \$85,257 to HUD in this case, and those convicted and sentenced have received 15 months incarceration, 53 years probation, and 1,000 hours of community service. Sentencing is pending for one in-

dividual. (United States vs. Carolyn Coleman, et al, District of Maryland.)

■ Nineteen individuals were charged by indictment or information with 103 counts of submitting false statements to HUD between 1981 and 1985 with regard to family income and composition. The false statements resulted in rental subsidy overpayments of \$188,000 at Damen Court, a Chicago housing project. In addition, the U.S. Attorney issued two civil complaints against three individuals for failing to properly report their income and announced that two individuals had agreed to be placed in pre-trial diversion programs with a full restitution stipulation. The civil complaints demanded the payment of a penalty and double damages totaling \$50,636. Those charged included thirteen former or present public employees, including a current Staff Assistant to the HUD Regional Administrator in Chicago, Illinois. (United States vs. Grace Foster, et al, Northern District of Illinois.)

■ A Housing Authority Executive Director and three landlords were convicted on charges of conspiracy and theft. The Executive Director received a 1-year prison sentence, and one landlord was sentenced to 6 months in jail. The sentences of the four individuals totalled 18 years probation, \$10,638 in restitution, \$12,000 in fines, work release of 6 months, and 200 hours of community service. From May 1983 to August 1984 the Executive Director authorized assistance payments to be made to the three landlords for fictitious tenants in an approximate amount of \$47,000. (United States vs. Patricia Giannini,

Mary E. Peterson, Diane Magnuson, and Shirley Newkirk, Eastern District of Wisconsin.)

■ Two tenants were sentenced following their conviction for making false statements to receive Section 8 assistance. They were sentenced to 3 years in prison (suspended), ordered to make restitution of \$3,743 to HUD, and fined \$200 each. The two were among seven tenants indicted on 31 counts of making false statements and/or engaging in conspiracy to defraud HUD. The tenants lived in three different cities and caused overpayments of Section 8 assistance totalling \$42,925. Trials are pending with the other five tenants. (United States vs. R. and L. Woollery, M. Santi, T. Forbes, J. Cruz, G. Thaxton, and S. Prince, Eastern District of Pennsylvania.)

■ A Los Angeles County Housing Authority employee and a property owner conspired to defraud the government of approximately \$58,300 in housing assistance payments. The employee entered into a plea agreement to repay \$54,475 to HUD for funds that were improperly obtained from the Department. The employee, in a conspiracy with the property owner, certified that a property was rented to a person who was eligible for assisted housing when in fact the owner was residing in the assisted unit. The employee and the owner shared the subsidy payments. In addition, the employee was making subsidy claims for property he owned in violation of Housing Authority conflict-of-interest rules. (United States vs. Clyde Wright and Alvin Sanders, Central District of California.)

■ A Section 8 recipient was sentenced to 3 years in prison and 5 years probation to run consecutively for mail fraud and submitting false statements. The recipient failed to disclose her entire income, a portion of which was derived from her employment in a Federally funded New York community action program resulting in overpayments in rental assistance totalling \$19,800. (United States vs. Dorothy Brown, Southern District of New York.)

■ Three student aliens were indicted for defrauding HUD programs. Two of the individuals have been convicted and the third is awaiting trial. During September 1985, these two students were sentenced to a combined total of 3 years and 6 months in prison, 10 years probation after serving their prison sentences, and ordered to make restitution to HUD in the amount of \$12,678. They were indicted on several counts of making false statements to receive rental assistance by falsifying their income, and they subsequently pled guilty. (United States vs. Charles Ojo, Ekpenyoung Eke and Sylvester Dikas, Western District of Texas.)

■ A West Palm Beach, Florida tenant was sentenced to 2 years imprisonment and fined \$5,000 after a joint investigation by the HUD and Department of Health and Human Services Offices of Inspector General disclosed that the tenant received \$46,322 in subsidized housing, food stamps and disability benefits to which she was not entitled. On the housing assistance matter, the tenant was charged with falsifying her income between 1979 and 1983 to receive \$9,580 in assistance. Trial is pending. (United States

vs. Hyacinth Logan, Southern District of Florida.)

■ A tenant and landlord in Boston, Massachusetts, were indicted for theft of government property and making false statements. The tenant and landlord shared ownership of the property during the time the tenant received \$12,489 in rental assistance to which she was not entitled. Trial is pending. (United States vs. Bridget Mandelbaum and Andrew S. Klein, District of Massachusetts.)

■ A tenant was indicted on 11 counts of submitting false statements to HUD and the Departments of Health and Human Services and Agriculture to obtain government assistance. From March 1981 through September 1982, the tenant intentionally did not disclose Canadian welfare payments resulting in an overpayment of \$11,195 in Federal assistance. Four of the 11 counts pertained to housing assistance. Trial is pending. (United States vs. Ruth Vivian Singer, Western District of Washington.)

Performance Funding System

Audits of public housing authorities (PHAs) continue to identify errors in computing allowable utility expense and target investment income subsidies under the Performance Funding System (PFS). The complexity of the System makes it difficult to effectively administer. Consequently, overpayments were made. In early October 1985, we briefed the Assistant Secretary for Public and Indian Housing on the results of our overall audit efforts. We expect to issue a summary report dur-

ing the first quarter of Fiscal Year 1986. Examples of recent audits which demonstrate problems with the PFS follow.

■ HUD's Philadelphia, Pennsylvania, and Richmond, Virginia Offices did not implement procedures to verify that four PHAs under their jurisdiction had correctly computed allowable utility expense and target investment income as required by HUD instructions. Consequently, errors made by PHAs were not identified and PHAs were overpaid \$1.1 million in operating subsidies. We recommended that the PHAs submit revised PFS documents to serve as the basis for HUD's recovering \$1.1 million in subsidy overpayments, and that the Region implement controls to correct weaknesses found. (Audit Report No. 85-PH-101-0003.)

■ HUD's Atlanta, Georgia, and Greensboro, North Carolina Offices overpaid five PHAs \$741,647 in operating and utility subsidies. The five PHAs made substantial errors in computing target investment income and allowable utility expense under the PFS. The errors went undetected because procedures and controls were not implemented to ensure that target investment income and allowable utility expense were computed according to HUD requirements. We recommended that the PHAs correct the errors and submit amended computations to HUD. We also recommended that the Field Offices adjust the subsidies to reflect the amended computations and provide training to housing management officers on the computation of target investment income and allowable utility expense. (Audit Report No. 85-AT-101-0006.)

In August 1985, we opposed the issuance of a rule modifying the PFS as it relates to target investment income. We believe the modification further complicates rather than improves the System that caused past deficiencies noted during our audit. In September 1985, we agreed to lift our opposition in order for the rule to be considered by the Office of Management and Budget and the Congress during this Congressional session. Our agreement was based on the Assistant Secretary for Public and Indian Housing's assurance that his office would reevaluate the entire PFS process and, if necessary, issue a subsequent regulatory revision.

During the reporting period, we also opposed the June 24, 1985 publication of an Interim Rule for Modification to the PFS (Vacancy Rule) because the Rule further complicated already difficult calculations. In addition, we pointed out that existing handbook procedures require the

maintenance of accounting records not normally required as part of a PHA's low-rent accounting system. We also disagreed with eliminating charges for tenant repairs and eviction-related legal fees from other income, and the proposal concerning year-end adjustments to other income and rental income.

Public Housing Fraud

The following investigation activities in the Public Housing Program area are noteworthy:

■ The Executive Director of the East St. Louis, Illinois Housing Authority (ESLHA), was debarred from doing business with HUD for 5 years after he was sentenced to serve 7 years in jail and was ordered to make restitution of \$116,834 for defrauding HUD. He had previously been found guilty on seven counts of bribery, seven counts of embezzlement, one count of conspiracy and two counts of filing false income tax returns. Additionally, a general contractor



One of two boarded-up and uninhabited buildings on which a \$2.2 million contract was awarded, \$1.4 million was disbursed to the contractor, and only \$150,000 worth of work was performed.

was sentenced for his part in the conspiracy to 4 years imprisonment and ordered to make restitution of \$250,000 to HUD. Another contractor involved in the conspiracy was sentenced to 1 year and 1 day in jail and ordered to pay a \$10,000 fine. The Executive Director conspired with the contractors to award a \$2.2 million modernization contract in order to receive kickbacks totalling \$116,834. The

general contractor, in turn, billed the ESLHA for \$1.4 million even though the value of the work performed was only approximately \$150,000. The modernization money was entirely funded by HUD. The investigation was conducted jointly by the FBI and the HUD Office of Inspector General. (United States vs. A. Wendell Wheadon, Robert F. Jacox, and Walter Avant, Southern District of Illinois.)



An example of one of the unit's interior was typical of most of the units and depicts the absence of any work performed.

■ Three officials of the St. Mary's, Georgia Housing Authority were found guilty of misapplying HUD funds totalling approximately \$83,450. The Chairman of the Board of Commissioners, the Executive Director of the Housing Authority, and her husband were charged with the misapplication of funds by having the money paid into private and corporate accounts for the personal use of the Housing Authority officials. Sentencing is pending. (United States vs. John Ingram, John Conner, and Clarice M.

"Nell" Conner, Southern District of Georgia.)

■ A Director, Social Service Division, St. Louis Housing Authority (SLHA), St. Louis, Missouri, was placed on probation for 5 years and fined \$5,000 after pleading guilty to embezzling \$12,715 of SLHA funds. The Director issued several SLHA checks to a relative who then returned the money, and also issued checks to various vendors for personal services and non-SLHA related functions. The Director was

debarred from participation in HUD programs for 1 year. (United States vs. Dorothy Harrison, Eastern District of Missouri.)

■ A Chickasaw Nation Tribal Councilman in Ada, Oklahoma, was indicted on three counts of making false statements. The Councilman was charged with obtaining unauthorized benefits of \$11,297 by failing to report his spouse's income over a 4-year period for continued occupancy. Trial is pending. (United States vs. Robert Imotichey, Eastern District of Oklahoma.)

Indian Housing Programs

The development of Indian Housing units is unduly lengthy and costly and once developed, the housing is poorly managed. These are the initial results of our recent audit of the development of Indian Housing in HUD's five Offices of Indian Programs as well as several ongoing and completed audits of Indian housing authorities. HUD management at both the Regional and Headquarters levels have initiated, and will continue to take, actions designed to overcome the types of deficiencies discussed in the following audit reports.

■ The Office of Indian Programs (OIP) in the Chicago Region did not take effective action to detect and prevent project development delays, or seek timely resolution of the delays once they occurred. Also, the OIP did not cancel program reservations when units could not be built timely. As a result, the OIP lost an estimated \$10.2 million in purchasing power on 11 projects, while HUD lost the use of \$4.9 million in funding authority because the OIP did not timely cancel program reser-

vations. The OIP advanced over \$10.2 million in funding to Indian housing authorities (IHAs) in excess of their needs, and failed to comply with unit allocation procedures to assure that new housing units were allocated to IHAs having adequate administrative management capabilities. Lack of management capacity could jeopardize over \$20 million in development funding awarded by the OIP in 1983 and 1984. In addition, the OIP did not actively pursue the repayment of \$1.3 million in excess development funds advanced to IHAs. We recommended that the OIP establish management control systems which will assure that: approved projects progress timely or are cancelled; funds are advanced to promote efficient, economical, and proper use; new units are allocated to IHAs with adequate management capabilities; and the collection of excess financing is actively pursued. (Audit Report No. 85-CH-10-0010.)

■ HUD's Oklahoma City Office (OCO) needed a system to effectively monitor Indian Housing Program progress during the preliminary planning stage. Thirty-five projects with \$50.9 million in funding remained in that stage from 1 to 3 years. Also, the OCO's procedures for approving applications for new housing units were arbitrary and undocumented. A review of 1984 applications found that seven of the eight IHAs that were awarded new units failed to meet minimum required levels for administrative capacity. These seven IHAs were allocated 503 units with total reserved funding of about \$21.6 million. In addition, the OCO's lack of an adequate system to monitor project inspection may have contributed to IHAs' increasing need for

funds. We recommended that systems be established to review and evaluate project progress, evaluate the administrative capability of IHAs applying for new units, and monitor IHAs' inspection processes. (Audit Report No. 85-FW-101-0004/0C-85-76.)

■ The OIP in the Seattle Region failed to enforce timely budgetary control and accountability for final project costs and actual cost certification. Consequently, projects remained open for excessive periods and authorized development costs increased by \$3 million after the date the projects should have been completed and final costs certified. In addition, IHAs have been allowed to budget excess amounts for interest costs (\$532,358) and receive excess advances due to underestimated income (\$415,449). We recommended that the OIP: (1) ensure that final budgets are properly controlled and development costs certified for all IHA projects; and (2) establish procedures to prevent future excess budgets that may result in overstated costs or understated income. (Audit Report No. 85-SE-101-0003.)

In addition, external audits of IHA operations have shown operating deficiencies. Examples include the following:

■ The financial stability of the Crow Creek Housing Authority in Fort Thompson, South Dakota, is rapidly deteriorating because of poor management. Tenants are allowed to remain in housing

almost rent free because of the Authority's rent collection practices. This seriously reduces operating funds available for maintenance and ultimately the units' condition and liveability. Many other problems continue to plague the Authority such as the quality of maintenance, the lack of adequate energy conservation and the need for better staff supervision. Although the Authority consists of only 275 units, tenants owe over \$342,000 in rent. Also, mismanagement of modernization activities has resulted in \$450,000 in expenditures contrary to HUD requirements. We recommended that HUD provide necessary guidance and assistance to the Authority so that problems can be alleviated, and that HUD follow up and monitor progress as conditions warrant. (Audit Report No. 85-DE-202-1003.)

