



Office of Inspector General Report to the Congress

Number 16

for the 6-month period
April 1, 1986, through September 30, 1986
Pursuant to Section 5(b)
of Public Law 95-452



Profile of Performance

Department of Housing and Urban Development

April 1, 1986
through
September 30, 1986

Total
FY 1986

Office of Inspector General Activities

■ Cash Recoveries/Savings	\$56,864,559	\$87,626,886
■ Commitments to Recover Funds	\$112,392,564	\$145,940,943
■ Cost Efficiencies	\$58,003,613	\$71,188,437
■ Total Fines Levied	\$693,935	\$815,824
■ Persons/Firms Indicted (Convicted)	248(214)	483(425)
■ HUD Employees Indicted (Convicted)	2(2)	4(6)
■ Debarments of Persons/Firms Doing Business with HUD	105	183
■ Suspensions of Persons/Firms Doing Business with HUD	136	218
■ Mortgagees/Lenders Sanctioned as Result of Referrals to HUD Mortgagee Review Board	7	16
■ Subpoenas Served	28	69
■ Awareness Publications Issued	13	25
■ Proposed Legislation and Regula- tions Reviewed	107	200

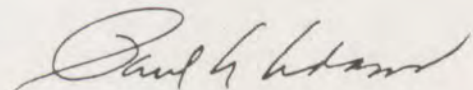
For additional details on OIG Audit, Investigation, and Fraud Control Activities, see Chapter 5, Statistical Summary.

Executive Summary

This report to Congress summarizes our efforts during the past 6 months and discusses 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 of more than \$56 million and cost efficiencies of over \$58 million. In addition, there were 248 indictments and 214 convictions, which are the highest 6-month figures we have yet recorded. During Fiscal Year 1986, management agreed with costs that we questioned and disallowed totalling \$145 million.

This report highlights problems in two major areas: Single Family Insured Programs and Tenant Eligibility/Rental Assistance. We discussed these in prior Semiannual Reports, but our audits and investigations indicate that problems persist. The Department began implementing the recommendations of the Secretary's Single Family Task Force. The changes will strengthen loan underwriting, improve property appraisal procedures, and curtail investor fraud. The Department is also taking more aggressive action against those who abuse Single Family Programs. We will continue to work with management on these and other potential improvements.

The problems in the area of Tenant Eligibility/Rental Assistance are equally longstanding. For the past 5 years, we have supported efforts to pass legislation that would increase the Department's ability to do computer matches to detect fraud in HUD's rental assistance programs. The Department did request this authority in its Fiscal Year 1986 authorization bill, but the Congressional session expired without passage of a new authorization. However, events during the last 6 months have made us hopeful for favorable action during the next session. In June, I testified before the House Ways and Means Committee on the necessity of this proposal. We believe this hearing was highly beneficial in informing interested parties about the proposed bill. We also continue to advocate a Quality Control System for tenant eligibility that would provide greater assurance that HUD subsidies are benefiting only eligible families. In May, the Acting Under Secretary directed the Department to implement a Quality Control System that can be used to measure error rates and determine needed program changes. We believe this effort will significantly improve the integrity of tenant eligibility and rental assistance programs.



Paul A. Adams
Inspector General

Table of Contents

Chapter

Page

Significant Problems, Abuses, Deficiencies, and Recommendations

Single Family Insured Programs

Executive Summary 1

1. Significant Problems, Abuses, Deficiencies and Recommendations 5

Single Family Insured Programs 5

Assisted Housing Programs 9

Multifamily Insured Programs 14

Community Planning and Development 17

Government National Mortgage Association 19

General Administration 19

2. Prevention Activities and Special Efforts 21

3. Review of Legislation and Regulations 26

4. Administrative/Prosecutive Actions Against HUD Employees 28

5. Statistical Summary 29

6. Audit Resolution and Follow-Up 36

Appendix

1. Audit Reports Issued 41

years. Monetary recoveries totaling \$275,000 resulted from these audits. The three audits are currently underway and recovery has been made. The audits were significant and clearly identified the financial irregularities.

A report concerning an audit of community development activities in Washington, D.C., was issued in July 1982. The report identified and reported on 14 areas of concern. The majority of the report's findings are currently being corrected. At present, HUD is in the process of reviewing the report's findings. The report's findings are being reviewed by HUD's Office of Inspector General. The report's findings are being reviewed by HUD's Office of Inspector General. The report's findings are being reviewed by HUD's Office of Inspector General.

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United States vs. Mark Mary, et al., District District of Columbia.

United States vs. Florida Properties, et al., District District of Columbia.

Single Family Insured Programs. HUD requires the use of single family insured programs to retain HUD insured mortgages for unaffiliated subjects. The following is a list of the insured programs.

Chapter 1

Significant Problems, Abuses, Deficiencies, And Recommendations

This Chapter details significant problems, abuses, deficiencies, and recommendations for corrective action relating to the Department's programs and operations. The Chapter is divided into the following parts: Single Family Insured

Programs; Assisted Housing Programs; Multifamily Insured Programs; Community Planning and Development; Government National Mortgage Association; and General Administration.

Single Family Insured Programs

Fraud and abuse in Single Family Programs have been highlighted in many of our recent Semiannual Reports. Our audits and investigations during this reporting period indicate that the problems continue. However, the Department has taken a number of steps, as detailed later, to correct these problems.

1. Office of Inspector General Investigations

Our investigations have disclosed numerous program weaknesses. During this reporting period, 70 individuals were indicted and 43 were convicted for criminal violations. The courts imposed fines of \$95,700 and prison sentences of 34 years. Monetary recoveries totalling \$872,000 resulted from investigations in this area. The most prevalent criminal violations noted during this period were fraudulent loan origination and equity skimming by unscrupulous investors.

■ **Equity Skimming.** An equity skimming scheme typically involves an investor who acquires a property, then collects rent on it but does not make the mortgage payments. The property eventually goes into foreclosure. At present, there are 49 equity skimming investigations being conducted in 29 locations. During the reporting period, individuals were indicted for equity skimming in Denver, Colorado; Fresno, California; Los Angeles, California; Houston, Texas; Minneapolis, Minnesota; and Tulsa, Oklahoma. The following examples are typical of these cases:

- Minneapolis, Minnesota. A joint investigation by the FBI and our office resulted in a 36-count

indictment against five individuals who were skimming money from approximately 100 properties having mortgages insured by HUD or guaranteed by the Veterans Administration. The loss to the Federal Government exceeds \$1 million. (United States vs. Loran Michael Spars, et al., District of Minnesota.)

- Los Angeles, California. Four individuals were indicted on 32 counts of mail fraud, equity skimming, and bankruptcy fraud. This case involved over 340 homes in what was described as one of the largest real estate scandals in the history of the State. The defendants collected over \$770,000 in rent monies that should have been used to keep mortgage payments current. (United States vs. Mark C. Meng, et al., Central District of California.)

- Tulsa, Oklahoma. One individual was sentenced to 40 months in jail and fined \$6,000, and two others were each sentenced to 30 months in jail and fined \$4,000 after being found guilty of mail fraud and conspiracy. The three had assumed approximately 50 FHA-insured and VA-guaranteed mortgages, rented the properties, but failed to make the mortgage payments. (United States vs. Rhonda Arterburn, et al., Northern District of Oklahoma.)

■ **Single Family Loan Origination.** Most problems we find revolve around the submission of false statements in order to obtain HUD-insured mortgages for unqualified applicants. The following investigation cases indicate the extent of the problems:

- Nashville, Tennessee. A builder and his attorney were charged with nine counts of mail fraud and one count of making false statements. Investors submitted false documents to HUD to obtain mortgages on 39 properties. The properties were deeded back to the builder and the attorney, and the mortgages were assumed by unqualified borrowers. A number of the loans subsequently went into default. An employee of the builder pled guilty to a misdemeanor false statement charge. (United States vs. Bobby D. Wall and Gene Nelson Crowe, Middle District of Tennessee.)

- Tampa, Florida. An attorney was found guilty of two counts of filing false statements with HUD, after a bank official pled guilty to one count of mail fraud. The two men purchased HUD-insured properties which they falsely indicated they intended to occupy. The loans subsequently went into default and were returned to HUD with a loss of over \$32,000. (United States vs. James R. Clodfelter and James A. DeMeritte, Middle District of Florida.)

- Washington, D.C. Four real estate brokers and a loan officer pled guilty to bribery and conspiracy charges resulting from an FBI/OIG task force investigation. The five defendants bought 153 properties and resold them at a significant profit to unqualified individuals. They financed the purchases by obtaining HUD-insured mortgages after submitting various false documents. (United States vs. Ritchie Gaylen, et al., District of Columbia.)

- Washington, D.C. An escrow company president was sentenced to 4 years in jail and ordered to repay \$326,000. He converted customers' escrow funds to his own personal use. (United States vs. George Thacker, District of Columbia.)

- Milwaukee, Wisconsin. Eleven persons were convicted as a result of an FBI/OIG investigation of real estate companies and investors. The individuals provided false

information to secure HUD mortgage insurance for unqualified applicants. To date, there have been jail sentences of 10 months, probation of 264 months, community service of 2,050 hours, fines of \$25,000, indemnifications of \$230,000, debarments of 72 months, and suspensions of 204 months. (United States vs. Robert W. Hoag, et al., Eastern District of Wisconsin.)

- Camden, New Jersey. Thirty individuals were prosecuted as the result of the efforts of a joint task force from the FBI, the Veterans Administration, and our office. Those convicted included real estate agents, settlement agents, appraisers, and mortgage company officials. During this reporting period, 14 individuals were sentenced to a total of 21 years in jail and 8 years probation, fined \$129,000, and ordered to repay \$565,000 and perform 800 hours of community service. One former HUD employee pled guilty to conspiracy. Prior to her employment with HUD, she made false statements to obtain HUD-insured mortgages. (United States vs. Deborah M. Stewart, District of New Jersey.)

2. Office of Inspector General Audits

During this reporting period, we identified 22 areas of the country with high numbers of Single Family claims, defaults, and foreclosures. We began audits in Chicago, Illinois; Columbia, South Carolina; Denver, Colorado; Los Angeles, California; Oklahoma City, Oklahoma; Seattle, Washington; and St. Louis, Missouri. The objectives of these audits are to: (a) evaluate mortgage originations; (b) determine the types of problems and the reasons for them; and (c) identify any functional weaknesses that should be the focus of further audits. Any significant abuses by mortgage companies will be reported to the Mortgage Review Board which can impose administrative sanctions. Any mortgagee employees or real estate persons found violating HUD regulations will be referred for debarment actions.