■ The Ho-Chunk Housing Authority, Black River Falls, Wisconsin, mismanaged its housing program resulting in substantial tenant accounts receivable, increased reliance on HUD operating subsidies, wasteful expenditures and deteriorated housing units. The primary reason for the problems was ineffective management precipitated by high employee turnover. We recommended that guidance and assistance be provided to the Authority to remedy management deficiencies, particularly regarding employee turnover and training. (Audit Report No. 85-CH-202-1101.)

Single Family Insured Programs

In our last Semiannual Report, we discussed several important problems in the Single Family Insured Programs. Reports issued by our office and the General

Accounting Office over an extended period of time identified a pattern of serious mortgage underwriting problems. In addition, the media reported program

abuses and questioned HUD's ability to manage and oversee the mortgage insurance programs. Certain lenders, borrowers, investors, and real estate agents have misused the programs, as evidenced below.

In June 1985, Secretary Pierce established a Task Force of top officials, chaired by the Assistant Secretary for Administration, to look at the Single Family Programs. The Task Force has begun reviews of areas such as underwriting, program design, program management, and sanctions. Within the context of these areas, the Task Force is focusing attention and resources on numerous specific issues which should address the problems highlighted in previous OIG and GAO audits. We believe the comprehensive approach taken by the Task Force can significantly improve the policies, procedures, and management controls governing the Single Family Insured Programs. We will continue to play an active role in supporting the Task Force efforts.

The following are examples of the problems which exist throughout the country.

Investigation Activities

1. Builders and Contractors

■ A homebuilder from Van Buren, Arkansas, pled guilty to eight counts of submitting false statements to HUD in order to obtain HUD-insured mortgages. He built and sold single family homes to individuals who did not have the necessary earnest money, down payments, and/or closing costs. Nine properties having HUD-insured mortgages went into foreclosure, resulting

in a potential loss to the government in excess of \$250,000. Sentencing of the builder is pending. He has been suspended from participation in HUD programs. Our investigation followed a 1984 HUD audit of a Fort Smith, Arkansas mortgage company. (United States vs. Willie D. Mooney, et al, Western District of Arkansas.)

■ Three partners in a Marysville, Washington homebuilding firm pled guilty to making false statements. The senior partner was sentenced on two counts to 6 months in prison and ordered to repay \$575,000 to HUD. His son and son-in-law were each sentenced on one count. As investors in the 'Builder Buy Back' Program, the three reported down payments of from 15 percent to 20 percent when, in fact, none were made. The loss to HUD following foreclosure and resale of 76 properties was estimated at \$1.4 million. The three partners have been suspended from participation in HUD programs. (United States vs. Merton Gribble, Dale Gribble, and Craig Shepard, Western District of Washington.)

■ Eleven individuals involved with HUD's Section 518(b) home repair program were indicted in April 1985, on charges of conspiracy, mail fraud, false statements, conspiracy to obstruct, obstruction of justice, and perjury. Those indicted included four contractors, an attorney, and six current or former HUD Boston, Massachusetts Office employees. The 24-count indictment charges that, from 1977 to 1980, the contractors submitted more than 200 invoices for repair payments totalling over \$500,000 which were either grossly inflated or completely

fraudulent. The HUD officials allegedly knew this and approved the invoices for payment. The HUD officials also allegedly requested and received items of value from the contractors, including extensive work on their homes and the homes of family members. Three of the 11 defendants have pled guilty. Two of

the contractors have been temporarily denied participation in HUD programs, and four HUD employees have been suspended from their positions. (United States vs. George W. Rendle, et al, District of Massachusetts.)

2. Loan Officials

■ A mortgage company vice



Front View of Camden, NJ Duplex



Side View of Camden, NJ Duplex

president was sentenced to 2 years in prison (with 1 year suspended), a real estate appraiser was sentenced to 2 years in prison, and a real estate broker was sentenced to 1 year in prison in connection with their involvement in the origination of fraudulent HUD-insured mortgages in the Camden, New Jersey area. The broker bought a duplex (see pictures) for \$300 and obtained grossly inflated appraisals by paying off the mortgage official and the appraiser. Two FHA-insured loans were obtained, although the duplex was not habitable. The mortgages were eventually foreclosed, and HUD paid insurance claims of \$73,700. (United States vs. Stephen Springer, Alvin Matthews, and Kenneth Chosed, District of New Jersey.)

■ A mortgage loan processor was sentenced to 6 months in a halfway house and 400 hours of community service after pleading guilty to conspiracy for making fraudulent HUD-insured mortgages in the Camden, New Jersey area. He made and encouraged others to make false statements to enable unqualified buyers to obtain HUD-insured mortgages. (United States vs. Frank Shevlin, District of New Jersey.)

3. Speculators

■ A Tulsa, Oklahoma real estate speculator was sentenced to 5 years in prison and fined \$25,000 after pleading guilty to conspiracy and false statement charges. A co-conspirator was also sentenced to 5 years in prison and fined \$25,000. A joint investigation by our office and

the FBI revealed that the speculator conspired to procure and submit false loan applications in the name of strawbuyers for HUD-insured loans on properties in the North Tulsa area. (United States vs. Nathaniel Mosby and Edgar F. Linzy, Northern Districts of Texas and Oklahoma.)

■ A Camden, New Jersey real estate speculator was indicted on nine counts of making false statements and one count of conspiracy. He allegedly made or assisted others in making false statements to enable unqualified buyers to obtain HUD-insured mortgages. He has been suspended from further participation in HUD programs. His trial is pending. (United States vs. Thomas J. Vogdes, District of New Jersey.)

■ A speculator in Fresno, California, pled guilty to a one-count misdemeanor violation of theft of government funds. By manipulating closing escrows, he was able to create the appearance that down payments had been made for three HUD-insured loans. These three properties were subsequently foreclosed at a loss of \$23,000 to the government. The speculator was placed on probation for 90 days and ordered to repay \$23,000. (United States vs. Emil C. DeVincenzi, Eastern District of California.)

4. Realtors

■ A Las Vegas, Nevada real estate broker was sentenced to 2 years in prison for submitting false statements to HUD. The realtor (already on probation at

the time for fraud and obstruction of justice) submitted or participated in submitting false employment verifications to obtain two HUD-insured loans. He was suspended from participation in HUD programs. (United States vs. Melvin A. Myers, District of Nevada.)

■ A Camden, New Jersey realtor was sentenced to 2 years in prison after being convicted on 10 counts of conspiracy and submitting false statements. An investigation conducted by a task force from our office, the Veterans Administration, and the FBI developed evidence that the realtor induced unemployed mortgage applicants to make up fictitious jobs. These jobs were then used to qualify the applicants for HUD-insured mortgages. (United States vs. Joseph Pliszczak, District of New Jersey.)

■ Two Minneapolis, Minnesota real estate brokers were sentenced to 1 year of supervised probation for conspiracy to defraud HUD in the purchase of single family homes. A joint investigation by HUD and the FBI determined that the brokers had relatives and friends apply for owner-occupant insured mortgages on six properties. After the mortgages were secured, the properties were immediately assumed by the brokers, who then made no loan payments. The brokers have been denied participation in HUD programs for 1 year. (United States vs. James D. Whelan and Ronald Gellerman, District of Minnesota.)

5. Equity Skimming

Equity skimming is an increasingly frequent scheme whose victims are homeowners in finan-

cial difficulty and/or trying to sell their homes. The new buyer assumes the existing mortgage on the property, rents it to a tenant (or back to the former owner), and collects the rent but does not make the mortgage payments. The property eventually goes into foreclosure. The potential losses to the Department's insurance funds are very high. We currently have 33 investigations in progress involving equity skimming in 25 locations. We have also worked with HUD's Office of Housing to prepare a letter to FHA and VA mortgagees instructing them to alert borrowers to the typical warning signs, so they and the Department can avoid being victimized. The Single Family Task Force has made equity skimming a major issue for review.

■ A Salt Lake City, Utah real estate broker was sentenced to 120 days in a halfway house and ordered to make restitution after pleading guilty to equity skimming and false statement charges. The broker and his partner assumed eight single family FHA loans, rented out the properties, but did not make the mortgage payments. The mortgages then went into default, with a loss to HUD in excess of \$159,000. (United States vs. Michael A. Stagg, District of Utah.)

6. General

■ A HUD computer specialist was found guilty of bribery after attempting to bribe a HUD official to obtain a HUD-owned property without going through the competitive bidding process. The HUD employee resigned his position after being arrested and has been suspended from further participation in HUD programs. His sentencing is pending. (United States vs. Joseph Perez,

Southern District of New York.)

■ A private citizen who misrepresented himself as a HUD employee was sentenced to 5 years probation and ordered to repay \$15,000. He pled guilty to second degree grand larceny in connection with a scheme in which he claimed to be a HUD employee, promised to obtain HUD-owned properties for six people, and secured down payments from them. (State of New York vs. David Ronald High.)

■ A borrower was indicted in Sioux Falls, South Dakota, for making false statements on two Title I home improvement loan applications. He obtained a \$13,800 loan for home repairs, but no repairs were made, and the money was allegedly used to buy a truck. His trial is pending. (United States vs. Darryl Williams, District of South Dakota.)

■ A borrower in Kansas City, Kansas, was sentenced to 5 years probation and ordered to repay \$10,680 to HUD. In her Title I loan application, she falsely denied the existence of two home improvement loans which went into default. (United States vs. Rosemary Parks, District of Kansas.)

Audits Referred To Mortgagee Review Board

The Mortgagee Review Board was established in 1975 to strengthen HUD's monitoring and control of mortgagees' performance. Findings in audit and investigative reports are directed to the Board which has the

authority to take sanctions against mortgagees. During this reporting period, six audits were referred to the Board. They were: Columbus First Mortgage Company, Columbus, Ohio; Creative Mortgage Company Inc., Columbus, Ohio; Fleet Mortgage Corporation of Wisconsin, Branch Office, Wauwatosa, Wisconsin; Lomas and Nettleton, Branch Office, Lancaster, Pennsylvania; M&I Grootemaat Mortgage Corporation, Milwaukee, Wisconsin; and Universal Mortgage Corporation, Milwaukee, Wisconsin.

These companies originated mortgages which had significant loan origination deficiencies. These included falsified documents, signed blank documents, overstated income, overstated assets, and understated liabilities. As a result of the actions of these companies, HUD insured loans for mortgagors who did not qualify for insurance, thus increasing the Department's risk of losses. We recommended the Mortgagee Review Board apply appropriate administrative sanctions against all six companies.

At its meeting of October 3, 1985, the Board considered the reports on Creative, Columbus First, and Lomas and Nettleton. Action on Lomas and Nettleton was deferred pending receipt of information concerning their adherence to a previous settlement agreement with the Department. The Board is considering an administrative action against Creative Mortgage Company, but would consider a settlement under which Creative would indemnify HUD for six loans and implement a Quality Control

Plan. The Board is also considering an administrative action against Columbus First, but would consider a settlement under which Columbus First would indemnify HUD for one loan and implement a Quality Control Plan. The audits of Universal, Fleet and M&I Grootemaat will be considered by the Board at its next meeting.

Mortgagee Review Board Legislation

A proposed change to the National Housing Act would

authorize the Board to impose monetary fines and to recover the administrative costs of imposing sanctions, including costs incurred by the Office of Inspector General in performing any audit or investigation on which a Board sanction is based. We support this legislative action, because it would strengthen the sanctioning process against those mortgagees and lenders who pose the greatest risk to the Department's insurance funds.

Multifamily Insured Programs

During this reporting period, we found serious problems in the areas of property taxes and property management.

Property Taxes

HUD staff have not adequately monitored property taxes paid on HUD-owned or HUD-insured multifamily projects. Owners have little incentive to minimize real estate taxes because these expenses are passed along in the form of higher rents and/or increased Federal subsidies. Management fees are typically based on a percentage of gross rents, and a reduction in taxes would reduce gross rents. Therefore, HUD must ensure that property taxes are reasonable. However, we found that owners were not urged by HUD to review and appeal assessed valuations, were not made aware of legal developments regarding HUD-subsidized projects, and were not taking advantage of tax exemptions. Our audits disclosed:

■ Owners of 26 projects in Maine and New Hampshire paid \$485,000 in real estate taxes

which were legally avoidable. Approximately \$529,000 in real estate taxes were overpaid on 30 projects in Connecticut, Massachusetts, and Rhode Island because assessments were not appealed. (Audit Report No. 85-BO-111-0007.)

■ Owners of 25 Section 202 projects in Wisconsin, Indiana, and Ohio did not take advantage of legislative exemptions which could have saved \$500,000 in taxes. An additional 13 Section 221(d)(3) and 236 projects were overassessed by \$2 million. (Audit Report No.85-CH-111-0009.)

■ A property tax consultant estimated that 30 projects in Florida, Georgia, and Tennessee were overassessed by \$3.7 million. In addition, four projects in Florida and one in Georgia which qualified for tax exemptions paid \$1.8 million in unnecessary property taxes. In Tennessee, 26 projects for the elderly paid \$1.1 million in taxes or payments in lieu of taxes which were legally avoidable. (Audit Report No. 85-AT-111-0008.)

We have recommended that HUD institute an effective monitoring system for the assessment and payment of property taxes. HUD must work closely with multifamily project owners and agents to keep these expenses to a legal minimum. A nationwide audit of this problem is in process and should be completed by March 1986.

Multifamily Project Management

The following are the major instances of property mismanagement:

■ The officials of three multifamily projects in Flushing, New York, improperly distributed project funds totalling over \$2.1 million to themselves and their family members. These distributions were usually classified as 'loans to officers.' As a result, the projects did not have funds for necessary project expenses and no mortgage payments had been made since July, 1980. All three projects went into foreclosure. We recommended that HUD require the mortgagor to repay all the improperly distributed funds. (Audit Report No. 85-NY-212-1052.)

■ The owners of Central Towers Apartments in San Francisco, California, violated regulatory requirements and prudent management practices in the following ways: unauthorized liens; underfunded security deposits; inadequate maintenance, accounting, and rent receipt controls; and improper cash distributions during mortgage default. The project went into receivership in November 1984. Of \$1.7 million in disallowed costs, \$1.6 million have already been recovered. We recommended that HUD's Regional Administrator monitor

this project very closely and provide necessary technical advice and support. (Audit Report No. 85-SF-212-1010.)

■ The mortgagor of Rainbow Village Apartments in Springfield, Oregon, did not adequately monitor the project's operations to ensure compliance with HUD requirements or to safeguard project assets. We found deficiencies in verifications of tenants' eligibility and income; procurement activities; rent collections; receipt deposits; and recordkeeping. These resulted in excessive housing assistance payments and operating costs. Previous monitoring by HUD and previous Independent Public Accountant audits did not disclose these deficiencies. We recommended that HUD require the mortgagor to repay the excessive costs and implement an internal control system. HUD should also determine why these problems were not detected and what steps must be taken to improve Field Office monitoring. (Audit Report No. 85-SE-212-1002.)

■ A management agent in Des Plaines, Illinois, obtained \$260,000 of excessive subsidies from HUD by charging higher rents to tenants receiving HUD assistance than to tenants not receiving assistance. The agent also disbursed \$125,000 for unnecessary or excessive costs and did not deposit \$65,000 of income (generated by the coin laundry) into a project account. We recommended that HUD recover all the excess subsidy payments and instruct the management agent to reimburse the project for other disallowed costs. (Audit Report No. 85-CH-214-1017.)

Investigation Activities

The following are significant investigations in the Multifamily Program area:

■ A general contractor who built a HUD-subsidized project in Moline, Illinois, was sentenced to 120 days in jail and 4 years probation after being convicted of submitting false statements to HUD. He had previously been sentenced to a work release program and probation, but violated the terms of the probation. He was found guilty of falsifying workers' payrolls, causing underpayments of approximately \$66,000. (United States vs. Larry Carlson, Central District of Illinois.)

■ A corporation, its president, and its vice-president/treasurer were indicted on 14 counts of submitting false statements. The indictment alleged that while doing plumbing work on a HUD-financed project in Las Vegas, Nevada, a subcontractor (the corporation president) and his wife (the vice-president/treasurer) submitted false payroll certifications while underpaying their employees and requiring some workers to kick back part of their earnings. HUD has directed

the Las Vegas Housing Authority to withhold approximately \$51,000 from a general contractor on the project to cover the underpayments until the matter is adjudicated. Trial is pending. (United States vs. Randy and Stefani Schwartz and Ramrod Plumbing, District of Nevada.)

■ A person who misrepresented himself as a government affairs consultant in Evansville, Indiana, was sentenced to 10 years in jail for defrauding a firm involved in the development of HUD projects. The five-count indictment charged that the individual falsely indicated he could influence decisions at HUD and could, for a fee, obtain a below market rate \$20 million HUD loan for the firm. When the firm's official travelled to Washington, D.C., the individual set up two bogus law firms to induce payment of the fee. He forged three checks purportedly drawn on the account of the Federal National Mortgage Association and delivered the checks in return for a \$1.1 million fee. Two co-defendants were placed on probation and fined \$3,000. (United States vs. Rockland Lee Winchell, Elmer Pettis, Jr., and Robert Fowler, Southern District of Indiana.)

Community Planning and Development

During the reporting period, we noted significant problems in four areas: Urban Development Action Grants; Community Development Block Grants (CDBG); State Administration of the CDBG Program (formerly the State Small Cities Program); and the Jobs Bill Program.

Urban Development Action Grant Program

We found that two grantees did not properly manage their Urban Development Action Grants (UDAGs):

■ Our audit of four UDAG activities in the City of Macon,

Georgia, disclosed significant instances of program non-compliance. We found that: projects were started prior to and revised without HUD approval; CDBG income was improperly credited to UDAG projects; and agreements with developers to complete grant activities were not enforced by the City. In one project, only 10 of 50 units were completed, and the project has been inactive for 2 years.

Another project is in serious risk of default. In addition, we found that the City's former Director of Community Development was involved with three of the projects in an apparent conflict of interest. Since these deficiencies were not identified and/or corrected by HUD program personnel, we recommended that the Regional Administrator direct HUD staff to strictly apply applicable monitoring requirements. The Regional Community Planning and Development (CPD) staff is working with the City to resolve the findings. HUD is in the process of amending the grant agreement and reevaluating the developer's costs. Subsequent to our audit, the Regional CPD staff granted an exception to the conflict-of-interest provision for one project and is currently evaluating the remaining projects. The City will be cautioned about future expenditures. (Audit Report No. 85-AT-242-1019 and Audit Memorandum No. 85-AT-143-0005.)

■ The City of Baltimore, Maryland, did not ensure that a developer used UDAG funds in accordance with the grant agreement. The developer used UDAG funds of \$616,000 for cost overruns and \$246,000 for homebuyers' closing costs. The project is more than 2 years past

its scheduled completion date and has budget overruns in four categories of \$1.7 million. We recommended that the City be required to repay the \$862,000 from non-Federal funds, provide justification for the project's delay, and document actual construction costs, including the budget overruns. (Audit Report No. 85-PH-242-1013.)

Community Development Block Grant Program

The following were significant audits in the CDBG Program:

■ The City of Niagara Falls, New York, did not adequately administer its CDBG Program. When requesting HUD approval of a \$4.5 million temporary loan to a shopping center developer, the City supplied information which later could not be documented and may have been misrepresented. Over \$1 million of program income that was to have been used to repay the loan was instead loaned to tenants of the shopping mall. The City also failed to implement administrative and financial controls over \$1.1 million, and instead relied on unverified information supplied by the developers. Consequently, the City cannot effectively evaluate the progress of its CDBG activities. We recommended that the City be required to justify the loan information supplied to HUD, or else the loan should be rescinded. Program officials have tentatively sustained \$2.4 million of disallowed costs. (Audit Report No. 85-NY-241-1054.)

■ The City of Marlborough, Massachusetts, spent \$182,000 of grant funds on excessive, unnecessary, or unsupported administrative expenses. The City

also spent \$116,000 for ineligible maintenance of effort activities. Five parcels of land (valued at \$286,000) which were to have been public parks were converted into municipal parking lots, but no payment was made to HUD for this land. Finally, because the financial settlement of the grant has not been completed, HUD has been denied over \$457,000 in categorical program settlement funds that could be used for other Urban Renewal projects. We recommended that HUD require the City to repay \$298,000 in questioned and disallowed costs and reimburse the Department for the estimated value of the land. We also recommended that unused grant letter-of-credit funds totalling \$457,000 be cancelled. (Audit Report No. 85-BO-244-1011.)

CDBG Regulatory Revisions

The Office of Community Planning and Development proposed to amend substantial portions of its CDBG regulations. We had two major objections to these revisions: (1) the new regulations do not adequately distinguish between administrative costs which are subject to a 20 percent ceiling and those which are not; and (2) the issue of whether to limit the use of lump-sum drawdowns has not been resolved.

State Administration of the CDBG Program

We completed an audit of the State Administration of the CDBG Program (formerly the State Small Cities Program) and found that States are, in general, making progress in establishing internal procedures and controls to properly administer the Pro-

gram. However, we did find that inadequate fund distribution and eligibility controls made it difficult for States to justify some funding decisions. For example, one State funded three Small Cities projects totalling \$1.4 million which did not meet statutory requirements or the State's own threshold requirements. We found that the States' monitoring was inadequate to ensure that fund recipients were carrying out their programs in a timely manner or even that the recipients had the capacity to do so. In addition, recipient grants were not being closed out, because States had not developed or implemented controls to ensure compliance with closeout procedures. We recommended that HUD assist the States in developing and implementing procedures and controls to prevent these weaknesses from resulting in serious program waste and abuse. Our audit work was conducted in the States of Alabama, Connecticut, Massachusetts, Missouri, Nebraska, Pennsylvania, South Carolina, and Virginia. (Audit Report No. 85-TS-142-0017.)

Jobs Bill Program

There is major disagreement between our office and CPD regarding the extent of effort required by grantees to create jobs for the unemployed. In our report on the City of Raleigh, North Carolina (Audit Report No. 85-AT-241-1006), we questioned \$487,000 of Jobs Bill funds awarded the City, because the City did not adequately plan for or develop projects which created jobs. In an audit of Snohomish County, Washington (Audit Report No. 85-SE-241-1005), we questioned \$900,000 in Jobs

Bill funds which were used to carry out previously funded or other unfunded CDBG activities. The majority of activities were public works projects carried out by existing staff. The effect of these efforts on unemployment was negligible.

It is the OIG position that efforts to hire the unemployed by the grantees in question were so slight that the legislative intent was not met. CPD believes the rapid expenditure of Jobs Bill funds, with some effort to target funds to create jobs for the unemployed, is meeting the legislative intent. In a recent letter, the Assistant Secretary for CPD stated "Job creation for the hard-core unemployed was not the only objective of the Jobs Bill legislation. The primary objective of the CDBG portion of the Jobs Bill was to quickly increase the amount of productive work available, particularly in the depressed construction industry In developing Jobs Bill processing procedures and instructions, our reading of the statute and our knowledge of the Congressional debates over the legislation led us, with the concurrence of the Office of General Counsel, to emphasize the rapid use of the funds."

We met with CPD in an effort to resolve this disagreement. We are currently planning to refer this matter to the Department's audit resolution group.

Investigation Activities

The following are significant investigations in the CPD area:

■ The former Mayor of Patillas, Puerto Rico, the former Municipal Program Director, and a contractor were indicted on

charges of making false statements. The indictment alleged that the defendants furnished false performance reports indicating that certain construction work (which was paid for with CDBG funds) was completed, when in fact the work was not performed and the money was utilized at other locations. The individuals certified that over \$111,000 of work had been completed. They have been suspended from further participation in HUD programs. (United States vs. Benjamin Cintron Lebron, et al, District of Puerto Rico.)

■ One former and two current Aldermen for the City of East St. Louis, Illinois, pled guilty to four counts of bribery. The indictment charged that the Aldermen solicited and accepted money from a contractor in return for favorable treatment in the award of a CDBG-funded contract. During an investigation conducted by the FBI and our office, it was determined that the Aldermen accepted money for demolition and weed-cutting contracts let in their particular city wards. Their sentencing is pending. (United States vs. Julius Walker, et al, Southern District of Illinois.)

■ A City rehabilitation specialist for Watertown, Massachusetts, was indicted on five counts of extortion and 28 counts of making and using false and fraudulent statements. The indictment alleges that the official of the State-administered Watertown Home Improvement Program (WHIP) illegally sought and obtained over \$10,000 from four contractors working in the WHIP. (United States vs. James P. Pepicelli, District of Massachusetts.)

General Administration

During the reporting period, we focused efforts on certain support functions of the Department, specifically, contracting and accounting activities.

Contracting

We found that although progress has been made in establishing a system of internal controls to prevent wasteful year-end spending in contracts, grants and cooperative agreements awarded by HUD's Office of Procurement and Contracts (OPC), additional emphasis on monitoring procurement plans could make the system more effective. We also found that some proposed work statements were poorly defined and some cost proposals were poorly documented or inflated.

Year-end Spending Practices

■ In Fiscal Year (FY) 1984, we found that while most offices complied with the requirements of HUD's Advance Procurement Planning System (APPS), OPC experienced a disproportionately high volume of requests for services from HUD's Office of Community Planning and Development (CPD). OPC completed 124 or 78 percent of CPD's 158 FY 1984-funded actions in the fourth quarter. CPD planned only nine funded actions for submission to OPC in the fourth quarter, yet actually submitted 87. We reviewed nine procurement actions and found three specific cases which we believe were hurried through the system, resulting in the short-cutting or omission of normal phases of the award process. We are conducting an audit of the technical assistance program to evaluate CPD's compliance with procurement procedures.

We recommended that the Assistant Secretary for Administration direct OPC to improve the timing and content of APPS status reports, submit APPS status reports to the heads of organizations which deviate from APPS plans, and establish and enforce cut-off dates or restrictions on the number and type of unplanned fourth-quarter requests to be processed.

Pre-award Evaluations

■ Pre-award evaluations of cost-reimbursable contract and cooperative agreement proposals totalling \$959,000 resulted in their return by OPC to the requesting office because of major deficiencies in the proposals. One proposal's estimated costs were not adequately supported and some of the proposed work appeared to duplicate the work required by a prior HUD purchase order. We also found the Statement of Work to be vague concerning the services to be provided. We recommended delaying funding until the cost estimates could be supported, any duplication of effort be eliminated and the requirements of the award be clarified.

Costs for a training agreement in another proposal appeared excessive because 70 percent of the proposed expenditures were for administering the project. Also, the roles of the recipient and its three subcontractors were not adequately defined and the justification for the effort was not adequately documented. We returned the proposal for reevaluation.

The proposal for another agreement was returned because in-

interviews with the proposed recipients and local HUD officials revealed that they did not believe they needed the services that were to be provided.