Our internal audits during this reporting period uncovered problems in the following Single Family Programs:

■ **Section 235 Homeownership Program.** Our audit of the Section 235 voucher payments process disclosed assistance overpayments; errors in computing the mortgagors' contributions; understated borrower income; and ineligible mortgagors and properties. The audit began after a mortgage company reported one of their employees submitted inflated billings to HUD. We determined the employee had received approximately \$1.5 million over a 22-month period. Although the mortgage company repaid this money, we found that HUD was not able to prevent or detect improper payments because the processing system lacked basic internal controls. Payment procedures were not sufficient to detect improper billings or to ensure that billings were from mortgagors who actually serviced Section 235 loans. Although the lack of controls was first reported in 1981, there is still not an effective control system. We recommended that management improve their procedures for on-site reviews and upgrade their internal controls. HUD's Office of Finance and Accounting had begun to do this at the time our report was issued. (Audit Report No. 86-AO-161-0005.)

■ **Resale Title Binder Program.** We reviewed HUD's purchase of single family title insurance for properties acquired and sold by the Department during Fiscal Year 1985 and found a questionable need for the Resale Title Binder Program. When this Program was created, it was intended that the cost of title insurance would be borne primarily by the purchasers of HUD properties. However, we found that HUD paid most of the premium costs, an estimated \$6 million during Fiscal Year 1985. We questioned the need for title insurance, because HUD regulations require mortgagors to convey good marketable title, and

title defects causing a loss to HUD are rare and usually can be easily resolved. We recommended that HUD's Office of Housing prepare a cost benefit analysis to determine the effectiveness of the Program and whether it should be continued. The Office of Housing agreed with our recommendation and took steps to begin the analysis. (Audit Report No. 86-TS-129-0017.)

3. Mortgagee Review Board Actions

During this reporting period, we issued 13 reports to the Mortgagee Review Board which is empowered to take sanctions against mortgagees who violate HUD regulations. Nine of these reports disclosed faulty loan underwriting (including the submission of incomplete or inaccurate information) and non-compliance with HUD Single Family Program requirements. The other four reports on Title I lenders (who make property improvement and manufactured home loans) disclosed improper loan origination, lack of dealer supervision, and failure to resolve borrower complaints.

The Board executed settlement agreements with three of the companies: Conner Corporation (Newport, North Carolina), Great Central Mortgage Company (San Antonio, Texas), and Mortgagebanque, Inc. (Houston, Texas). These agreements resulted in indemnification of \$152,000 for losses on 22 loans. HUD will also be indemnified for 36 loans should any claims be made in the future. No claims will be submitted on 418 other loans. Based on the average claim loss, this will save the Department approximately \$3 million. The cases against the remaining 10 companies will be presented to the Board at a future meeting.

As a result of audits and investigations referred to the Mortgagee Review Board during previous reporting periods, settlement agreements were also executed with the following companies: Centralfed Mortgage Company (Land-

over, Maryland), First Financial Corporation (Waco, Texas), FirstTier Mortgage Company (Omaha, Nebraska), Investor's Mortgage Service Company (Burbank, California), Security Federal Savings and Loan (Garden Grove, California), and Tieg Corporation (New York, New York). The agreements resulted in indemnification of \$592,000 for claim losses on 30 loans. HUD will also be indemnified for 45 loans should any claims be made in the future. Based on the average claim loss, this will save the Department approximately \$765,000. Tieg's mortgagee approval was also withdrawn until April 1988.

The Board placed another company, Bell Funding, Ltd. (Hempstead, New York), on probation for 1 year. Bell Funding reimbursed HUD \$14,100 for claim losses and agreed to repay any future losses on eight other loans, which should save HUD approximately \$135,000.

Two other mortgagee audits disclosed similar violations of HUD requirements. Delta Funding Corporation (Coral Springs, Florida) submitted misleading information to HUD in the origination of 13 of the 23 loans we reviewed. HUD paid claims of \$477,000 on eight of the 13 loans. Guaranty Mortgage Corporation (Kensington, Maryland) violated HUD requirements and prudent lending practices in originating eight of 24 single family loans we reviewed. Ordinarily, audits disclosing violations such as this are referred to the Mortgagee Review Board for action. However, since Delta and Guaranty have both gone out of business, we recommended HUD seek recovery of its losses under the provisions of the False Claims Act. We also recommended that consideration be given to administrative sanctions against the principals of Delta who are now employed by other mortgage companies. (Audit Report Nos. 86-TS-221-1040 and 86-TS-221-1032.)

To increase program participants' awareness of the Board, we prepared a Program Integrity Bulletin entitled "Mortgagee Review Board." It provides an overview of

the activities of the Board and the actions taken against mortgage companies and other lending institutions for abusing HUD's programs. This bulletin was issued to mortgage lenders and was publicized in the Mortgage Bankers Association newspaper *Real Estate Finance Today*.

4. Agency Actions

HUD has taken significant steps to address some of the aforementioned problems. On April 3, 1986, the Secretary announced the recommendations of the Department's Single Family Task Force which was created to review instances of fraud and abuse in Single Family Programs. Based on these recommendations, the Secretary instructed the Department to make several changes in the Single Family procedures. Some of these changes were effective immediately, while others will be phased in. The Department believes the following changes will curb the abuses the Task Force found, strengthen HUD's commitment to maintaining effective quality control, and improve its underwriting process:

- New FHA-insured loans will be denied to any mortgagor for whom a claim was paid within the last 3 years.
- Each application must contain the borrower's Social Security number.
- Each mortgage originated on or after December 1, 1986, must contain a requirement that, if the property is sold or transferred within 24 months, the new purchaser is subject to HUD's mortgage credit requirements.
- Lenders will be required to report all foreclosures to a national credit bureau.
- The term of newly issued conditional commitments was shortened from 1 year to 9 months.
- Several changes were made to recognize financial incentives such as seller buydowns in the appraisal and mortgage credit processes.

- Mortgagees must obtain the signatures of the parties participating in the mortgage loan settlement on the HUD settlement statement. The settlement form was revised to include this requirement (which will increase accountability for proper closings) and to include a strongly worded warning about the penalty for making a false statement.

The Office of Housing issued several processing directives during this reporting period which should also improve the situation. One reminded HUD Field Offices to keep abreast of economic influences on the market areas within their jurisdiction and to identify market areas affected by changing conditions. Another directive addressed problems with investor transactions and called for improved monitoring of investor loans. It required investors to dis-

close all contingent liabilities on other loans and the status of those loans.

Our office issued a Program Integrity Bulletin entitled "Avoid Loan Fraud," for distribution to individuals applying for HUD-insured mortgage loans. Many defaults occur because homebuyers provide, either on their own or with the assistance of others, incorrect information to HUD. The bulletin discusses types of information, such as credit history, down payment, and occupancy intention, which people sometimes falsify. The bulletin stresses the importance of not making false statements and summarizes the penalties for fraud and intentional misrepresentation. It also provides information on how to report someone who tries to persuade them to make false statements.

Assisted Housing Programs

During the reporting period, we focused our efforts on three major areas within Assisted Housing: Section 8 Programs; Public Housing Programs; and Tenant Fraud/Rental Assistance.

Section 8 Existing Housing Program

We continued our activity to evaluate the Section 8 Existing Housing Program by reviewing activities at various public housing authorities (PHAs) and HUD Field Offices. During the current reporting period, we issued 13 audit reports on PHAs and two internal audit reports applicable to HUD operations. Our audit reports contained questioned/disallowed costs of \$2.6 million and other quantified potential savings of \$10.5 million through more efficient management practices.

Three basic problems are common to most of the PHAs audited. Specifically, PHAs are not: (1) properly conducting and documenting rent reasonableness tests with the result that rents for HUD-assisted units are higher than necessary; (2) adjusting utility allowances as required with the result that some tenants are paying too little for utilities while others are paying too much; and (3) detecting major violations of HUD's Housing Quality Standards with the result that some Section 8 tenants are

occupying unsafe and unsatisfactory units. Examples of these and other problems found during our audits are as follows:

■ The New Orleans Housing Authority's inspectors did not detect violations of HUD's Housing Quality Standards (HQS), which are the Department's minimum requirements for decent, safe, and sanitary housing. We identified HQS violations in 69 of the 75 assisted dwelling units that we inspected. The poor inspections were due to insufficient training, inadequate supervision, and an excessive inspection workload. Also, at least \$352,000 of excessive Section 8 housing assistance was paid to owners because the PHA failed to use the correct annual adjustment factors for rent increases. Further, the PHA was unable to ensure that housing assistance payments were based on reasonable rents because the PHA was not properly determining that rents were limited to rates charged for comparable unassisted housing in the area.

We recommended that the PHA take the necessary steps to improve its inspection process and correct all HQS violations. We also recommended that the PHA ensure the repayment of all overpayments of Section 8 assistance caused by the

use of incorrect adjustment factors and ensure the reasonableness of its rental rates for assisted units. (Audit Report No. 86-FW-203-1005.)

■ The Los Angeles Housing Authority was not requiring owners of units to correct HQS violations pursuant to HUD regulations and its own adopted policy. Because HUD paid rent subsidies for housing units that were not safe, decent, or sanitary, we considered \$1.1 million of housing assistance payments to be ineligible under the Section 8 Existing Housing Program. We also found that the PHA paid landlords a higher rent than they could receive for comparable units in the private unassisted rental market. This occurred because the PHA's inspectors were not properly documenting such comparability data as the unit's location, unit size, type of dwelling, and rental rate.

Further, the PHA received approximately \$419,000 in administrative fees to which it was not entitled. In addition, the PHA did not ensure that 90 of its authorized incremental units were leased within the required time period. Approximately \$8.6 million of budget and contract authority was applicable to these 90 units.

We recommended that HUD require the PHA to repay the Department the \$1.1 million of assistance payments it received for units not meeting HQS and to adopt more stringent quality control procedures for evaluating comparables and to certify that its contract rents are reasonable. Further, we recommended that HUD recover the \$419,000 of administrative fees paid on behalf of the PHA-owned housing used in the Section 8 Existing Housing Program and that \$8.6 million in budget and contract authority be recaptured by HUD. (Audit Report No. 86-SF-201-1019.)

Section 8 Moderate Rehabilitation Program

Under the Section 8 Moderate Rehabilitation Program (MRP), HUD allocates funds for eligible public housing authorities (PHAs) or other eligible entities to upgrade sub-standard rental housing and provide rental subsidies for lower income families. As disclosed in previous

Semiannual Reports, the most significant problem disclosed by our MRP audits is excessive rents which potentially could result in millions in excess housing assistance payments (HAPs) over the 15-year contract term. Because of the extent of excessive MRP rents and HAPs and the need for timely remedial action on the part of HUD, we recommended that HUD's Office of Housing recompute existing Section 8 MRP rents nationwide.

During the current reporting period, the Office of Housing initiated its review of MRP rents. It also held a 3-day training session for HUD Field Office staff in August 1986 on conducting their MRP rent reviews. In the event excessive rents are determined, the Office of Housing has agreed to seek repayments and to provide training to the affected PHAs to prevent future errors.

We issued two audit reports on the Section 8 MRP during the current reporting period:

■ The Allegheny County Housing Authority, Pittsburgh, Pennsylvania, inadequately processed some units into the Section 8 MRP with the result that contract rents and HAPs were overstated. We recommended that HUD be reimbursed by the PHA for any excessive HAPs and that the PHA recapture excessive rent payments from project owners. We also recommended that HAP contracts be amended to reflect proper payments. (Audit Report No. 86-PH-203-1006.)

■ An audit disclosed that the Housing Council of the Niagara Frontier, Inc. (HCNF), a contractor administering the Section 8 MRP for the City of Buffalo, New York (PHA), totally disregarded program requirements with the result that project owners received excessive and unwarranted HAPs. Deficient aspects of HCNF's program administration included: (1) questionable feasibility of MRP projects; (2) improper computation of base and contract rents; (3) serious irregularities in inspections of rehabilitation work; (4) amortization of ineligible rehabilitation costs; (5) improper payments to owners of MRP units; (6) inadequate measures to safeguard against favoritism in

selecting owners to participate in the MRP; and (7) inadequate accounting and administrative procedures and controls. These deficiencies were allowed to persist because the PHA failed to monitor HCNF's performance.

We recommended that the HCNF and PHA recover all erroneous rents and windfall payments to owners and that they reimburse HUD for all ineligible costs. We also recommended the establishment of effective administrative procedures to correct and prevent HCNF's program weaknesses. (Audit Report No. 86-NY-203-1026.)

In our prior Semiannual Report, we disclosed that our investigation of the HCNF resulted in the filing of a criminal complaint in U.S. District Court. The complaint charged a former inspector of HCNF with one count of conspiring with others to falsely certify that rehabilitation work was completed on certain properties in Buffalo.

Public Housing Programs

Our audit and investigation work identified problems with HUD's effectiveness in monitoring public housing authority (PHA) activities as well as fraud and abuse in Public Housing Programs.

Recovery of Residual Receipts

We completed a review of HUD's efforts to collect unremitted residual receipts from PHAs. Residual receipts occur when a PHA's operating receipts exceed its operating expenditures after taking into account any amount required to maintain its operating reserve.

Because of an overall lack of control in accounting for all residual receipts and in following up with PHAs to collect such receipts, HUD has been unable to ensure the recovery of all residual receipts from PHAs. As a result, the balance of uncollected residual receipts on December 31, 1985, as recorded by HUD, amounted to \$10.5 million. In addition, our audit identified nearly \$1 million of additional unremitted residual receipts which were unaccounted for by HUD. HUD would also incur interest on any amounts

the government must borrow to cover overdue receipts.

We recommended that (1) the responsibility for collecting residual receipts be more clearly delineated; (2) aggressive efforts be undertaken to collect residual receipts due HUD; (3) a policy of charging interest on residual receipts be enforced; (4) residual receipts be offset against operating subsidies due PHAs; and (5) the process for receiving and approving PHAs' requests to retain residual receipts be improved.

Review of Applications for CIAP Funding

Four Field Offices in the Chicago Region did not adequately process applications of public housing authorities (PHAs) seeking Comprehensive Improvement Assistance Program (CIAP) funding. Specifically, Field Offices did not: (1) adequately assess the management capabilities of PHAs before approving them for funding; (2) perform adequate viability reviews on projects approved for funding; and (3) comply with other processing requirements. We believe the overriding cause of these deficiencies was the lack of effective supervision.

For three of seven PHAs reviewed, Field Offices approved \$10.8 million of CIAP funding for Fiscal Year 1985 without adequately assessing the PHAs' management capabilities, which is a statutory requirement. One of the purposes of the CIAP is to promote the physical and social viability of public housing by upgrading project management and operations. In addition, because viability reviews on some projects approved for CIAP funding were not conducted or were poorly conducted, HUD does not have assurances that these projects can be modernized within a reasonable time and at a reasonable cost.

We recommended that HUD issue improved instructions and guidelines to ensure more effective viability reviews of CIAP applications and that HUD assess Field Office supervisory controls over the processing of such applications. (Audit Report No. 86-CH-101-0005.)

Public Housing Fraud

The following are significant investigations in the public housing program area:

■ The Executive Director of the Arlington, Georgia Housing Authority pled guilty to two counts of falsification of housing records and embezzlement in 1984 and 1985. An OIG audit disclosed that the Executive Director embezzled approximately \$41,500 between April 1979 and March 1985 by collecting excess rents from tenants. The Executive Director was sentenced to 5 years probation and ordered to make restitution of \$41,500. Restitution was paid to the court on the date of sentencing. (United States vs. Dorothy J. Davis, Middle District of Georgia.)

■ A Federal Grand Jury indicted an Executive Director of the Billings, Montana Housing Authority on one count of embezzlement. A joint investigation by the FBI and the OIG disclosed that the Executive Director embezzled \$26,780 from the Housing Authority between May 1983 and September 1985. (United States vs. Peter Langdorf, District of Montana.)

■ The Executive Director of the Ponca Tribe Housing Authority, Ponca City, Oklahoma, pled guilty to one count of embezzlement. The plea followed an OIG audit and investigation which revealed that she had embezzled \$11,142 from the Housing Authority. (United States vs. Patricia Farris Feathers, Western District of Oklahoma.)

■ An Executive Director of the Housing Authority of the City of Konawa, Oklahoma, pled guilty to three counts of making false statements. He was sentenced to 5 years probation and was ordered to make restitution to HUD of \$9,200. He embezzled rental receipts between 1980 and 1983, during which time he was the only person who received rental payments. He was suspended from participating in HUD programs. (United States vs. James M. Garner, Eastern District of Oklahoma.)

Tenant Fraud/Rental Assistance

In our previous Semiannual Reports, we expressed concern over tenant

fraud and the administration of rental assistance programs. We reported on certain issues that affect tenant eligibility administration. These areas include a Quality Control System for Tenant Eligibility; Fraud Reform Legislation; and Automated Data Bases. Following is the status of these issues:

■ Quality Control System for Tenant Eligibility. In 1983, HUD's Committee on Fraud, Waste, and Mismanagement found that HUD's present monitoring of tenant eligibility is conducted in a non-scientific manner. Consequently, there is no reliable statistical data being collected in HUD reviews; no regional or national data on error rates; and no systematic way for determining what area of program participants' performance should be examined or focused on for improvements. The Committee recommended that the Department organize a Quality Control office. This office, when staffed, would use periodic quality control samples to measure error rates and determine needed program changes to reduce administrative error. It would also use income matching techniques to identify tenants who are either not eligible for benefits or are receiving incorrect amounts.

On May 19, 1986, the Acting Under Secretary directed that the Department implement the recommendations. The Offices of Housing and Public and Indian Housing are to create an office to oversee quality control efforts for their respective programs. The Inspector General's Office is responsible for computer matching efforts. We believe that when fully implemented, these efforts will significantly improve the integrity of rental assistance programs.

■ Fraud Reform Legislation. HUD requested in its authorization bill the authority to require the necessary information to conduct computer matches of reported tenant income. We believe passage of these proposals is critical to any systematic approach to detecting tenant fraud. The proposals would 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. Computer matches conducted in the past were limited to a few States that voluntarily provided the information. On June 25, 1986, the Inspector General testified before the House Ways and Means Committee on these proposals.

■ Automated Data Bases. The Offices of Housing and Administration led a Departmental task force to develop and begin a phased-in approach for an automated Multifamily Tenant Characteristic System. This system would automate certification and recertification data used to determine tenant eligibility and level of benefits. During this reporting period, the Department developed and approved a Functional Requirements Document for the system. This system will be a valuable tool for the Quality Control and Computer Matching efforts.

- Computer Matching. We completed two computer matches for tenants of selected multifamily projects whose rents are subsidized through the Section 8 housing assistance programs (the Loan Management Set-Aside and the New Construction Programs). We compared tenants' reported income at 31 projects located in the State of Georgia to independent income sources. The computer match identified 161 instances where all tenant/household income was not reported, and an estimated \$376,000 in excessive housing assistance. This is subject to further verification with the tenants/households. The National Coalition for Housing Partnerships, Inc. (NCHP), and Metric Property Services, Inc. (MPS), management agents for the projects, provided the tenant data needed for computer matching. Other essential data and processing services were provided by the Department of Labor Office of Inspector General, the Department of Defense, the Office of Personnel Management, the U.S. Postal Service, and the State of Georgia.

Income as shown in the files of the independent sources exceeded the amounts reported to NCHP for 64 tenants/households. For MPS, income exceeded amounts reported in 97 cases. As a result of these

tenants not reporting or underreporting income, we estimate rent underpayments of \$169,000 for NCHP and \$207,000 for MPS, and rent subsidy overpayments by HUD in the same amounts. For some of these cases, the underreported income could affect whether a tenant/household was eligible for Section 8 housing in addition to the amount of rent subsidy. We recommended that the Regional Administrator's staff take appropriate corrective action. (Audit Report Nos. 86-AT-214-1013 and 86-AT-214-1014.)

- Computer Matching Bulletin. The comparison of various computerized records has been instrumental in identifying tenant fraud in HUD-subsidized programs. Our Program Integrity Bulletin on computer matching is designed to inform officials responsible for administering subsidized tenant programs about computer matching - what it is, how it is done and what it has accomplished. The Bulletin was sent to all public housing authorities and owners of subsidized projects.

- We also presented a training workshop, "Detecting and Preventing Tenant Fraud." The workshop was attended by 50 public housing authority staff and was sponsored by the Maryland Association of Housing and Redevelopment Agencies.

In addition to our work in these areas, our office conducted investigations of individuals who defraud the various rental assistance programs. The most prevalent type of violation involves falsification of documents relating to tenants' eligibility so that they receive assistance to which they would not otherwise be entitled. Most of the investigations concern tenants; however, many also involve landlords and individuals working for the agency administering the program. During this reporting period, we expended significant investigative resources in the rental assistance area. The following actions were recorded:

■ Individuals Indicted:	55
■ Individuals Convicted:	65
■ Restitution/Repayments:	\$459,194
■ Total Fines:	\$ 63,715

The following are examples of recent investigation activities in the rental assistance area:

■ The United States Attorney, District of New Jersey, filed a civil complaint in Newark under the False Claims Act asking for judgment in the amount of \$99,304 against a retired husband and wife who received Section 8 assistance for 6 years to which they were not entitled. During this time, the couple failed to report savings accounts, certificates, and bonds totalling over \$170,000. (United States vs. Benjamin and Ida Kfefel, District of New Jersey.)