Our evaluation of the financial condition of another proposed recipient disclosed that the organization had substantial operating losses and was unable to pay its debts timely, thereby threatening its continuity. Our report stated that HUD should require the organization to fully demonstrate its ability to continue before making any award of funds. (Audit Nos. 85-AO-261-1813; Memorandum to the Director, Office of Program Policy Development, May 20, 1985; 85-SF-261-1019; and 85-AO-261-1018.)

■ A pricing proposal evaluation of a \$6 million proposed contract disclosed that it could be reduced by up to \$900,000 due mostly to misclassified costs and unreasonable cost projections. (Audit Report No. 85-AO-261-1012.)

Accounting

Through audits of financial statements of revolving funds and controls over securities in the possession of HUD, we reported significant internal control deficiencies.

■ Audits of three revolving funds by Certified Public Accounting (CPA) firms hired by the Office of Inspector General revealed significant accounting problems. In the Section 312 Rehabilitation Loan Fund, the values of foreclosed properties

were supposed to be recorded as an asset. Internal controls were lacking so that the balance of \$2,371,762 could not be verified and was questionable. In the Non-Profit Sponsor Assistance Fund, \$467,929 or 39 percent of the loans receivable should have been repaid according to the terms of the loan. The CPAs confirmed that \$217,546 had been repaid but not reflected on the books, and the status of the remaining amount could not be readily determined. In the Rental Housing Assistance Fund, the accounting system did not have the capability to assure proper recognition and recording of accounts receivable. Consequently, the amounts due to HUD were not known. Recommendations were made to correct these accounting deficiencies. (Audit Report Nos. 85-AO-161-0203; 85-AO-161-0204; and 85-AO-161/111-0205.)

■ An audit of the internal controls over non-marketable and marketable securities held by HUD disclosed that many of the required controls were not being followed and some procedures were outdated. The audit found that while some reserve for replacement funds were invested, an additional \$1 million a year could have been realized through the investment of all available reserve funds. In a draft report, we recommended adherence to internal control procedures, a reevaluation of outdated procedures and notification to owners of projects of their need to invest all of their reserve for replacement funds.

Chapter 2

President's Council on Integrity and Efficiency and Departmental Projects

This chapter highlights activities we have undertaken to reduce and prevent fraud. The Secretary and the Principal Staff continue to maintain a high in-

terest 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 (CFWM) was established in 1978 to coordinate the Department's efforts to minimize fraud, waste, and mismanagement in HUD programs. The Committee, consisting of officials designated by Principal Staff, advises the Secretary on policy matters relating to improving the quality and effectiveness of all HUD programs and activities. The CFWM is one element of HUD's overall Prevention Plan.

The Department recently reevaluated its prevention program using criteria described in the Office of Management and Budget's Model Prevention Plan (MPP). The CFWM found that HUD satisfied most of the criteria in the MPP, but that some improvement could be made in the areas of employee Standards of Conduct and awareness for external parties. For that reason, the CFWM initiated the following projects:

1. Employee Standards of Conduct Assessment

The Committee's review of the Department's Standards of Conduct Program revealed deficiencies in the way in which Standards of Conduct are communicated to HUD employees, as well as inconsistencies in Office of General Counsel interpretations of the Standards. The Committee's report, which was approved by the Secretary on August 15, 1985, contained recommendations to: clarify and

update Standards of Conduct; develop a plan for the periodic briefing of all personnel; incorporate Standards of Conduct materials into supervisory training and post-employment counseling; develop and disseminate new educational materials on recurring problems; and develop and implement new procedures for approving outside employment.

2. Awareness for Program Participants

The objective of this project was to develop a plan for implementing a comprehensive program to educate HUD's program participants on how fraud and abuse occurs in HUD programs, and on ways to detect and prevent it. Committee members met with representatives of seven trade and professional organizations representing many of HUD's program participants. As a result of these discussions, the Committee proposed a plan in its final report to provide these organizations with journal or newsletter articles, pamphlets, training materials, and speakers for their meetings.

The OIG is carrying out the plan developed by the CFWM. Recently we conducted fraud awareness training for members of the Council of State Community Affairs Agencies, the National Association of Housing and Redevelopment Officials, and the National Leased Housing Association.

3. Do's and Don'ts for Program Participants

Previous audits, studies, and CFWM projects suggest that program participants may not clearly understand or be aware of contractual requirements or standards that apply to their dealings with the Department. Misunderstandings or ignorance of the applicable rules are often cited by participants as the

reasons for instances of non-compliance found through monitoring, audits, or investigations. For that reason, the Committee is preparing a series of flyers describing, in plain English, specific do's and don'ts for the following program participants: CDBG Entitlement and UDAG recipients; Public Housing Executive Directors; HUD contractors; and multifamily project owners and management agents.

President's Council on Integrity and Efficiency

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

Our office led a Prevention Committee work group to determine what progress had been made by departments and agencies in us-

ing the Model Prevention Plan (MPP) to assess their existing prevention practices and adopt a comprehensive, coordinated, and planned strategy for preventing fraud, waste, and mismanagement.

The Prevention Committee's report recommended that over the long term, elements of the MPP be incorporated into OMB Circular A-123, 'Internal Control Systems,' and in the meantime, OMB provide clarifying advice and guidance to agencies on how the MPP should be applied. The report also contained an appendix of agency best practices in addressing the various elements of the MPP.

Chapter 3

Review of Legislation and Regulations

We reviewed legislative proposals and regulations relating to economy and efficiency of programs and operations and the prevention and detection of fraud and abuse. Some of the

more significant legislative proposals and regulations (in addition to those discussed in Chapters 1 and 6) are described as follows:

Legislation

H.R. 3077 is a bill to amend the Inspector General Act of 1978 to establish Offices of Inspector General in the Departments of Justice and Treasury and in the Federal Emergency Management Agency. We generally supported the proposed bill. However, the provisions regarding intensified administrative and reporting requirements on statutory Inspectors General are, in our opinion, staff-intensive and would require substantial changes to the HUD Office of Inspector General's resources to track, accumulate, and provide this information.

Senate Bill 428, an amendment to the United States Housing Act of

1937, provides additional homeownership and resident management opportunities for families residing in public housing projects. We opposed this bill because we believe some tenants who are residing in the units may intentionally understate their income to become eligible to purchase the units. The possibility of purchasing a unit may, therefore, become an incentive to falsify income level, unless a section for penalties is included in the bill. Another major drawback to this bill is that public housing authorities have no meaningful part in the decisions to sell the dwelling units.

Regulations

Proposed Final Rule 24 CFR Parts 207 and 255 revises the maximum insurable amount for refinancing existing multifamily housing projects. We opposed this Rule because both Parts 207 and 255 limit the maximum insurable mortgage to 85 percent of the estimated value of a project, except when the property was purchased within 48 months of the refinancing transaction. In those cases, the mortgage is limited to a percentage of the cost of acquisition. However, we

believe the percentages allowed may permit a mortgage higher than the 85 percent of value limitation. This could increase HUD's risk and lower the mortgagee and owner's risk, since it may result in little or no equity investment for the owner and minimal loss to the mortgagee in the event of a default. We recommended that the maximum insurable mortgage amount be limited to 85 percent of the estimated value, regardless of the acquisition cost.

Chapter 4

Administrative Actions Against HUD Employees

The Senate Committee on Appropriations has indicated in the past that if fraud within government is to be contained and curtailed, then appropriate ad-

ministrative 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 semianual reporting period, in connection with investigations, are shown below.

An OIG Investigator resigned during an investigation which revealed he inflated his change-of-duty station expenses for his family. An Assistant U.S. Attorney declined criminal prosecution, but HUD Claims Collection officials are pursuing an \$18,327 claim against the investigator for the cost of his move.

A Multifamily Housing Representative resigned after being convicted of receiving \$12,810 in fraudulent Section 8 Housing Assistance Payments. The court ordered the overpaid assistance to be repaid.

A HUD Engineer was dismissed after submitting false travel vouchers for relocation from one HUD office to another. The Department recovered approximately \$4,100. The Merit Systems Protection Board denied the employee's appeal of dismissal.

A Realty Specialist received a letter of caution after requesting that an Area Management Broker he monitored secure a HUD contractor to repair his personal residence. The Realty Specialist made a partial payment to the contractor shortly after the repair work was completed but

did not make a final payment until 5 months later while the matter was being investigated.

A Clerk-Typist received a written reprimand for falsifying a Personal Qualifications Statement. The employee failed to list several arrests and convictions over an 18-year period.

A Management Analyst received a written reprimand and a Director of an Administrative Services Division received a memorandum of caution for failing to follow acceptable HUD contracting procedures. The Analyst failed to document reasons for the rejection of the low bidder, and the Director failed to keep adequate control records.

An OIG Auditor was given a written reprimand for violating HUD's Standards of Conduct on outside employment and for not adhering to time and attendance procedures.

A Director of an Administrative Services Division received a 3-day suspension for allowing senior HUD Regional officials to improperly park their personal cars in a space reserved for government-owned vehicles. The Director required a civilian building garage attendant to move the government car to a metered parking space on the street so that the senior officials could park their private vehicles in the government-paid parking space.

Chapter 5

Statistical Summary

Department of Housing and
Urban Development
Office of Inspector General

Apr. 1, 1985
through
Sept. 30, 1985

Total
FY 1985

Audit Activities

| | | |
|--|--------------|---------------|
| ■ Cash Recoveries/Savings (OIG and Non-Federal Audits) | \$54,916,425 | \$82,138,202 |
| ■ Questioned and Disallowed Costs Sustained (OIG and Non-Federal Audits) | \$60,369,872 | \$104,940,353 |
| ■ Cost Efficiencies | \$27,630,329 | \$50,406,538 |
| ■ Internal Audit Reports Issued (OIG) | 46 | 91 |
| ■ External Audit Reports Issued (OIG) | 106 | 236 |
| ■ Non-Federal and Other Agency Reports Accepted | 2,000 | 3,662 |
| ■ Mortgagees/Lenders Sanctioned as a Result of Referrals to HUD Mortgagee Review Board | 0 | 6 |
| ■ Subpoenas Served | 11 | 12 |

Investigation Activities

| | | |
|--|-------------|-------------|
| ■ Cash Recoveries | \$2,771,662 | \$3,739,625 |
| ■ Total Fines Levied | \$195,738 | \$539,792 |
| ■ Commitments to Recover Funds | \$453,106 | \$453,106 |
| ■ Cost Efficiencies | \$2,847,610 | \$2,847,610 |
| ■ Investigation Cases Opened | 734 | 1,449 |
| ■ Persons/Firms Indicted | 220 | 446 |
| ■ Persons/Firms Convicted | 189 | 310 |
| ■ Total Years of Prison Sentences | 161 | 251 |
| ■ Total Years of Suspended Sentences | 74 | 155 |
| ■ Total years of Probated Sentences | 486 | 819 |
| ■ Debarments of Persons/Firms Doing Business with HUD (years) | 64(214) | 148(477) |
| ■ Suspensions of Persons/Firms Doing Business with HUD (years) | 32(31) | 71(70) |
| ■ Personnel Actions Initiated Against HUD Employees | 40 | 71 |
| ■ HUD Employees Indicted | 6 | 8 |
| ■ HUD Employees Convicted | 0 | 1 |
| ■ Subpoenas Served | 7 | 10 |

Fraud Control Activities

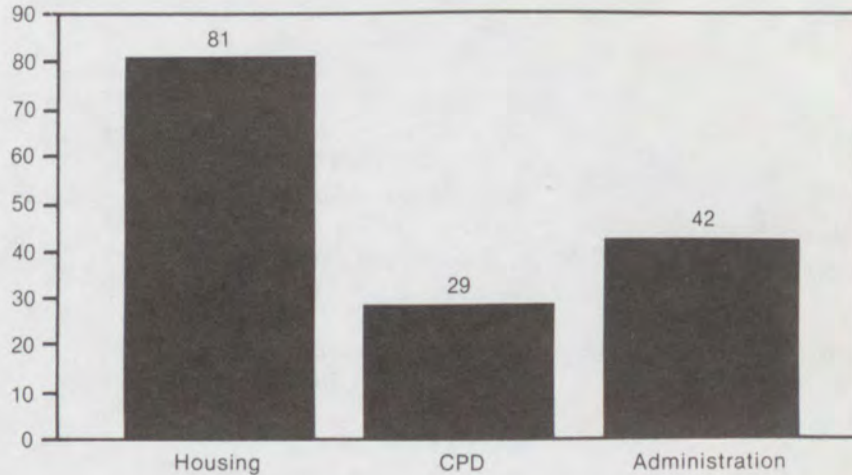
| | | |
|---|-----|-----|
| ■ Special Fraud Control Projects Undertaken in Cooperation with HUD's Committee on Fraud, Waste and Mismanagement | 1 | 6 |
| ■ Awareness Publications Issued | 4 | 5 |
| ■ Hotline Complaints Received | 152 | 338 |
| ■ Hotline Complaints Processed and Closed | 192 | 363 |
| ■ Hotline Complaints Pending (9/30/85) | 152 | — |
| ■ Proposed Legislation and Regulations Reviewed | 162 | 255 |
| ■ Proposed HUD Handbooks/Issuances Reviewed | 83 | 155 |

Hotline Activities

The following chart depicts the volume and program areas affected for the 152 hotline

complaints received during the last 6 months.

Distribution of Hotline Complaints
April 1, 1985 through September 30, 1985



Hotline complaints during the period resulted in criminal penalties and administrative actions totalling more than 18

years, including jail sentences, debarment from participating in HUD programs and employee suspensions.

Audit Findings

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

■ Audit findings Unresolved at 4/1/85 = 1,154.

■ Audit findings issued during the period = 2,734.

■ Audit findings resolved during the period = 2,509.

■ Audit findings unresolved at 9/30/85 = 1,379.

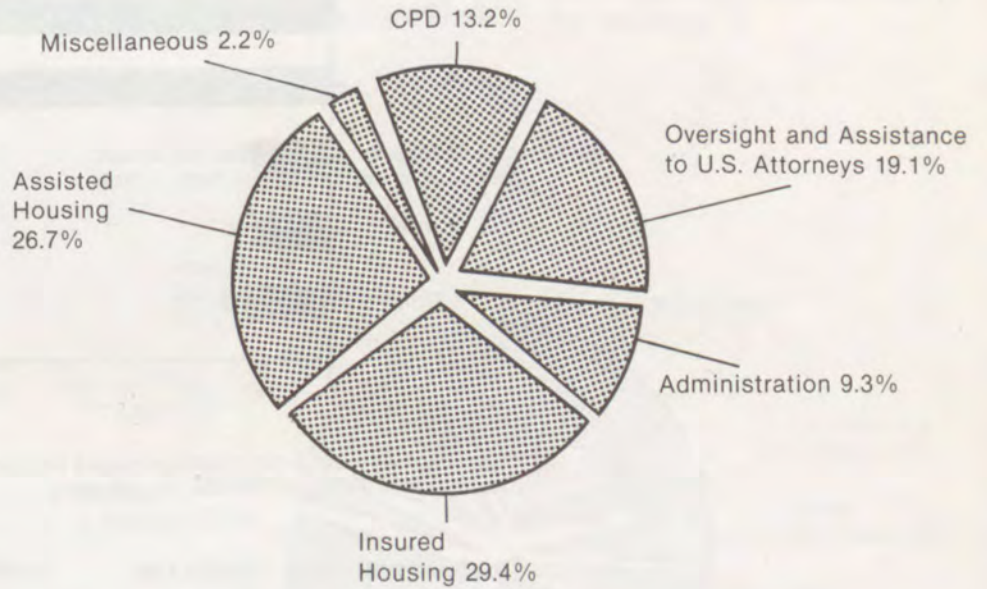
■ Audit findings unresolved over 6 months old = 88 (\$39.8 million).

Audit Resources and Results

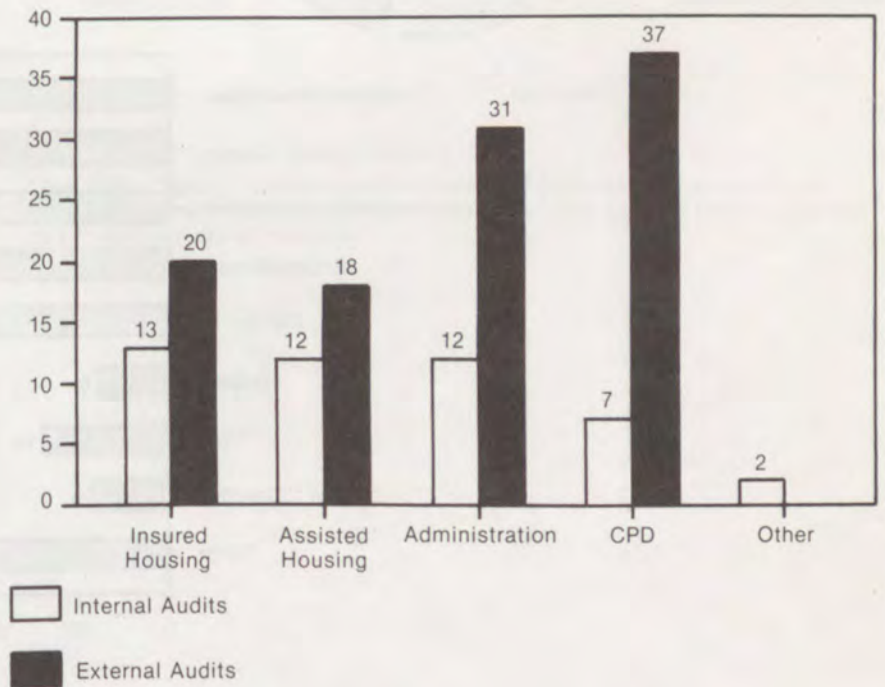
The following charts show distribution of audit staff

time and reports issued by program area and type of audit.

Distribution of Audit Staff Time by Program Area and Type of Audit
April 1, 1985 through September 30, 1985



Distribution of Audit Reports Issued by Program Area and Type of Audit
April 1, 1985 through September 30, 1985



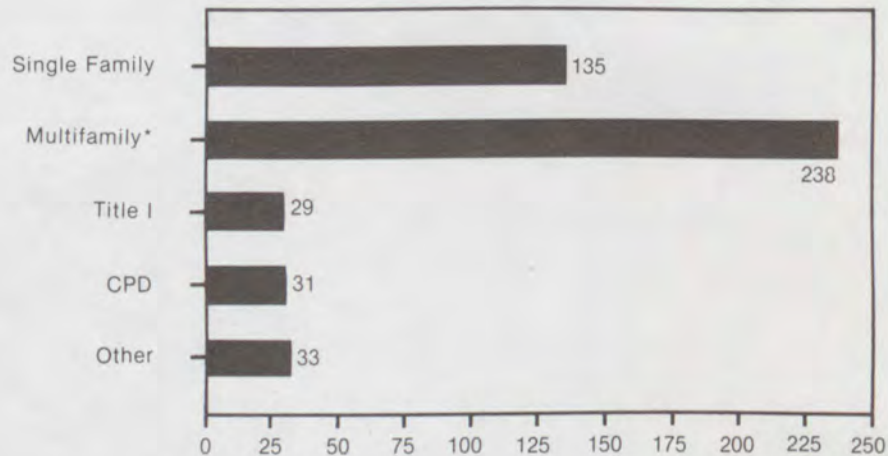
Investigation Cases Opened

The following tables show a breakdown of the 734 investigation cases opened during the

last 6 months. Of these cases, 466 involved false statement violations as shown below.

Concerning False Statements Investigation Cases Opened

April 1, 1985 through September 30, 1985



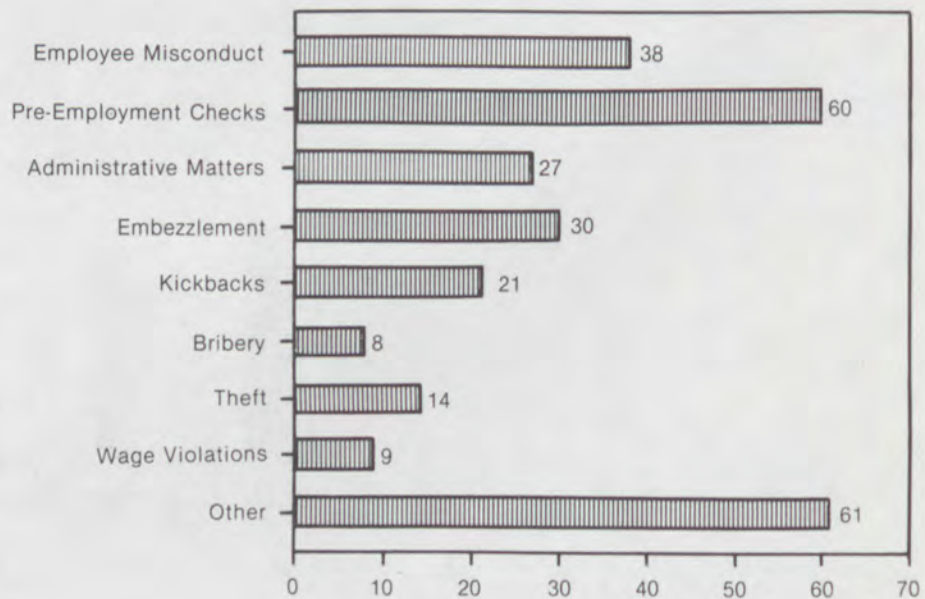
*The cases opened in the multifamily area include investigations of individual tenants in HUD's rental assistance programs.

The following table depicts the types of alleged violations

involved in the remaining 268 cases that were opened.

Other Categories of Investigations

April 1, 1985 through September 30, 1985



Pending Cases

At September 30, 1985, we had 1,706 investigation cases either in process or awaiting investigation. Of these cases, 638 were

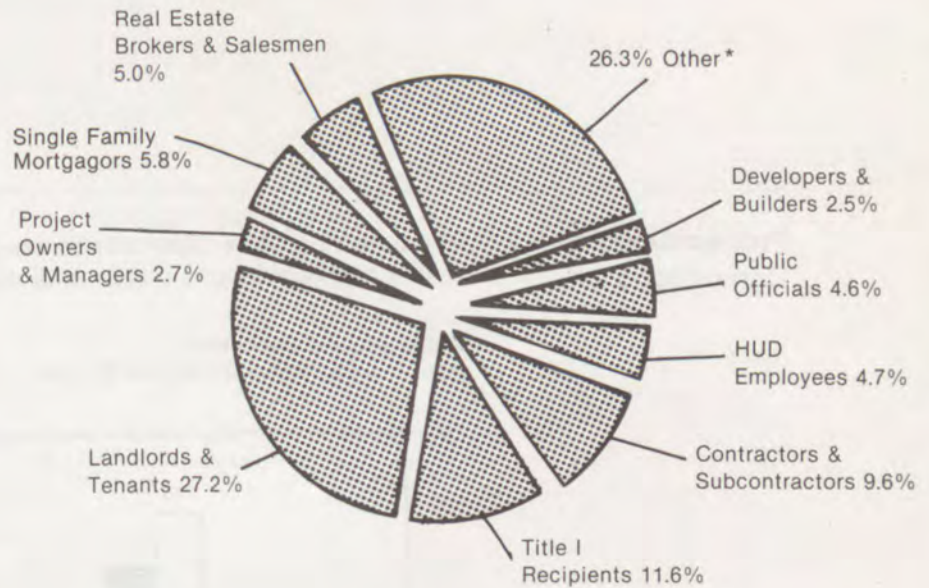
FBI/other cases, 736 were cases of the OIG, and 332 were OIG completed cases pending with the U.S. Attorney.

Closed Cases

The OIG closed 634 investigation cases during the reporting period. The 634 cases closed involved 956 individuals and firms

who were the subjects of the investigations. The following graph represents a breakdown of the subjects:

Distribution of Subjects of Investigation by Category
April 1, 1985 through September 30, 1985



*The "Other" group includes a wide diversity of subjects such as architects, Area Management Brokers, and Title I dealers/lenders. Each of these comprises less than 2 percent of the total.

Investigation Cases Referred for Prosecution

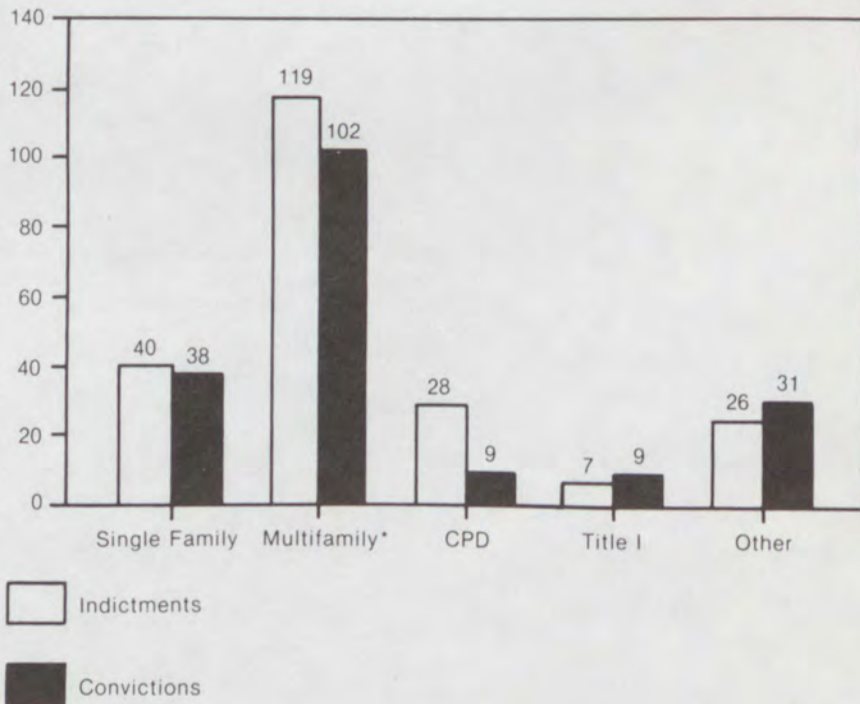
The OIG referred 193 investigation cases for prosecutive consideration as follows:

| Referred by OIG to: | No. of Cases |
|-------------------------------------|--------------|
| FBI (Prima Facie-OIG Investigation) | 10 |
| FBI (No OIG Investigation) | 31 |
| Department of Justice | 152 |
| Total | 193 |

Prosecutions and Convictions

The following table illustrates in what HUD program areas indictments and convictions occurred during the last 6 months.

Indictments and Convictions
April 1, 1985 through September 30, 1985



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

Unreasonable Refusal or Non-Provision of Requested Information

No instances of unreasonable refusal or non-provision of requested information were

reported to the HUD Secretary during the reporting period.

Chapter 6

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.

Follow-Up on Audit Findings

During the reporting period, we evaluated the effectiveness of management action to implement audit recommendations for which corrective action had been promised. We selected audit finding in each of the 10 regions and Headquarters which

had been resolved based on management's promise to take timely corrective action. In most cases, adequate action had been taken. However, the following synopses highlight instances where timely or effective actions were not taken.