■ Six former tenants of the Athens, Georgia Housing Authority were sentenced for submitting fraudulent information which resulted in their receipt of ineligible rental assistance totaling \$49,761. The six were each sentenced to 5 years probation and ordered to make restitution of the overpaid assistance to the Athens Housing Authority. Each tenant was also sentenced to serve a specific amount of jail time which varied in length from 2 to 20 days. The investigations were conducted by the OIG as a result of an earlier computer matching effort. (United States vs. Estella Moses, Mary Alice Coleman, Sarah Howard, Emma Young, Helen Suiter, and Carrie J. Fanning, Middle District of Georgia.)

■ A criminal complaint was filed in San Francisco, California, against three Section 8 recipients charging them each with one count of submitting false statements to HUD. Two recipients failed to report their total family income from 1980 to 1985, and received assistance overpayments of \$24,019. The third recipient

received assistance overpayments of \$13,439 by not reporting her true income. (United States vs. Cheryl Ann Weaks and Allen and Joyce Jordan, Northern District of California.)

■ A Section 8 recipient in San Francisco, California, was indicted on four counts of submitting false statements and one count of theft of government property. The recipient allegedly failed to report her employment at two different subsidized projects, thereby benefitting from overpaid assistance totaling \$18,041. Trial is pending. (United States vs. Shirley J. Crater, Northern District of California.)

■ A Section 8 tenant in Philadelphia, Pennsylvania, was placed on 6 years probation and ordered to make restitution of \$16,015 for submitting false income information between 1977 and 1985. The tenant was also terminated from her employment with the U.S. Postal Service. (United States vs. Alvena Melton, Eastern District of Pennsylvania.)

■ A Section 8 tenant and her landlord, Philadelphia, Pennsylvania, were each sentenced to 5 years probation and jointly ordered to make restitution of \$14,263 for their parts in submitting false family composition and income verifications. The tenant and landlord jointly owned and occupied a subsidized property between 1979 and 1983 and received rental assistance to which they were not entitled. They were suspended from participating in HUD programs. (United States vs. Diann Jackson and William Mayo, Eastern District of Pennsylvania.)

Multifamily Insured Programs

During the reporting period, we found problems in the Housing Development Grant Program, monitoring and determining the fair market value of multifamily project land as well as compliance with HUD regulations regarding project/ property management.

Housing Development Grant Program

The Housing Development Grant Program authorizes HUD to make grants to cities, urban counties, and

States for their use in providing loans, grants, and other assistance to support the new construction or substantial rehabilitation of rental housing by owners. At the time of our review, 160 housing development grant projects, having total funding approval of nearly \$315 million, were in process. Although HUD limits owners' return on equity, our review disclosed that HUD has not provided for adequate safeguards in the Housing Development Grant Program to prevent windfall gains from accruing to owners. We also found that HUD is unable to ensure

that the units subsidized under the Program remain affordable to families in need of housing.

Owners participating in the Program are not required to submit audited development cost certifications to HUD. Also, adequate guidelines have not been issued which define all eligible costs. Because final grant amounts approved by HUD are limited to 50 percent of the project's development costs, these requirements are needed to preclude grants that exceed program limitations. In addition, there are no guidelines for project operations and monitoring by HUD/grantees to ensure that the objectives of the Program are achieved. Consequently, ineffective and inconsistent application of tenant eligibility and occupancy requirements may result, along with the improper use of grant funds. HUD has proposed measures to implement requirements in these areas.

We recommended that HUD issue written procedural/policy instructions to ensure that affordable rental housing is provided, Program objectives are achieved, and grants do not exceed Program limitations. (Audit Report No. 87-TS-112/117-0001.)

Land Valuation in Multifamily Processing

HUD's Chicago Office miscalculated land values in determining the mortgage amounts for insured multifamily projects. Our review of five projects showed that due to improper computations and/or clerical errors, land values were overstated by \$2.9 million. Supervisory reviews did not detect these errors. As a result, HUD's insurance commitments were overstated by \$527,200 on four projects. Moreover, we found weaknesses in the processes used by the Chicago Office to establish fair market values for land.

Our review of site appraisals on four projects disclosed that: (1) the comparable sales data bank was incomplete and inaccurate; (2) land sites selected as comparables were inappropriate; (3) adjustments made to comparables were inconsistent; and (4) significant differences between sponsors' acquisition costs and the

appraised values were not explained. The fair market values established by HUD are therefore questionable, and the related mortgage insurance commitments may be excessive.

We recommended that HUD assess the Chicago Office's supervisory controls over the multifamily valuation process and assure that sufficient controls are established to ensure that appraisals and computations are made in compliance with HUD requirements. (Audit Report No. 86-CH-112-0006.)

Project/Property Management

■ J.L. Watson Company, Inc., and Joseph L. Watson (mortgagors) spent project funds totaling \$668,660 for ineligible purposes. The project funds belonged to eight HUD-insured multifamily projects located in Texas. The audit disclosed funds spent through identity-of-interest management companies for the repayment of advances from the mortgagors; fees paid to the mortgagors; legal and professional fees related to mortgagor entities; expenses related to noninsured projects that were not reimbursed to insured project accounts; funds transferred to and held by the management agent that were shown as receivables of the project; and unearned management fees.

All eight mortgages are in default for nonpayment of mortgage notes and seven have been assigned to HUD by the mortgagees. The above noted expenditures were made while the projects were in default. We recommended that HUD demand repayment of improper disbursements and that the mortgagors be instructed to cease paying out funds in violation of the Regulatory Agreement. (Audit Report No. 86-FW-214-1010.)

■ The purchaser of the Cupey Hospital and Nursing Home, Rio Piedras, Puerto Rico, submitted to HUD schedules of liquidation that were inaccurate and included items that were not in accordance with the provisions of the deed of sale. The project, originally insured under Section 232 of the National Housing Act, went into foreclosure and was deeded to HUD in 1982. The project was sold in 1985, and HUD and the

purchaser agreed to a transition period of 90 days from execution of the deed of sale.

Improperly deducted from HUD's proceeds were contingent liabilities of \$210,000 for the payment of property and income taxes accrued after the cut-off date of HUD ownership. In addition, the purchaser failed to provide HUD credit for income of \$200,552 that was accrued prior to the cut-off date and for interest earned on HUD's proceeds during the transition period. Another \$166,000 were improperly deducted from HUD's proceeds for employee fringe benefits and legal and accounting expenses.

We recommended that the Department recover from the purchaser all monies due HUD and obtain a legal opinion on whether HUD is entitled to receive the \$200,552 in income in question. If so, this amount should also be collected. (Audit Report No. 86-NY-219-1029.)

■ Bailes Realty Company in Birmingham, Alabama, management agent for four HUD-insured multifamily projects, made unallowable distributions of project operating funds totaling \$115,905 in violation of the Regulatory Agreement. The payments pertained to development activities and were not related to project operations. The management agent also disbursed \$226,000 in project funds for goods and services that were not established as being necessary and/or reasonable for project operations. Questionable payments were made to identity-of-interest companies and for other procurements. In addition, one of the four projects was in poor physical condition primarily because the project owner deferred maintenance and repairs. The management agent also failed to maintain accurate accounting records; did not have adequate internal controls over project assets and income; and submitted annual financial reports that were not in accordance with HUD requirements.

We recommended that HUD require the management agent to repay the unauthorized disbursements plus the interest earned, and take administrative sanctions if the agent cannot satisfy HUD that such disbursements

have been fully reimbursed. In addition, project owners should support and justify all amounts paid to identity-of-interest companies, make necessary project repairs, and correct internal control deficiencies cited in the audit report. (Audit Report No. 86-AT-214-1015.)

Investigation Activities

The following are significant investigations in the multifamily program area:

■ A U.S. District Judge in Philadelphia, Pennsylvania, issued a civil judgment against a management corporation in the amount of \$500,000 in favor of HUD. The defendants were former management agents for Water Gap Village, Water Gap, Pennsylvania, a HUD-insured multifamily project which defaulted on its mortgage payments while the project was fully rented. A civil suit previously charged the defendants with converting project funds to their own use, unjust enrichment, breach of contract and submitting false and fictitious reports to HUD. (United States vs. DHC Realty Corporation and Arthur J. Sabatino, Eastern District of Pennsylvania.)

■ A subcontractor and his wife, who was an officer of the corporation, pled guilty to submitting and causing the submission of false payroll statements to HUD in connection with the construction of a HUD multifamily project. They were each sentenced to 3 years probation, 240 hours of community service and fined \$1,000. This action was the culmination of a joint investigation by the HUD-OIG and the Department of Labor. (United States vs. Randy C. Schwartz, Stefani Schwartz and Ramrod Plumbing, Incorporated, District of Nevada.)

■ A management agent for a Chicago Section 8 rehabilitation project and his associate were arrested on a bribery charge. They allegedly paid \$3,000 to a HUD official to approve 30 unacceptable units for Section 8 assistance. The charges were the result of a joint OIG/FBI investigation which involved the cooperation of the HUD official who received the payment. No trial date has been set. (United States vs. Richard H. Pace and Thomas Hull, Northern District of Illinois.)

Community Planning and Development

This section highlights audits of technical assistance, interim financing, and monitoring. In addition, it discusses problems we found in St. Louis, Missouri, and Roxbury, Massachusetts. Finally, the section summarizes selected Community Planning and Development (CPD) investigations.

Technical Assistance Program

We audited the Technical Assistance (TA) Program administered by CPD and found that the potential effectiveness of the Program was reduced because a significant portion of TA funds was used for indirect and other administrative costs. Of \$19 million obligated for TA projects, we estimated that \$13 million (68 percent) went for indirect and administrative costs. This figure could have been substantially reduced, thus making more funds available for direct assistance. In addition, the \$6 million of direct assistance was of questionable effectiveness because of problems in project planning, development, and evaluation. CPD disagreed with our report on all major points and took the position that more effort in planning, developing, and evaluating the TA Program was not necessary, since it is financed under a discretionary section of the Housing and Community Development Act. We did not agree with that position and recommended that CPD implement specific procedures to increase the efficiency and effectiveness of the Program. (Audit Report No. 86-AO-145-0006.)

Interim Financing (Floats)

Interim financing activities, commonly referred to as "floats," have greatly benefited grantees by increasing the spending power of their entitlement grants. However, our review of \$20.8 million in program income received by grantees as a result of interim financing loan repayments disclosed that only \$1.7 million were voluntarily returned to the Treasury. Of the remaining \$19.1 million retained by the grantees, \$14.1 million were not disbursed in a timely fashion. Current regulations allow grantees to retain and invest

substantial loan repayment amounts until needed. As a result, the Federal Government is incurring interest costs for these funds, even though the grantees have no immediate need or plans for the timely use of the funds. A nationwide survey in 1985 found that grantees had budgeted \$289 million for interim financing activities. We recommended that statutory and/or regulatory changes be made to keep Treasury borrowing costs to a minimum and to subject floats to the same requirements and restrictions as other Community Development Block Grant activities. (Audit Report No. 86-TS-141-0020.)

Monitoring

The following audits disclosed significant monitoring problems:

- Denver, Colorado, Inadequate monitoring by the Denver Community Development Agency (DCDA) resulted in substantial unnecessary costs. Our audit disclosed that there were only two reviews of subgrantees during the 6-year life of the Urban Development Action Grant project. As a result, DCDA did not detect unsupported contract change orders of \$108,000. We recommended that monitoring procedures be improved. (Audit Report No. 86-DE-242-1003.)
- Philadelphia, Pennsylvania. The City of Philadelphia needs to improve its monitoring of subgrantees. Contrary to Federal requirements, two subgrantees retained program income rather than disbursing it for eligible Community Development Block Grant (CDBG) activities prior to making additional letter of credit drawdowns. As a result, the Federal Government incurred over \$200,000 in unnecessary borrowing costs. Another subgrantee did not report over \$162,000 in program income. One subgrantee made unallowable disbursements of CDBG funds to pay \$215,000 in mortgage interest payments. Some subgrantees engaged in transactions involving potential conflicts of interest. There were serious internal control problems disclosed but not corrected. These deficiencies indicate a need for the City of Philadelphia to make substantial changes in its mon-

itoring of subgrantees. We recommended that the disallowed costs be reimbursed to the CDBG Program or to the Treasury, as appropriate, and that the City of Philadelphia make monitoring improvements. Subsequent to our audit, HUD officials, grant recipients, and City housing officials testified at a Congressional hearing on the City's problems and proposed corrective action. (Audit Report No. 86-PH-241-1008.)

St. Louis, Missouri

We performed three audits in St. Louis, Missouri, which disclosed problems in the following areas:

- **Community Development Block Grants.** The St. Louis, Missouri Community Development Agency (CDA) used \$1.2 million of Community Development Block Grant (CDBG) funds for a loan purchase program that did not meet CDBG guidelines and was not part of their Housing Assistance Plan. The program involved buying mortgage loans from lending institutions, which is not an eligible activity. The CDA also did not adhere to CDBG regulations when funding three housing projects, and paid for legal and banking services from restricted funds. We recommended that \$1.2 million be disallowed and repaid to HUD. In addition, we questioned almost \$500,000 in costs and recommended that the Department determine how much of this should also be repaid. (Audit Report No. 86-KC-241-1009.)

- **Jobs Bill.** St. Louis applied for and received a Jobs Bill grant, even though there was no valid need for it. They contended that an anticipated revenue shortfall would result in many employees at a City hospital being terminated. However, the budget information submitted with their application did not accurately reflect the City's financial position. In addition, we noted that the availability of City discretionary funds and significant reimbursements from Medicare and Medicaid lessened the need for Jobs Bill funds. We recommended that the City repay HUD \$7.1 million. (Audit Report No. 86-KC-241-1008.)

- **Section 108 Program.** St. Louis borrowed \$15 million in HUD funds

for public improvements under the Section 108 Program (which allows local governments to borrow funds and pledge their current and future entitlement grants as security). Our audit of these funds showed that their Community Development Agency did not follow required procurement standards for contracting. Violations included: using a cost-plus-percentage method of contracting; inadequate competition for some contracts; and no determination as to the reasonableness of costs. We recommended that \$160,000 be repaid and an additional \$879,000 be justified or repaid. (Audit Report No. 86-KC-241-1012.)

Roxbury, Massachusetts Youth Demonstration Grant

The Greater Roxbury Development Corporation (GRDC) of Roxbury, Massachusetts, claimed \$1.2 million of program costs, but did not have any records or documentation to support the claim. In 1978, the GRDC received a Youth Demonstration Grant to provide structured work experience for unemployed youth. The grant covered the period from February 1978 to March 1980. In May 1978, we issued a report which cited weaknesses in GRDC's accounting, timekeeping, and payroll procedures and recommended certain remedial actions. In 1982 and again in 1983, HUD's Office of Procurement and Contracts (OPC) requested an audit of costs incurred under the grant. Both times, we found that the GRDC had not corrected its recordkeeping problems, that its records were not in a condition to be audited, and that an audit was not possible. In 1986, we received another request from OPC for an audit. GRDC was again unable to provide a set of identifiable grant records or documentation supporting the costs claimed under this contract. Therefore, in our report of May 8, 1986, we recommended that the \$1.2 million be disallowed. (Audit Report No. 86-BO-262-1009.)

Investigations

- A relocation specialist for St. Louis, Missouri, was sentenced to 3 years probation after being found guilty on four counts of improperly receiving

rebates from housing relocation recipients. He defrauded four persons of over \$6,900. The relocation specialist was denied participation in HUD programs for 1 year. (United States vs. Gary S. Rogers, Eastern District of Missouri.)

■ A Relocation specialist for East St. Louis, Illinois, was sentenced to 5 years (suspended), 5 years probation, a \$50 fine, and 1,500 hours of community service based on his pleading guilty to embezzlement of public monies and perjury. He has been suspended from participation in HUD programs. (United States vs. Jessie Lewis, Southern District of Illinois.)

■ The president of a contracting firm in Greenbelt, Maryland, and an employee of a subcontractor were each sentenced to 60 days in jail, placed on 5 years probation, and ordered to perform 200 hours of community service. The general contractor was also fined \$20,800 and the subcontractor \$10,000. The two were convicted on charges of bribing a public official and aiding and abetting in connection with CDBG-funded work in Prince Georges

County. (United States vs. Mildred Russell and Ove Kongsted, District of Maryland.)

■ A civil engineer who provided services to the town of Quitman, Mississippi, under a Community Development Block Grant was sentenced to 5 years imprisonment (suspended), 5 years probation and fined \$10,000. He had been charged with submitting false statements to conceal part ownership of a property involved with a CDBG activity. The engineer was denied participation in HUD programs for 1 year. (United States vs. Victor G. McLendon, Jr., Southern District of Mississippi.)

■ The Executive Director of the Region I Planning and Development Council of Princeton, West Virginia, pled guilty to mail fraud and was sentenced to 6 months in jail, placed on probation for 42 months, fined \$1,000, and ordered to repay \$18,000. He was also suspended from participation in HUD programs. The prosecution resulted from bid rigging and kickbacks by the Executive Director in the CDBG Program. (United States vs. Michael Jacobs, Southern District of West Virginia.)

Government National Mortgage Association

GNMA/FNMA Services Agreement

We performed a review of the Government National Mortgage Association's (GNMA's) Combined Services Agreement with the Federal National Mortgage Association (FNMA). Under the agreement, FNMA performs services for GNMA's mortgage portfolio on a full cost-per-unit basis. The cost of FNMA's services exceeded \$14 million in Fiscal Years 1984 and 1985.

We concluded that FNMA overbilled GNMA by a total of \$1.8 million during this period. The overbilling resulted from FNMA's unilateral decision to charge new system development costs in the year these expenses were incurred, rather than defer these costs for future amortization when the system became operational. We recommended that GNMA recover the \$1.8 million and assure that future billings do not include costs for the system development effort. (Audit Report No. 86-AO-279-1014.)

General Administration

Data Entry Services Contracting

Between Fiscal Years 1983 and 1985, HUD spent almost \$6 million on data entry service contracts. We found three problems with the Department's award and administration of these contracts. First, the data

entry requirements were divided among four contractors, although there was no necessity to do so. We estimated that if the low bidder had been awarded the entire contract, approximately \$2 million would have been saved over a 3-year period. Second, the workload was not distributed equitably among the four

contractors, with the result that the higher bidders received most of the work. Third, some contractors were permitted to bill using an average number of keystrokes per document, rather than the actual number of keystrokes per document. We recommended that controls be

implemented over the contract award process and the necessity of having four contractors be reevaluated; a determination be made on acceptable billing methods; and the monitoring of contractor billings and performance be improved. (Audit Report No. 86-AO-166-0004.)

Chapter 2

Prevention Activities and Special Efforts

This chapter highlights efforts to prevent fraud, waste, and abuse and to improve the economy and

efficiency of Departmental programs and operations.

Monitoring Audit Quality

This section summarizes activities we have undertaken to monitor and improve the quality of audit work performed by non-Federal auditors. The Department annually receives more than 25,000 non-Federal audit reports. HUD program managers rely on these audits to provide financial and compliance information necessary for proper administration and oversight of Federal programs. For this reason, it is vital that audits are conducted in accordance with generally accepted government auditing standards. However, only about 3,200 reports are received, reviewed, and issued annually by our office. The majority of non-Federal audit reports are submitted directly to HUD program managers. Although the Office of Inspector General (OIG) does not routinely review these reports, we do evaluate them on a selective basis.

OIG monitoring activities include performing desk reviews and quality control reviews of non-Federal audit reports received, obtaining necessary clarifications and revisions of audit reports, and referring auditors performing unacceptable work for appropriate sanctions. Sanctions against non-Federal auditors which are available to HUD include debarment, suspension, and temporary denial of participation in HUD programs. Referrals are also made to the American Institute of Certified Public Accountants (AICPA) and/or the appropriate State Licensing Board, which may also initiate sanctions.

The following table summarizes the monitoring results for the reporting period. There is also a brief description of the results of some of our monitoring efforts.

Summary Results of IG Reviews of Audits by Non-Federal Auditors for the 6-Month Reporting Period

	Single Audits			Other Audits			Grand Total
	(Cognizant Assignments and General Oversight Entities)			(Performed Pursuant to OMB Circulars A-88, A-110, etc.)			
	Independent Public Accountant	State & Local Auditor	Total	Independent Public Accountant	State & Local Auditor	Total	
Total Reports Issued ^{1/}	1,089	38	1,127	386	9	395	1,522 ^{2/}
Total Reports on which Quality Control Reviews (QCRs) Were Performed	70	0	70	235 ^{3/}	1	236	306 ^{3/}
Number of Reports Issued Without Modifications	544	25	569	210	5	215	784
Number of Reports Issued that Required Auditor Modifications:							
a. Based on Desk Reviews	501	13	514	143	3	146	660
b. Based on QCRs	44	0	44	33	1	34	78
c. Totals	545	13	558	176	4	180	738
Number of Reports Determined Not to Satisfy Federal Audit Requirements	2	0	2	5	0	5	7
Number of Non-Federal Auditors Referred to State Boards/AICPA for Substandard Work	1	0	1	7	0	7	8
Number of Non-Federal Auditors against which Other Sanctions Were Taken	1	0	1	3	0	3	4

^{1/} All reports are subject to desk reviews

^{2/} This does not include DCAA and Single Audits for which we are not the cognizant agency

^{3/} This includes 171 QCRs done on reports not issued in line 1

The following are some of the results of our monitoring efforts during the 6-month reporting period.