Audit Report Title and Number

Synopsis

Philadelphia Housing Authority
Philadelphia, Pennsylvania
Audit Period: 10/1/74-3/31/79
80-PH-201-2028 Issued 12/28/79
Responsible Officials:
Warren T. Lindquist
Assistant Secretary for
Public and Indian Housing;
Kenneth J. Finlayson,
Regional Administrator

Claims of \$26,960,548 were agreed to by management in September 1981. In December 1981, \$287,977 were recovered. In May 1982, an additional \$81,500 were sustained. The Authority paid \$71,135 due HUD on March 6, 1985. On April 26, 1985, the Regional Administrator asked Headquarters for assistance and guidance in resolving the outstanding claims contained in the Philadelphia Housing Authority Audit Report Nos. 80-PH-201-2028, 82-PH-202-2270, and 84-PH-201-2303. Various telephone conversations have been held between Regional Management and Headquarters Office of Public and Indian Housing to develop strategies to resolve the PHA's problems and claims. To date, no course of action has been decided on or taken. These claims were also identified in the last two reports as having inadequate follow-up action.

Review of Management Agent's
Use of Identity-of-Interest
Companies
Audit Period: 1/1/83-2/29/84
84-CH-111-0009 Issued 9/19/84
Responsible RA:
Judith Y. Brachman

Two Field Offices in the Chicago Region were not reviewing and evaluating the management agent's transactions with identity-of-interest firms, nor were their staffs aware of the agent's extensive use of these firms. The findings were resolved on a promised action on January 16, 1985. The Regional Administrator agreed with the recommended courses of action and set June 30, 1985, as the target date for all action to be completed. On August 23, 1985, the Regional Administrator considered all promised actions to be completed based on the Field Offices' responses to the findings. The information in support of the August action did not address the actions promised nor did it resolve the outstanding issues. The Regional Administrator has resumed action to complete the recommended and promised corrective actions.

**Audit Report Title
and Number**

Synopsis

**Tax Exempt Financing for
Section 8 Projects**

Audit Period: 1/1/80-12/31/81

83-TS-101-0011 Issued 6/22/83

Responsible Official:

Janet Hale, Acting General Dep.
Asst. Secretary for Housing-
Federal Housing Commissioner

Interest income of about \$3.9 million from investment in tax-exempt notes and bonds went to underwriters, trustees and/or developers rather than benefitting Federally funded Section 8 projects. That interest should have been used to reduce bond financing and rents, or retained in project reserves and ultimately returned to HUD. On October 18, 1983, HUD management promised to implement the recommended actions. Those actions included provisions for revising regulations and/or handbooks, obtaining certified statements from financial agencies as to the amount of investment income, coordinating with the Office of General Counsel to obtain reimbursement of shunted income and amendments to Housing Assistance Payment Contracts. All action was to be completed by November 18, 1983. HUD management advised that limited resources and high priority work precluded their efforts to complete the promised action. Further, they have instructed their part-time consultant to strengthen the existing procedures to prevent the problem from recurring and are working to resolve the other recommended courses of action.

**Internal Audit on Protection &
Preservation of Income on
Multifamily Projects in
Foreclosure**

Audit Period: 1/1/81-9/30/82

84-TS-113-0002 Issued 11/25/83

Responsible Official:

Janet Hale, Acting General
Dep. Asst. Secretary for
Housing-Federal Housing
Commissioner

HUD was not protecting its financial interest for projects that were recommended for foreclosure, thereby exposing HUD to a half million dollars or more of potential losses. On February 23, 1984, HUD management promised to revise its handbooks to provide guidance to Field Office staff on monitoring projects recommended for foreclosure, and on follow-up actions to be taken when monitoring discloses conditions which would adversely affect HUD's interest in the projects. The promised actions were to be completed by September 30, 1984. However, HUD management now estimates that the promised actions will not be completed until September 30, 1986. They explained that the problems noted in the report were expected to be addressed by the issuance on March 26, 1984, of regulations implementing the Multifamily Foreclosure Act, and the problems, while serious, were not the highest priority. We agree that the faster foreclosure process established through implementation of the Act should address some of the problems noted in the report. However, there is still a need for comprehensive guidance to Field Office staff on the extent and type of monitoring and follow-up action necessary to protect HUD's interests prior to foreclosure. In our opinion, the reasons cited for the extended delays in completing the promised actions are not adequate.

**Previously Reported Items—
Corrective Action Not
Completed**

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. The following audit reports 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.

| Report Number | Title | Report Issue Date | Target Date |
|----------------|--|-------------------|---------------------------|
| 80-SF-244-1018 | City of Santa Paula, CA - CDBG | 7/10/80 | 12/31/85 ^{s/} |
| 82-TS-111-0001 | Section 236 Rental Income | 11/6/81 | 1/31/86 ^{s/} |
| 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 | ^{1/ 2/} |
| 82-TS-111-0008 | Management Input Into Processing Multifamily Housing Projects | 7/12/82 | 12/31/86 ^{s/} |
| 82-TS-182-0009 | Title I - Mobile Home Loans-Special Operational Survey | 7/13/82 | ^{5/} |
| 82-PH-161-0009 | Regional Accounting Division Operations | 8/11/82 | ^{10/} |
| 83-FW-203-1006 | Housing Authority of Houston, Texas | 12/3/82 | ^{4/} |
| 83-CH-241-1008 | Athens County, Ohio | 12/23/82 | ^{2/} |
| 83-CH-212-1028 | Mid-Towne Apts., Cincinnati, Ohio | 2/23/83 | ^{3/} |
| 83-AT-221-1017 | Henderson Heights, Ltd. | 4/7/83 | 2/1/86 ^{s/} |
| 83-TS-161-0005 | Regional Accounting Div. Operations | 4/28/83 | ^{1/} |
| 83-BO-202-1013 | Providence, RI Housing Authority | 5/6/83 | ^{6/} |
| 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 | ^{3/} |
| 83-AT-201-1039 | Memphis Housing Authority Low-Income Housing Programs | 8/19/83 | 12/31/85 ^{2/ s/} |
| 83-CH-201-1051 | Low-Income Housing Program Detroit Housing Department | 8/26/83 | ^{10/} |

| Report Number | Title | Report Issue Date | Target Date |
|----------------|--|-------------------|--------------------|
| 83-TS-111-0016 | Flexible Subsidy Funds for Multifamily Projects | 9/7/83 | 12/31/85 <i>sl</i> |
| 84-BO-257-1001 | New Haven Redevelopment Agency City of New Haven, Connecticut | 10/11/83 | <i>2/</i> |
| 84-AT-203-1003 | Housing Authority of the Birmingham District, Birmingham, AL, Section 8 Moderate Rehabilitation Program | 10/21/83 | 1/31/86 <i>2/</i> |
| 84-BO-212-1005 | Third Stone Ridge Cooperative Corp. | 12/21/83 | <i>2/</i> |
| 84-TS-101-0004 | Income Projections Used by Public Housing Authorities Under the Performance Funding System | 1/20/84 | <i>3/</i> |
| 84-TS-122-0005 | Title I Property Improvement Loan Insurance Program | 1/25/84 | <i>5/</i> |
| 84-NY-241-1013 | Community Development Block Grant Program, Municipality of Ponce, PR | 2/13/84 | 9/10/86 <i>2/</i> |
| 84-AT-242-1012 | City of Charlotte, NC Urban Development Action Grant Program | 2/14/84 | <i>5/</i> |
| 84-BO-212-1009 | Barbour-Waverly Cooperative Apts., Inc. | 2/28/84 | <i>4/</i> |
| 84-AO-108-0003 | Review of HUD's Consolidated Supply Program | 3/14/84 | 12/31/85 <i>sl</i> |
| 84-CH-182-0006 | Compliance with Uniform Relocation Act, Region V | 3/29/84 | 10/31/85 <i>2/</i> |
| 84-CH-241-1011 | Community Development Block Grant and Urban Development Action Grant Programs, City of Detroit, Michigan | 3/30/84 | 2/28/86 |
| 84-SE-241-1004 | Community Development Block Grant Program, City of Portland, Oregon | 3/30/84 | 12/20/85 <i>sl</i> |
| 84-SE-203-1003 | Housing Authority of the City of Bellingham, Washington, Section 8 Moderate Rehabilitation Program | 3/30/84 | 12/31/85 |
| 84-AT-203-1021 | Winston-Salem, NC PHA | 4/18/84 | 11/1/85 <i>sl</i> |
| 84-AT-201-1019 | Memphis, TN PHA - Investment Practices | 4/18/84 | 10/31/85 <i>sl</i> |
| 84-TS-112-0006 | Promissory Notes and Working Capital Deposits | 5/8/84 | 12/31/85 <i>sl</i> |
| 84-TS-108-0007 | Section 23 Leased Housing | 5/15/84 | <i>4/</i> |
| 84-PH-202-1018 | Baltimore, MD - Section 8 | 6/7/84 | <i>2/</i> |
| 84-AO-171-0007 | Monitoring of Cost Controls - GNMA | 6/14/84 | 8/31/87 |

| Report Number | Title | Report Issue Date | Target Date |
|------------------------|--|-------------------|-------------|
| 84-PH-202-1012 | Philadelphia, PA - Section 8 | 6/14/84 | 4/ |
| 84-NY-241-1038 | Toa Baja, PR - CDBG | 6/15/84 | 2/ |
| 84-SF-201-1019 | San Francisco PHA | 6/20/84 | 12/31/85 |
| 84-AT-203-1028 | Greenville, SC - Section 8 | 6/29/84 | 12/31/85 5/ |
| 84-TS-113-0009 | Monitoring of Multifamily Management Agents | 7/3/84 | 7/1/86 |
| 84-AT-203-1033 | Dade County, FL - Section 8 | 8/1/84 | 3/31/86 |
| 84-PH-201-2303 | Philadelphia, PA - PHA | 8/10/84 | 4/ |
| 84-PH-201-1020 | Washington, DC - PHA | 8/17/84 | 4/ |
| 84-PH-242-1021 | Pittsburgh, PA - CPD | 8/30/84 | 2/ 3/ |
| 84-TS-112-0014 | Identifying Physically Troubled Projects | 9/5/84 | 12/31/85 |
| 84-TS-144-0015 | Use of Escrow Accounts - CDBG | 9/7/84 | 12/31/85 |
| 84-BO-151-0004 | Monitoring of 312 Early Closeout | 9/21/84 | 10/1/86 |
| 85-NY-214-1002 | Metro Interfaith Management Corp. | 10/23/84 | 2/ |
| 85-NY-241-1004 | Municipality of San Juan, PR - CDBG | 10/26/84 | 2/ |
| 85-SF-203-1003 | Contra Costa, CA Housing Authority | 11/8/84 | 11/30/85 |
| 85-AT-241-1007 | Community Development Block Grant Program, Palm Beach Co., Division of Housing and Community Development, West Palm Beach, Florida | 11/29/84 | 12/1/85 |
| 85-TS-123-0002 | Single Family Bulk Sales | 11/30/84 | 4/ |
| 85-PH-103-0001 | Region III's Monitoring of the Section 8 Moderate Rehabilitation Program | 12/18/84 | 12/31/85 |
| 85-SE-111-0002 | Property Taxes on Multifamily Projects | 12/24/84 | 12/30/85 |
| 85-NY-203-1044 | New Jersey Department of Community Affairs, Section 8 Moderate Rehabilitation Program, Trenton, NJ | 1/17/85 | 2/ |
| 85-CH-212-1006 | Multifamily Mortgage Insurance Yellowbird Limited, Xenia, Ohio | 1/18/85 | 3/ |
| 85-PH-241/249- 1004 | City of Charleston, West Virginia CDBG | 1/25/85 | 12/30/85 2/ |

| Report Number | Title | Report Issue Date | Target Date |
|----------------|--|-------------------|----------------------|
| 85-SF-211-1007 | Mariner's Cove, San Diego, CA | 1/31/85 | 11/29/85 |
| 85-KC-142-0002 | State Administration of CDBG Small Cities Program | 2/1/85 | ^{4/} |
| 85-TS-101-0005 | Procurement of Insurance and Bonding Coverage by Public Housing Agencies | 2/7/85 | 12/31/85 |
| 85-PH-203-1005 | Philadelphia Housing Authority, Section 8 Existing Housing Program | 2/8/85 | 5/30/86 |
| 85-BO-201-1004 | Boston Housing Authority, Section 8 Moderate Rehabilitation Program | 2/15/85 | 1/31/86 |
| 85-CH-212-1008 | Multifamily Mortgage Insurance Program, Section 220 and 236, Cedar Square West Apts., Minneapolis, MN | 2/28/85 | 7/1/87 ^{2/} |
| 85-BO-241-1005 | City of Providence, RI CDBG Program | 3/4/85 | ^{2/} |
| 85-SF-203-1008 | Community Development Commission, County of Los Angeles, CA, Section 8 Moderate Rehabilitation Program | 3/11/85 | ^{9/} |
| 85-BO-249-1008 | City of Bridgeport, CT - CDBG | 3/25/85 | ^{10/} |
| 85-CH-121-0006 | Single Family Insurance Program, Milwaukee, Wisconsin | 3/27/85 | 10/31/85 |
| 85-TS-121-0009 | Shared Equity | 3/29/85 | ^{4/} |

Footnotes:

^{1/} Numerous findings were repeated in an audit report issued during a subsequent reporting period.

^{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 by HUD Audits Management System.

^{5/} Target date extended from previously reported date due to changes in scope or dates for implementing automated system or delays in obtaining clearance of revised regulations/guidance.