■ Frequently Identified Audit Deficiencies.

- Written audit programs setting forth the objectives of the examinations were not prepared.

- Audit working papers were not prepared and/or maintained.

- Working papers were neither clear nor understandable and required supplementary oral explanations.

- Little or no compliance testing was performed or documented in the working papers.

- Little or no documentation of reviews of internal controls existed.

■ Examples of Extremely Deficient Audits.

- Despite contract requirements, an IPA ignored numerous compliance tests included in a HUD audit guide. Nearly \$3 million in ineligible and inaccurate costs were certified by the IPA.

- An IPA's tests of cash receipts and deposits were inaccurate and incomplete. Over \$44,000 in cash receipts were not accounted for.

- An IPA certified in his development cost audit that over \$80,000 in accrued liabilities (unpaid debts) were actually paid.

■ Information on Sanctions Other Than Referrals.

Notices of Temporary Denial of Participation (TDP) were issued to four IPAs during the reporting period. A TDP applies only within the jurisdiction of the issuing Field Office and normally covers a 12-month period during which the IPA is prohibited from performing services for any HUD-related program.

■ Results of Referrals to State Boards/AICPA.

We have been advised that three State Licensing Boards have taken disciplinary action against five IPAs. Among these actions were a prohibition from further audits until prescribed continuing professional education courses were successfully completed, pre-issuance review of audit reports and working papers by an outside reviewer, and a request that the IPA submit within 30 days a current publicly filed report for review.

The HUD Inspector General is a member of the Standards Committee of the President's Council on Integrity and Efficiency (PCIE). In this capacity, he has actively participated in the development of standardized guidelines for reviewing non-Federal auditors' reports (Desk Reviews) and their working papers (Quality Control Reviews). In addition, a standardized methodology has been developed for PCIE members to use in reporting statistical information on their agencies' efforts to monitor Independent Public Accountants (IPAs). These projects will contribute to improved quality of audits performed by non-Federal auditors.

President's Council on Integrity and Efficiency

In addition to the PCIE Standards Committee work described in the previous paragraph, we were also involved in the following Council activities:

■ Chairing the Council's Training Committee, which provides a focal point for training and career development activities within the IG community.

■ Leading a Prevention Committee project to survey agency communi-

cations and awareness practices designed to educate external parties on preventing and detecting fraud, waste, and mismanagement in Federal programs.

■ Participating in a Prevention Committee project to improve Federal Hotline operations by developing and recommending uniform policies, procedures, guidelines, staffing qualifications, and training.

- Working on an Investigations/Law Enforcement Committee project to provide the U.S. Sentencing Commission with input on the use and structure of court-ordered restitutions and fines.

- Participating in an Inspections and Special Reviews Committee project to prepare a compendium of successful audit follow-up practices and procedures in the Federal Government.

- Taking part in an Audits Committee project to evaluate the extent, impact and propriety of agency policies which preclude charging interest on unallowable claims from the point of expenditure.

- Working on a Computer Committee project on computer integrity and on a position paper on computer matching.

Automated Title I Insurance System

During Fiscal Year 1986, we worked with HUD's data processing and accounting staff to develop a new Automated Data Processing (ADP) system which will provide operational management support for the Title I Property Improvement and Mobile Home Loan Programs. The system will include loan inventory maintenance, billing, premium collection, claim processing, reserve

maintenance, and other accounting functions. Our office participated in the system requirements and design phases and identified vulnerabilities which HUD staff and ADP contractors used in developing appropriate internal controls. The new system includes information needs which will enable us to carry out Title I audits and investigations more effectively.

Committee on Fraud, Waste, and Mismanagement

The Department's Committee on Fraud, Waste, and Mismanagement (CFWM) completed an evaluation of the Effectiveness of Previous Participation Review and Clearance Procedures (known as the 2530 process). The evaluation focused on the 2530's effectiveness in determining whether the past performance of principals applying for participation in HUD's multifamily programs is appropriately considered. The Committee recommended that certain functions be further evaluated in a planned internal control review of the 2530 process. Critical areas such as Field Office reporting requirements, tracking principals over a project's life cycle, and the use of administrative sanctions were identified as areas to be examined in greater detail.

The CFWM also proposed two major projects based on surveys performed during the reporting period. These projects are:

- An Evaluation of HUD's Issuances System. A survey of the HUD Unified Issuances System confirmed the existence of previously identified problems such as: outdated policies and procedures; policy contained in non-handbook form; cumbersome,

ineffective clearance procedures; and inadequate Field involvement in the development of issuances.

- A Review of HUD's Evaluation and Resolution Systems. Surveys of HUD's evaluation and resolution systems found that problems and weaknesses related to HUD programs and activities cited in audit and other evaluation reports frequently go uncorrected and findings are often repeated from previous reviews.

These surveys are the basis for a recommendation to the Secretary that the Committee conduct more in-depth reviews of these issues to suggest measures for improving these systems.

Fraud Awareness Program

Our awareness efforts during the reporting period were aimed primarily at educating program participants, administrators, and employees in the prevention and detection of fraud and abuse.

■ **Program Integrity Bulletins.** This is a new series of publications intended to increase participants' awareness of fraud and enhance their ability to detect and prevent it. During the past 6 months, we distributed the following bulletins to grantees, mortgagees, Title I lenders, public housing authorities, etc., as appropriate:

- **Title I (Property Improvement and Manufactured Home Loan) Program.** This bulletin reminds lenders, dealers and borrowers of their program responsibilities and cites examples of schemes which have resulted in HUD sanctions. Careful borrower screening, proper monitoring of dealers and manufacturers, and frequent property inspections help reduce foreclosure and claims rates.

- **Asset Management.** This bulletin emphasizes that asset management abuses do occur and provides administrators with control techniques to assist them in managing cash and personal property. Specific examples of weaknesses and/or abuses in the Public and Indian Housing and Community Development Block Grant (CDBG) Programs are covered.

- **Mortgagee Review Board.** This bulletin describes actions taken by the HUD Mortgagee Review Board against mortgage companies and other lending institutions for abusing HUD's mortgage insurance programs. In Chapter 1, we discuss the bulletin and the actions the Board took during the reporting period.

- **Rehabilitation Activities.** This bulletin contains examples of schemes by CDBG recipients, contractors,

and administrators. It illustrates prevention and detection techniques in CDBG rehabilitation that have been used in the past.

- **Avoid Loan Fraud.** This bulletin informs applicants for HUD-insured Single Family mortgages of abuses they should be aware of. It also tells them how to go about reporting any violations they may suspect.

- **Computer Matching.** This bulletin describes what computer matching is and how it can be and has been used to identify tenant fraud. The Assisted Housing section of Chapter 1 has additional details on computer matches.

- **Three other bulletins** (on Government National Mortgage Association Mortgage-Backed Securities, Monitoring Subgrantees in the CDBG Program, and Indian Housing) will be issued shortly.

■ **Fraud Information Bulletins.** These bulletins are designed to keep HUD staff and program participants aware of common or recurring examples of fraud and abuse. A total of 22 Fraud Information Bulletins have been issued. The most recent was entitled "Abuse of the Federal Telecommunications System." It describes methods for detecting and deterring FTS abuse and cautions the reader that FTS does not mean "Free Telephone Service." A list of all Fraud Information Bulletins and Program Integrity Bulletins is on the inside back cover of this report.

■ **Trend Analysis.** We completed a trend analysis of external audit reports to help managers assess the effectiveness of their debt collection efforts. See Chapter 6 for more details.

■ **Training Workshop.** As described in Chapter 1, we presented a workshop on "Detecting and Preventing Tenant Fraud."

HUD Hotline

The HUD Hotline has been successful in uncovering numerous instances of fraud and mismanagement. Since its inception in February 1979, we have received 2,919 complaints. Of these, 23 percent have generated corrective action. Complaints are evaluated by OIG auditors or investigators or by the program officials responsible for the area of alleged abuse. The following highlight some of the Hotline cases resolved during the reporting period:

- A recipient of housing rental assistance was placed on 3 years probation and ordered to repay \$10,000 as a result of a Hotline complaint. The recipient had falsified subsidy documents by failing to report true family income and assets in excess of \$200,000.
- A homeowner receiving Section 235 mortgage assistance was required to repay \$1,368 of ineligible mortgage assistance payments. The homeowner had reported only \$4,390 in income, despite alimony and child support of \$17,310.

■ A tenant was placed on 5 years probation, ordered to perform 780 hours of community service, and terminated from a rental assistance program. The tenant had sublet a HUD-subsidized unit and did not report income received from a nursing job. As a result, \$9,990 in ineligible subsidy was paid on behalf of the tenant.

■ Two HUD employees were required to divest themselves of a business because it created a conflict of interest in two ways. First, they were doing business with a firm which was receiving funds from HUD. Second, there were conflict of interest relationships with subordinate staff members.

■ An employee was cautioned against misuse of the government telephone network and was required to reimburse the government for personal telephone calls.

Hotline statistical data for the 6-month reporting period is shown in Chapter 5.

Chapter 3

Review of Legislation and Regulations

We reviewed legislative proposals, regulations, and other issuances 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, regulations, and issuances on which we commented are described as follows:

Legislation

■ We reviewed proposed bill S. 2756, Computer Matching and Privacy Protection Act, and expressed serious reservations with the additional requirement for notifying each individual whose records are to be matched, before conducting computer matches. We believe this requirement is unnecessary because other less costly and less burdensome notice requirements currently exist. The added requirement would place a heavy and unnecessary paperwork burden on matching and source agencies. The proposed notice requirements would deter the use of computer matching techniques which have been highly

effective in detecting and preventing fraud in Federal benefit programs. We believe that some of the provisions may duplicate, supersede, or confuse existing program-specific requirements, statutes, and regulations. Further, they apply only to computer matching situations. We believe due process requirements in computer matching situations should not differ from those where computer matching is not involved, and that existing legal and administrative processes generally provide sufficient due process for individuals whose benefits may need to be denied, terminated, suspended, or reduced.