^{6/} PHA went bankrupt.

^{7/} Systems promised to implement the recommended corrective actions were delayed and are a subject of current review.

^{8/} Program officials have not responded.

^{9/} Promised implementation dates not met.

^{10/} Implementation has not been verified.

Proposed Legislation

We reviewed and commented on the following bill relating to follow-up on audit findings.

■ *H.R. 3077* proposes amendments to the Inspector General Act of 1978 and provides for intensified administrative and reporting requirements on the resolution and implementation of audit recommendations. In order to implement Section 4 of the bill, each Office of Inspector General (OIG) would have to ex-

pend a significant amount of resources to monitor each audit report through final resolution/implementation. We presently monitor only the more significant findings in each audit report. Although the intent of the proposed bill is well-meaning and may lead to tougher stances by each OIG on the resolution and implementation of audit recommendations, the cost associated, in our opinion, does not justify implementation.

Appendix 1

Audit Reports Issued

The Inspector General Act requires the identification of each audit report completed by the Office of Inspector General during the reporting period. The following is a list of these reports.

INTERNAL AUDIT AND SURVEY REPORTS

| REPORT NUMBER | REPORT TITLE | ISSUE DATE |
|----------------|--|------------|
| <i>HOUSING</i> | | |
| 85-AT-112-0002 | GREENSBORO OFFICE'S RENT DETERMINATIONS FOR CHERRY HOTEL PROJECT; SECTION 8 MODERATE REHABILITATION | 05/07/1985 |
| 85-AT-101-0003 | TURNKEY III HOMEOWNERSHIP OPPORTUNITIES PROGRAM | 05/16/1985 |
| 85-AT-101-0006 | COMPUTATION OF TARGET INVESTMENT INCOME & ALLOWABLE UTILITY EXPENSE UNDER THE PERFORMANCE FUNDING SYSTEM | 09/11/1985 |
| 85-AT-112-0007 | RENT-UP PROBLEMS IN INSURED AND SUBSIDIZED PROJECTS ATLANTA, BIRMINGHAM, AND LOUISVILLE OFFICES | 09/23/1985 |
| 85-AT-111-0008 | PROPERTY TAXES ON MULTIFAMILY PROJECTS - REGION IV | 09/25/1985 |
| 85-BO-111-0007 | PROPERTY TAXES ON MULTIFAMILY PROJECTS - REGION I | 07/26/1985 |
| 85-CH-111-0009 | PROPERTY TAXES ON MULTIFAMILY PROJECTS - REGION V | 09/25/1985 |
| 85-CH-101-0010 | DEVELOPMENT OF INDIAN HOUSING - REGION V | 09/26/1985 |
| 85-CH-101-0802 | EAST ST. LOUIS HOUSING AUTHORITY | 07/08/1985 |
| 85-CH-112-0803 | COMPLAINTS CONCERNING MULTIFAMILY HOUSING PROJECTS | 08/02/1985 |
| 85-DE-107-0801 | PROCUREMENT DISCREPANCIES INVOLVING INDIAN HOUSING AUTHORITIES AND POTENTIAL MISUSE OF SUBSIDIES | 09/24/1985 |
| 85-FW-101-0004 | DEVELOPMENT OF INDIAN HOUSING - REGION VI | 07/11/1985 |
| 85-NY-101-0001 | TURNKEY III HOMEOWNERSHIP OPPORTUNITIES PROGRAM NEWARK OFFICE | 04/26/1985 |
| 85-NY-101-0002 | TURNKEY III HOMEOWNERSHIP OPPORTUNITIES PROGRAM CARIBBEAN OFFICE | 05/21/1985 |
| 85-NY-123-0003 | SINGLE FAMILY COINSURANCE PROGRAM | 08/29/1985 |
| 85-NY-109-0801 | ATLANTIC CITY HOUSING AUTHORITY & URBAN REDEVELOPMENT AGENCY - LOW INCOME HOUSING PROGRAM | 05/13/1985 |
| 85-PH-101-0003 | CALCULATION OF TARGET INVESTMENT INCOME & ALLOWABLE UTILITY EXPENSE UNDER PERFORMANCE FUNDING SYSTEM | 09/30/1985 |

| REPORT NUMBER | REPORT TITLE | ISSUE DATE |
|---|---|------------|
| 85-SE-101-0003 | DEVELOPMENT OF INDIAN HOUSING - REGION X | 07/12/1985 |
| 85-SE-111-0004 | JOINT PROJECT ON PROACTIVE FRAUD & DETECTION REVIEW | 09/26/1985 |
| 85-SF-111-0801 | MONITORING OF MULTIFAMILY PROJECT - EL BETHEL ARMS | 06/13/1985 |
| 85-TS-101-0014 | EFFECTIVENESS OF HUD'S PROGRAM TERMINATING PUBLIC HOUSING PROJECTS IN PRECONSTRUCTION PIPELINE | 05/30/1985 |
| 85-TS-129-0015 | FORECLOSURE OF SECRETARY-HELD MORTGAGES | 06/05/1985 |
| 85-TS-101-0016 | RATING, RANKING AND SELECTION OF PROJECTS FOR FUNDING UNDER THE SECTION 202 DIRECT LOAN PROGRAM | 06/19/1985 |
| 85-TS-129-0018 | SURVEY OF SINGLE FAMILY SUBDIVISION PROCESSING | 08/23/1985 |
| 85-TS-111-0813 | SURVEY OF ENERGY CONSERVATION IN SUBSIDIZED PROJECTS | 05/02/1985 |
| <i>COMMUNITY PLANNING AND DEVELOPMENT</i> | | |
| 85-AT-142-0004 | STATE ADMINISTRATION OF CDBG SMALL CITIES PROGRAM ALABAMA AND SOUTH CAROLINA | 06/25/1985 |
| 85-AT-143-0005 | MACON, GA URBAN DEVELOPMENT ACTION GRANT PROGRAM | 06/26/1985 |
| 85-BO-142-0005 | STATE ADMINISTRATION OF CDBG SMALL CITIES PROGRAM CONNECTICUT AND MASSACHUSETTS | 05/28/1985 |
| 85-CH-141-0007 | EFFECTIVENESS OF GRANTEE MONITORING OF CDBG SUBGRANTEES AND SUBRECIPIENTS | 08/07/1985 |
| 85-FW-145-0005 | EFFECTIVENESS OF CPD PROGRAM PERFORMANCE ACCOUNTABILITY MONITORING OF GRANTEES | 09/20/1985 |
| 85-PH-142-0002 | STATE ADMINISTRATION OF CDBG SMALL CITIES PROGRAM PENNSYLVANIA AND VIRGINIA | 06/20/1985 |
| 85-TS-142-0017 | STATE ADMINISTRATION OF THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM (NATIONWIDE) | 08/20/1985 |
| <i>ADMINISTRATION</i> | | |
| 85-AA-166-0004 | GENERAL CONTROLS OVER COMPUTER OPERATIONS | 07/25/1985 |
| 85-AO-163-0006 | REVIEW OF CONTROLS OVER YEAR-END SPENDING - FY 1984 | 06/20/1985 |
| 85-AO-161-0201 | COMMUNITY DISPOSAL OPERATIONS FUND 86X4040 | 04/04/1985 |
| 85-AO-161-0202 | AUDIT OF URBAN RENEWAL FUND 86X4034 | 09/18/1985 |
| 85-AO-161-0203 | AUDIT OF SECTION 312 REHABILITATION LOAN PROGRAM | 09/23/1985 |
| 85-AO-161-0204 | AUDIT OF NONPROFIT SPONSOR ASSISTANCE FUND 86X4042 | 09/25/1985 |
| 85-AO-161-0205 | RENTAL HOUSING ASSITANCE FUND 86X4041 | 09/30/1985 |

| REPORT NUMBER | REPORT TITLE | ISSUE DATE |
|----------------|--|------------|
| 85-BO-161-0006 | CONTROL OVER AND ACCOUNTABILITY FOR SECURITIES | 06/17/1985 |
| 85-CH-161-0801 | COMPLAINT RE REGIONAL ACCOUNTING DIVISION | 05/24/1985 |
| 85-DE-161-0002 | CONTROL OVER AND ACCOUNTABILITY FOR SECURITIES | 07/19/1985 |
| 85-KC-161-0003 | HANDLING AND PROTECTING SECURITIES | 08/29/1985 |
| 85-TS-165-0012 | MANAGEMENT & USE OF MOTOR VEHICLES ASSIGNED TO HUD | 04/19/1985 |
| <i>OTHER</i> | | |
| 85-AO-174-0005 | SURVEY OF FAIR HOUSING ASSISTANCE PROGRAM | 04/01/1985 |
| 85-CH-179-0008 | MONITORING AND ENFORCEMENT OF LABOR STANDARDS | 09/18/1985 |

EXTERNAL AUDIT AND ACCOUNTING SYSTEM EVALUATION REPORTS

| REPORT NO. | TITLE | LOCATION | ISSUE DATE |
|----------------|---|----------------------|------------|
| <i>HOUSING</i> | | | |
| 85-AT-201-1014 | ATLANTA HOUSING AUTHORITY | ATLANTA GA | 04/29/1985 |
| 85-AT-203-1016 | STATE OF FLORIDA SECTION 8 MODERATE REHABILITATION PROGRAM | TALLAHASSEE FL | 05/20/1985 |
| 85-AT-202-1017 | CHARLOTTE PUBLIC HOUSING AGENCY | CHARLOTTE NC | 05/28/1985 |
| 85-AT-203-1018 | ELIZABETHTON HOUSING DEVELOPMENT SECTION 8 PROGRAM | ELIZABETHTON TN | 06/05/1985 |
| 85-BO-215-1009 | METHUNION MANOR: ABRAMS MGMT. CO. | BOSTON MA | 04/17/1985 |
| 85-BO-212-1010 | ACTIONS TO RESOLVE AUDIT FINDINGS ROXSE HOMES, INC. | BOSTON MA | 04/19/1985 |
| 85-BO-203-1012 | SECTION 8 EXISTING HOUSING PROGRAM STATE OF CONNECTICUT | HARTFORD CT | 09/06/1985 |
| 85-BO-203-1014 | SECTION 8 EXISTING HOUSING PROGRAM FALL RIVER HOUSING AUTHORITY | FALL RIVER MA | 09/24/1985 |
| 85-CH-202-1011 | PUBLIC HOUSING AGENCY ACTIVITIES HO-CHUNK HOUSING AUTHORITY | BLACK RIVER FALLS WI | 06/26/1985 |
| 85-CH-201-1012 | LUCAS METRO. HOUSING AUTHORITY | TOLEDO OH | 07/03/1985 |
| 85-CH-214-1017 | MULTIFAMILY MORTGAGE INSURANCE PROMEX MIDWEST MANAGEMENT CORP. | DES PLAINES IL | 09/19/1985 |
| 85-CH-203-1802 | SECTION 8 EXISTING HOUSING DECATUR HOUSING AUTHORITY | DECATUR IL | 05/07/1985 |

| REPORT NO. | TITLE | LOCATION | ISSUE DATE |
|----------------|--|-----------------------|------------|
| 85-CH-202-1803 | KANKAKEE HOUSING AUTHORITY | KANKAKEE IL | 05/30/1985 |
| 85-CH-201-1804 | LUCAS METRO. HOUSING AUTHORITY | TOLEDO OH | 07/10/1985 |
| 85-CH-203-1805 | LIVINGSTON COUNTY HSG. AUTHORITY | PONTIAC IL | 08/21/1985 |
| 85-CH-202-1806 | ECORSE HOUSING COMMISSION | ECORSE MI | 08/20/1985 |
| 85-DE-202-1003 | CROW CREEEK HOUSING AUTHORITY | FORT THOMPSON SD | 04/26/1985 |
| 85-DE-202-1004 | NORTHERN CHEYENNE HSG. AUTHORITY | LAME DEER, MT | 06/27/1985 |
| 85-FW-201-1011 | HSG. AUTHORITY OF SAN ANTONIO COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM | SAN ANTONIO TX | 09/12/1985 |
| 85-FW-212-1801 | APARTMENTS OF HALTOM CITY | HALTOM CITY TX | 04/12/1985 |
| 85-KC-221-1005 | EQUALITY MORTGAGE CORPORATION | ST. LOUIS MO | 04/15/1985 |
| 85-KC-221-1007 | TOWN AND COUNTRY MORTGAGE CO. | ST. LOUIS MO | 06/14/1985 |
| 85-KC-211-1008 | OAK FOREST APARTMENTS | ST. LOUIS MO | 08/20/1985 |
| 85-NY-209-1051 | ATLANTIC CITY HOUSING PROGRAM | ATLANTIC CITY NJ | 05/09/1985 |
| 85-NY-212-1052 | THE ANGELIQUE INC., MADISON TERRACE, INC. & TURIAN HOUSE, INC. | FLUSHING NY | 05/31/1985 |
| 85-NY-229-1801 | SERVICE CONTRACT FOR PROCESSING SALES OF HUD PROPERTIES | HADDONFIELD NJ | 06/10/1985 |
| 85-PH-209-1011 | PROCUREMENT ACTIVITIES PHILADELPHIA HOUSING AUTHORITY | PHILADELPHIA PA | 05/22/1985 |
| 85-SE-212-1002 | RAINBOW VILLAGE APARTMENTS | SPRINGFIELD OR | 04/24/1985 |
| 85-SE-203-1003 | SECTION 8 HSG. ASSISTANCE PAYMENTS OREGON STATE HOUSING DIVISION | SALEM OR | 07/31/1985 |
| 85-SF-212-1010 | CENTRAL TOWERS | SAN FRAN- CISCO CA | 04/30/1985 |
| 85-SF-212-1011 | EL BETHEL ARMS | SAN FRAN- CISCO CA | 05/03/1985 |