Regulations

■ We reviewed a proposed rule (F.R. 2231, Inapplicability of State Prevailing Wage Rates to PHA Projects) that concerns HUD's preempting, under certain circumstances, State prevailing wage rates that would otherwise apply to public housing authority projects. While not objecting to the proposed rule, we thought it should be reconsidered. In most cases, HUD (currently) adopts established local prevailing wages. The proposed rule implied that the Department would have to conduct its own wage surveys prior to the start of labor negotiations or of State Civil Service wage surveys. This effort would be time consuming and staff intensive. We stated that since wage rates obtained in a survey for any given job classification are valid only if the job title accurately reflects the employee's duties, it would be necessary for the Labor Relations Specialist to validate duties compared in establishing the local prevailing wages. The Specialist would also have to determine what constitutes the "prevailing" area—a task with a very inexact outcome. We stated our belief that the effort

required to ensure the timely availability of accurate wage survey data would exceed the Department's current capacity to produce such data. Further, the proposed rule did not speak to negotiated union contracts previously recognized by HUD in establishing local prevailing wages. The Department is still considering our comments.

■ We opposed the issuance of Final Rule Part 511, Rental Rehabilitation Program, Removal of Mandatory Deobligation of Grant Amounts and Miscellaneous Revisions. We believe this revision would allow funds to remain obligated for an indefinite period without providing significant impetus for localities to develop programs and complete rehabilitation. We believe current regulations allow sufficient time to obligate and expend funds for eligible activities. This is especially true since a grant application identifies program activities and neighborhood selection. Based on our comments, the rule was substantially revised to satisfy our concerns.

Other Issuances

■ We opposed the issuance of the proposed Mortgagee Letter, Streamlined Refund Process for Refinance Transactions, because we disagreed with the design of the Form HUD-27034 and with the lack of a certification by the mortgagee as to how the one-time mortgage insurance premium refund will be used. We suggested that: (1) the form be designed to provide better assurances

regarding the actual disposition of funds; (2) the certification of eligibility be revised; and (3) the refinancing mortgagee should be required to provide a certification that assures that the refinancing mortgagee will properly use the refund. We also suggested a sample certification be included. The Department is still considering our comments.

Investigation Activities			
	• Cash Recoveries (LSC - new & Non-CIS Cases)	\$2,222,907	\$5,602,741
	• Total Fines Levied	\$611,936	\$417,604
	• Contributions to Recovery Funds	\$225,489	\$242,714
	• Cost Efficiencies	\$47,612	\$1,662,050
	• Persons/Firms in Policy (continued)	248,214	43,421
	• HUD Employees Indicted (Continued)	70	44
	• Total Years of Policy (continued)	18	210
	• Disbursements of Penalties/Fines (Using Worksheet)	105	143
	• Disbursements of Penalties/Fines Using Worksheet (PI HUD)	129	11
	• Mortgagee Letter (continued) - The Result of Referrals to HUD Mortgagee Review Board	3	1
	• Referral Actions (using Agency HUD Employees)	26	41
	• Subpoenas Sent	13	37
Prayer Counsel Activities			
	• Answered Public Inquiries	12	25
	• Hotline Complaints Received	12	237
	• Hotline Calls due to Rescissions and Losses	10	220
	• Hotline Complaints Pending (to date)	16	-
	• Proposals, Letters/Notes and Proceedings Reviewed	101	200
	• Proposed HUD Adjudicator (continued) Reviewed	4	137

Chapter 4

Administrative/Prosecutive 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 action must be taken in cases where employees have been

found to have acted improperly. Examples of administrative or prosecutive actions taken against HUD employees during the semiannual reporting period, in connection with investigations, are shown below.

■ A Chief Property Officer was charged with one count of mail fraud. He allegedly approved over \$20,000 in improvements on a house sold by HUD by using false purchase order documents. The employee resigned in September 1986.

■ A realty specialist received a 30-day suspension for soliciting and receiving gifts from a real estate broker who had a contractual business relationship with HUD.

■ Two realty specialists received letters of reprimand for showing pre-

ferential treatment to a purchaser of a HUD-owned property at the expense of another would-be purchaser of the same property.

■ A loan specialist was suspended for 7 days and reassigned to another office for using his official position to get his son placed at the head of a waiting list for an apartment in a HUD-subsidized project.

■ A HUD program manager was suspended for 5 days for having personal correspondence typed by subordinate employees during official business hours.

Chapter 5

Statistical Summary

Department of Housing and
Urban Development
Office of Inspector General

April 1, 1986
through
September 30, 1986

Total
FY 1986

Audit Activities

■ Cash Recoveries/Savings (OIG and Non-Federal Audits)	\$53,237,752	\$81,826,145
■ Questioned and Disallowed Costs Sustained (OIG and Non-Federal Audits)	\$112,172,095	\$145,697,798
■ Cost Efficiencies	\$57,956,101	\$69,626,355
■ Internal Audit Reports Issued (OIG)	41	92
■ External Audit Reports Issued (OIG)	136	255
■ Non-Federal and Other Agency Reports Accepted	1,774	3,735
■ Debarments of Persons/Firms Doing Business with HUD	5	5
■ Suspensions of Persons/Firms Doing Business with HUD	5	5
■ Mortgagees/Lenders Sanctioned as a Result of Referrals to HUD Mortgagee Review Board	7	15
■ Subpoenas Served	9	32

Investigation Activities

■ Cash Recoveries (OIG, Joint & Non-OIG Cases)	\$3,626,807	\$5,800,741
■ Total Fines Levied	\$693,935	\$815,824
■ Commitments to Recover Funds	\$220,469	\$243,145
■ Cost Efficiencies	\$47,512	\$1,562,082
■ Persons/Firms Indicted (Convicted)	248(214)	483(425)
■ HUD Employees Indicted (Convicted)	2(2)	4(6)
■ Total Years of Prison Sentences	158	310
■ Debarments of Persons/Firms Doing Business with HUD	105	183
■ Suspensions of Persons/Firms Doing Business with HUD	136	218
■ Mortgagees/Lenders Sanctioned as a Result of Referrals to HUD Mortgagee Review Board	0	1
■ Personnel Actions Initiated Against HUD Employees	30	42
■ Subpoenas Served	19	37

Fraud Control Activities

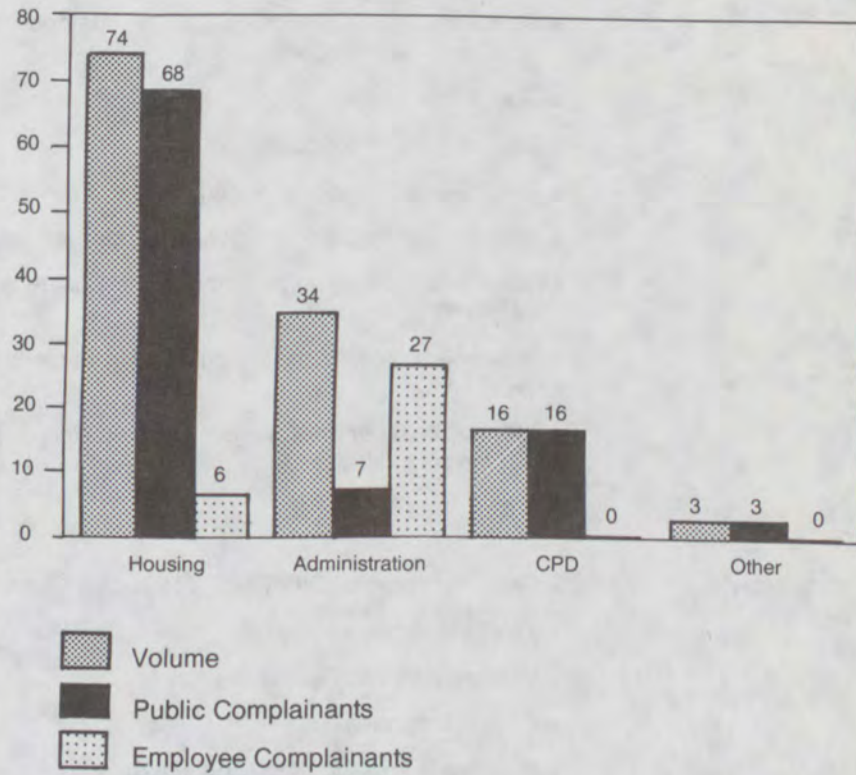
■ Awareness Publications Issued	13	25
■ Hotline Complaints Received	127	237
■ Hotline Complaints Processed and Closed	101	220
■ Hotline Complaints Pending (9/30/86)	169	-
■ Proposed Legislation and Regulations Reviewed	107	200
■ Proposed HUD Handbooks/ Issuances Reviewed	65	137

Hotline Activities

The following chart depicts the volume, program area and category of complainant for the 127 hotline

complaints received during the past 6 months.

Distribution of Hotline Complaints
April 1, 1986 through September 30, 1986



- Total Number of Complaints = 127
- Cash Recoveries = \$15,538
- Prison Sentences = 8 years probation
- Community Service = 780 hours
- Employee reprimands or terminations = 6

Audit Findings

Following are statistics on the inventory of open audit findings and

the activity during the reporting period:

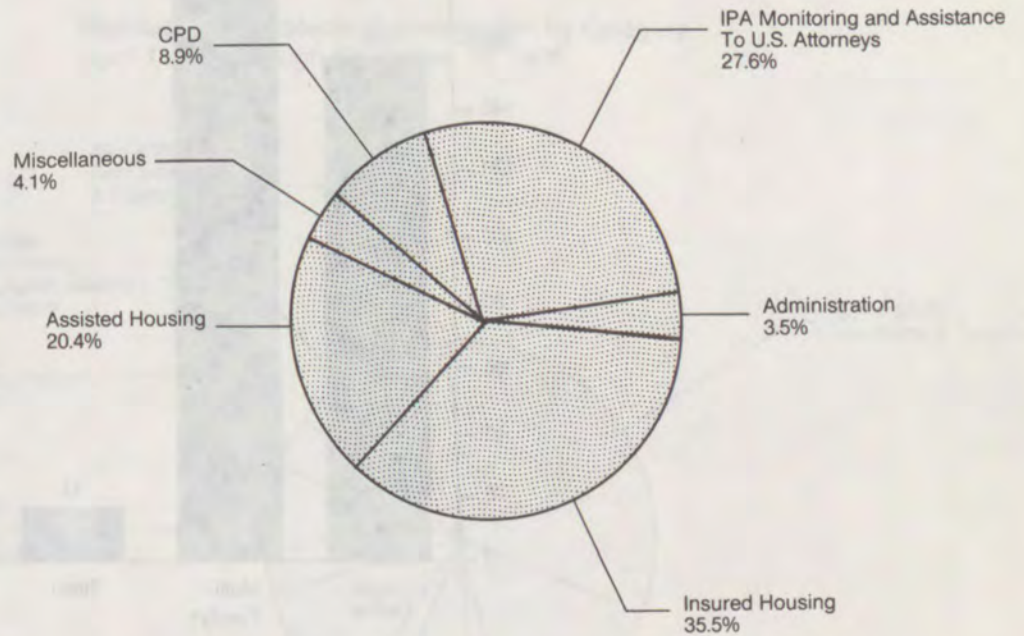
- Audit findings unresolved at 4/1/86 = 1,368
- Audit findings issued during the period = 2,295
- Audit findings resolved during the period = 2,343
- Audit findings unresolved at 9/30/86 = 1,320
- Audit findings unresolved over 6 months old = 89 (\$10.8 million)