| REPORT NO. | TITLE | LOCATION | ISSUE DATE |
|---|--|--------------------|------------|
| 85-SF-212-1021 | MOREY TERRACE APARTMENTS | SACRAMENTO CA | 09/11/1985 |
| 85-TS-229-1012 | COLUMBUS FIRST MORTGAGE COMPANY | COLUMBUS OH | 06/10/1985 |
| 85-TS-221-1014 | CREATIVE MORTGAGE COMPANY, INC. | COLUMBUS OH | 07/30/1985 |
| 85-TS-229-1015 | COMMERCE BANK OF ST. LOUIS | ST. LOUIS MO | 09/10/1985 |
| 85-TS-221-1016 | M&I GROOTEMAAT MORTGAGE CORP. | MILWAUKEE WI | 09/13/1985 |
| 85-TS-221-1017 | FLEET MORTGAGE CORPORATION | MILWAUKEE WI | 09/20/1985 |
| 85-TS-221-1018 | UNIVERSAL MORTGAGE CORPORATION | MILWAUKEE WI | 09/26/1985 |
| <i>COMMUNITY PLANNING AND DEVELOPMENT</i> | | | |
| 85-AT-242-1015 | URBAN DEVELOPMENT ACTION GRANT | MONROE NC | 04/30/1985 |
| 85-AT-242-1019 | URBAN DEVELOPMENT ACTION GRANT | MACON GA | 06/26/1985 |
| 85-AT-241-1022 | COMM. DEV. BLOCK GRANT ACTIVITIES | MOBILE AL | 08/07/1985 |
| 85-AT-248-1023 | CDBG: UNITED SCHOOLS OF AMERICA | MIAMI FL | 08/22/1985 |
| 85-AT-248-1025 | COMMUNITY DEV. BLOCK GRANT PROGRAM | NAPLES FL | 09/24/1985 |
| 85-AT-248-1027 | COMMUNITY DEV. BLOCK GRANT PROGRAM | DELRAY BEACH FL | 09/27/1985 |
| 85-BO-244-1011 | CITY OF MARLBOROUGH MASSACHUSETTS | MARLBOROUGH MA | 05/16/1985 |
| 85-BO-241-1013 | COMM. DEV. BLOCK GRANT ACTIVITIES | MANCHESTER NH | 09/23/1985 |
| 85-CH-241-1009 | CDBG ACTIVITIES | MUNCIE IN | 04/09/1985 |
| 85-CH-241-1010 | CDBG ACTIVITIES | DAYTON OH | 04/12/1985 |
| 85-CH-242-1014 | URBAN DEV. ACTION GRANT ACTIVITIES | ST. PAUL MN | 08/16/1985 |
| 85-CH-241-1016 | COMM DEV BLOCK GRANT ACTIVITIES AKRON MINORITY CONTRACT ASSN. | AKRON OH | 08/16/1985 |

| REPORT NO. | TITLE | LOCATION | ISSUE DATE |
|----------------|---|-----------------------|------------|
| 85-CH-241-1807 | CDBG ACTIVITIES | EAST ST LOUIS IL | 08/27/1985 |
| 85-CH-241-1808 | CDBG ACTIVITIES | SPRINGFIELD OH | 08/29/1985 |
| 85-FW-243-1009 | COMMUNITY DEV BLOCK GRANT PROGRAM | ATHENS TX | 04/09/1985 |
| 85-FW-248-1010 | ACCOUNTING SYSTEM EVALUATION | PLANO TX | 07/30/1985 |
| 85-FW-258-1012 | ACCOUNTING SYSTEM EVALUATION COLONIAS ECONOMIC DEVELOPMENT | AUSTIN TX | 09/18/1985 |
| 85-FW-241-1802 | SURVEY OF LUMP SUM DRAWDOWN 1982 CDBG PROGRAM | TULSA OK | 09/06/1985 |
| 85-KC-242-1009 | URBAN DEVELOPMENT ACTION GRANT | KANSAS CITY MO | 08/20/1985 |
| 85-NY-248-1050 | URBAN DEVELOPMENT ACTION GRANT | CATSKILL NY | 04/24/1985 |
| 85-NY-241-1054 | COMMUNITY DEVELOPMENT BLOCK GRANT | NIAGARA FALLS NY | 07/03/1985 |
| 85-NY-248-1055 | URBAN DEVELOPMENT ACTION GRANT | DEPOSIT NY | 07/09/1985 |
| 85-NY-248-1057 | SMALL CITIES PROGRAM | BLOOMINGBURG NY | 08/07/1985 |
| 85-NY-243-1802 | NEW BRUNSWICK HOUSING AND URBAN DEVELOPMENT AGENCY | NEW BRUNS- WICK NJ | 06/14/1985 |
| 85-PH-248-1008 | ACCOUNTING SYSTEM EVALUATION | KENT COUNTY MD | 04/26/1985 |
| 85-PH-248-1009 | ACCOUNTING SYSTEM EVALUATION | LONACONING MD | 04/26/1985 |
| 85-PH-248-1010 | ACCOUNTING SYSTEM EVALUATION | CHURCH HILL MD | 04/26/1985 |
| 85-PH-242-1013 | URBAN DEVELOPMENT ACTION GRANT | BALTIMORE MD | 08/09/1985 |
| 85-PH-248-1015 | ACCOUNTING SYSTEM EVALUATION | RIDGELY MD | 09/12/1985 |
| 85-PH-248-1017 | CDBG ACCOUNTING SYSTEM EVALUATION | NORTH EAST MD | 09/18/1985 |

| REPORT NO. | TITLE | LOCATION | ISSUE DATE |
|-----------------------|--|-----------------------------|------------|
| 85-SE-242-1004 | URBAN DEV ACTION GRANT ACTIVITIES | SEATTLE WA | 08/01/1985 |
| 85-SE-241-1005 | CDBG ACTIVITIES - SNOHOMISH COUNTY | EVERETT WA | 08/16/1985 |
| 85-SF-242-1012 | URBAN DEVELOPMENT ACTION GRANTS | OAKLAND CA | 05/28/1985 |
| 85-SF-248-1015 | ACCOUNTING SYSTEM EVALUATION HOWONQUET COMMUNITY ASSOCIATION | SMITH RIVER RANCHERIA CA | 08/01/1985 |
| 85-SF-248-1016 | ACCOUNTING SYSTEM EVALUATION | LIVERMORE CA | 08/14/1985 |
| 85-SF-242-1017 | URBAN DEVELOPMENT ACTION GRANTS | SAN FRAN- CISCO CA | 08/20/1985 |
| 85-SF-248-1018 | ACCOUNTING SYSTEM EVALUATION CITY OF SOUTH SAN FRANCISCO | SOUTH SAN FRANCISCO CA | 08/20/1985 |
| <i>ADMINISTRATION</i> | | | |
| 85-AO-261-1009 | BOOKER T. WASHINGTON FOUNDATION | WASHINGTON DC | 04/04/1985 |
| 85-AO-262-1010 | THE POLICE FOUNDATION | WASHINGTON DC | 05/02/1985 |
| 85-AO-262-1011 | THE MATCH INSTITUTION | WASHINGTON DC | 07/02/1985 |
| 85-AO-201-1012 | NATIONAL CONFERENCE OF STATES ON BUILDING CODES AND STANDARDS | HERNDON VA | 07/29/1985 |
| 85-AO-261-1014 | NATIONAL ASSN OF NEIGHBORHOODS | WASHINGTON DC | 08/01/1985 |
| 85-AO-269-1015 | OWD ENTERPRISES | WASHINGTON DC | 08/09/1985 |
| 85-AO-261-1017 | J. R. ENTERPRISES | WASHINGTON DC | 08/22/1985 |
| 85-AO-261-1018 | NATIONAL COUNCIL OF LA RAZA | WASHINGTON DC | 08/30/1985 |
| 85-AO-261-1813 | MERREL ASSOCIATES | SILVER SPRING MD | 07/31/1985 |
| 85-AO-269-1816 | SECTION 312 DISBURSEMENTS MADE BY COMP MARKETING SYSTEMS INC | WASHINGTON DC | 08/13/1985 |
| 85-AT-262-1020 | SAVANNAH LANDMARK REHAB. PROJECT | SAVANNAH GA | 07/08/1985 |

| REPORT NO. | TITLE | LOCATION | ISSUE DATE |
|----------------|--|-------------------|------------|
| 85-AT-261-1021 | PRO-MARK, INC | JACKSON MS | 07/26/1985 |
| 85-AT-262-1024 | EXODUS, INC | ATLANTA GA | 09/05/1985 |
| 85-AT-261-1026 | SMALL CITY & RURAL ECONOMIC DEVEL. MARTIN LUTHER KING, JR CENTER | ATLANTA GA | 09/27/1985 |
| 85-CH-262-1013 | INTL ASSN OF ASSESSING OFFICERS | CHICAGO IL | 08/01/1985 |
| 85-CH-261-1015 | HILL, TAYLOR AND COMPANY | CHICAGO IL | 08/09/1985 |
| 85-KC-262-1006 | STOLAR PARTNERSHIP | ST LOUIS MO | 05/28/1985 |
| 85-NY-261-1049 | INTERRACIAL COUNCIL FOR BUSINESS OPPORTUNITY | NEW YORK NY | 04/17/1985 |
| 85-NY-261-1053 | NEW YORK CITY PARTNERSHIP | NEW YORK CITY NY | 06/28/1985 |
| 85-NY-262-1056 | MORRIS HEIGHTS NEIGHBORHOOD IMPROVEMENT ASSOCIATION | NEW YORK CITY NY | 07/15/1985 |
| 85-NY-262-1058 | MUNICIPAL SERVICES ADMINISTRATION | SAN JUAN PR | 08/22/1985 |
| 85-NY-262-1059 | ECODATA INC | NEW YORK CITY NY | 08/26/1985 |
| 85-PH-261-1012 | INFORMATION CONTROL SYSTEMS CORP | BALTIMORE MD | 05/24/1985 |
| 85-PH-262-1014 | AMAF INDUSTRIES INC | COLUMBIA MD | 08/15/1985 |
| 85-PH-261-1016 | HOUSING OPPORTUNITIES INC | MCKEESPORT PA | 09/13/1985 |
| 85-PH-262-1018 | UNIVERSITY OF PENNSYLVANIA | PHILADELPHIA PA | 09/23/1985 |
| 85-SF-262-1013 | BROWN AND CALDWELL | PLEASANT HILL CA | 06/21/1985 |
| 85-SF-262-1014 | BROWN AND CALDWELL INC | PLEASANT HILL CA | 06/27/1985 |
| 85-SF-261-1019 | SOUTHERN CALIF ASSN OF GOVERNMENTS | LOS ANGELES CA | 08/29/1985 |
| 85-SF-261-1020 | GOLDEN STATE BUSINESS LEAGUE | OAKLAND CA | 09/04/1985 |
| 85-SF-262-1022 | U.S. HUMAN RESOURCES CORP | SAN FRAN-CISCO CA | 09/16/1985 |



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

October 9, 1985

MEMORANDUM FOR : All HUD Employees

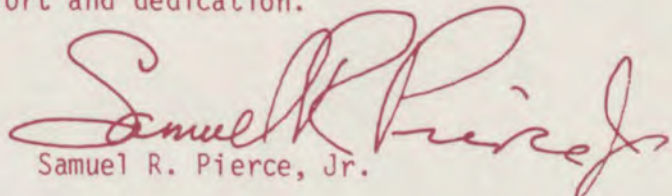
A recent study by the U.S. Merit Systems Protection Board disclosed that Federal employees frequently do not report knowledge of fraud, waste and mismanagement. This, in part, is due to their fear of reprisals against them for such reporting.

A major goal of this Administration is the elimination of waste, fraud and abuse of authority. I wholeheartedly support this goal and want all of you to work with me toward its achievement. If you suspect or have knowledge of fraud, waste or mismanagement by any Federal Government employee or any participant in a Government program, you should immediately report your suspicions. The law provides broad protection from any reprisal being taken against you for making such reports, and I give you my personal assurance that I will not tolerate any such reprisal.

As HUD employees, you are responsible for reporting promptly to your supervisor or directly to the Office of Inspector General any indications of irregularity. The HUD Employees' Hotline, (FTS) 472-4200, is available to facilitate such reporting. You are also required to assist the Inspector General in any audit, investigation or review of such matters. For further information, see HUD Handbook 2000.3, "Office of Inspector General Activities".

Taking or threatening reprisal action against those who report irregularities will not be tolerated. The Civil Service Reform Act of 1978 provides protection against such reprisals and I fully endorse the provisions of this Act. If any employee believes that he/she is being punished for reporting irregularities, report it to the Special Counsel of the U.S. Merit Systems Protection Board, (FTS) 653-7188.

If we are to eliminate waste, fraud and abuse in Government, we must all work together. We can no longer turn a blind eye to wrongdoing and leave it to someone else to take action. It is the responsibility of all of us to ensure that this Department is run effectively and efficiently. Employees actively participating in this program can be assured of my personal support--and gratitude--for their effort and dedication.


Samuel R. Pierce, Jr.



HUD Hotline

If you suspect fraud, waste or mismanagement
in HUD funded activities, please report it
to a Regional Inspector General
or call the HUD Hotline:
Area Code (202) 472-4200
or
FTS 8-472-4200



U.S. Department of Housing and Urban Development
Office of Inspector General
451 7th St., S.W.
Washington, D.C. 20410

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