Audit Resources and Results

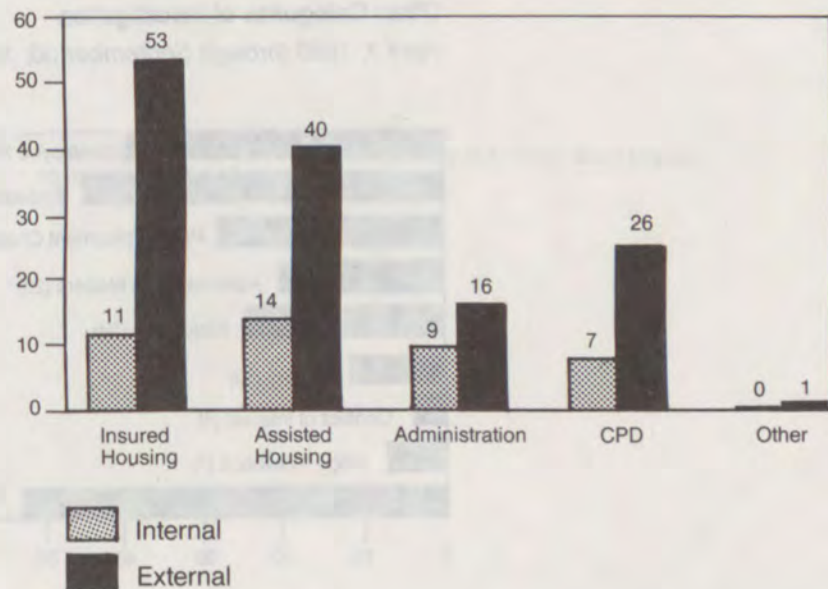
The following charts show distribution of audit staff time and

reports issued by program area and type of audit.

Distribution of Audit Staff Time by Program Area and Type of Audit
April 1, 1986 through September 30, 1986



Distribution of Audit Reports Issued By Program Area and Type of Audit
April 1, 1986 through September 30, 1986

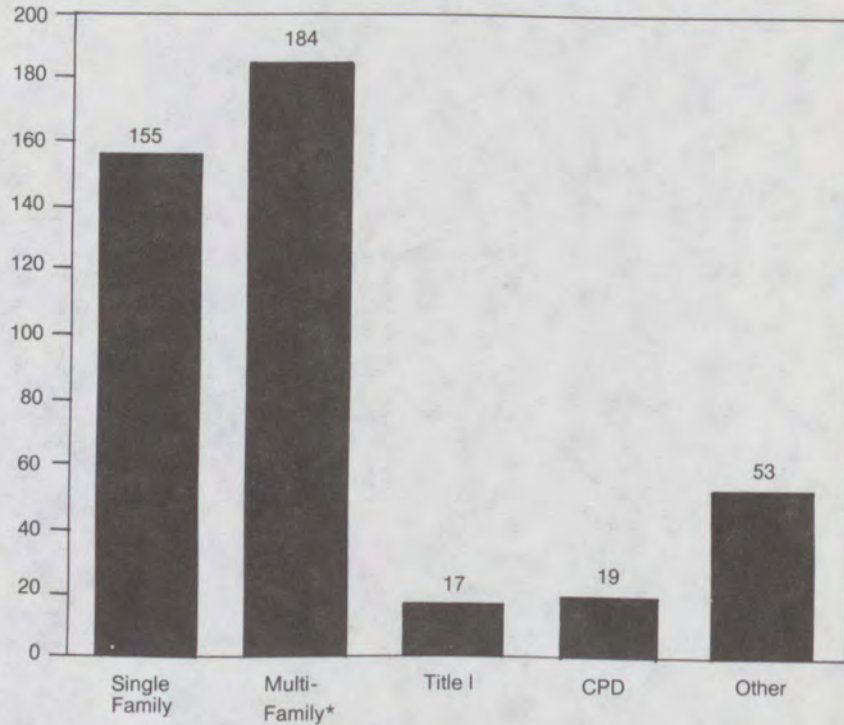


Investigation Cases Opened

The following tables show a breakdown of the 658 investigation cases opened during the last 6

months. Of these cases, 428 involved false statement violations as shown below.

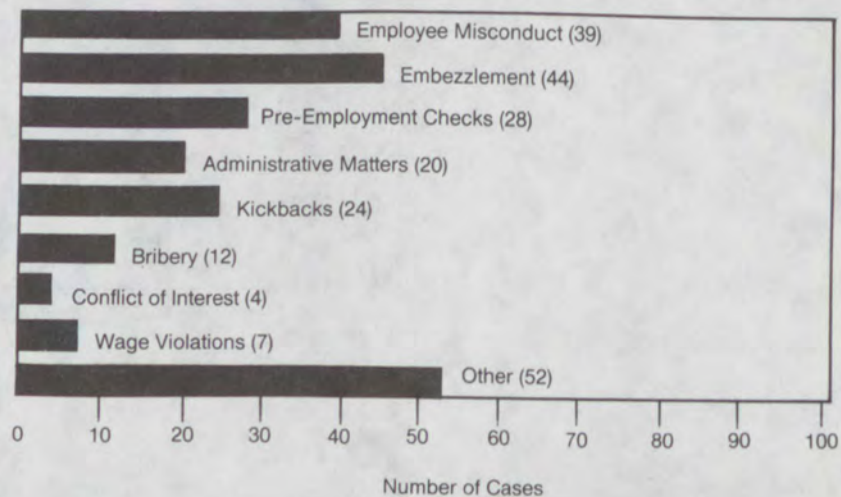
False Statement Investigation Cases Opened
April 1, 1986 through September 30, 1986



*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 230 cases that were opened.

Other Categories of Investigation
April 1, 1986 through September 30, 1986



Pending Cases

At September 30, 1986, we had 1,664 investigation cases either in process or awaiting investigation. Of these cases, 648 were FBI/other

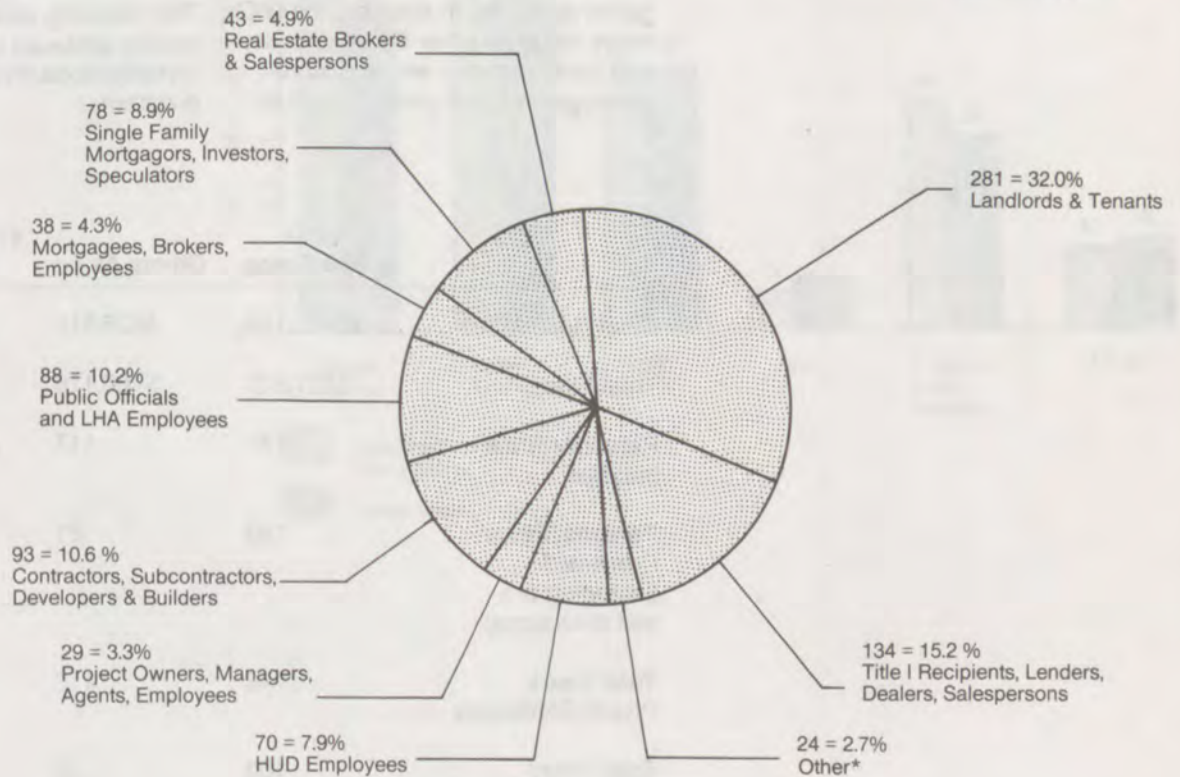
cases, 720 were cases of the OIG, and 296 were completed cases pending with the U.S. Attorney.

Closed Cases

The OIG closed 702 investigation cases during the reporting period. The 702 cases closed involved 878 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, 1986 through September 30, 1986



* The "Other" group includes a wide diversity of subjects. Each of these comprises less than 2 percent of the total.

**Investigation Cases
Referred for Prosecution**

The OIG referred 186 investigation cases for prosecutive consideration as follows:

Referred by OIG to:	No. of Cases
FBI (Prima Facie-OIG Investigation)	2
FBI (No OIG Investigation)	77
Department of Justice	107
Total	186

Prosecutions and Recoveries

The OIG conducts investigations alone and jointly with other investigative agencies. In addition, the OIG refers cases to other Federal, State, and local agencies and monitors investigations and prosecutions by

these agencies without providing significant investigative assistance. The following table summarizes the results achieved through investigations involving HUD programs.

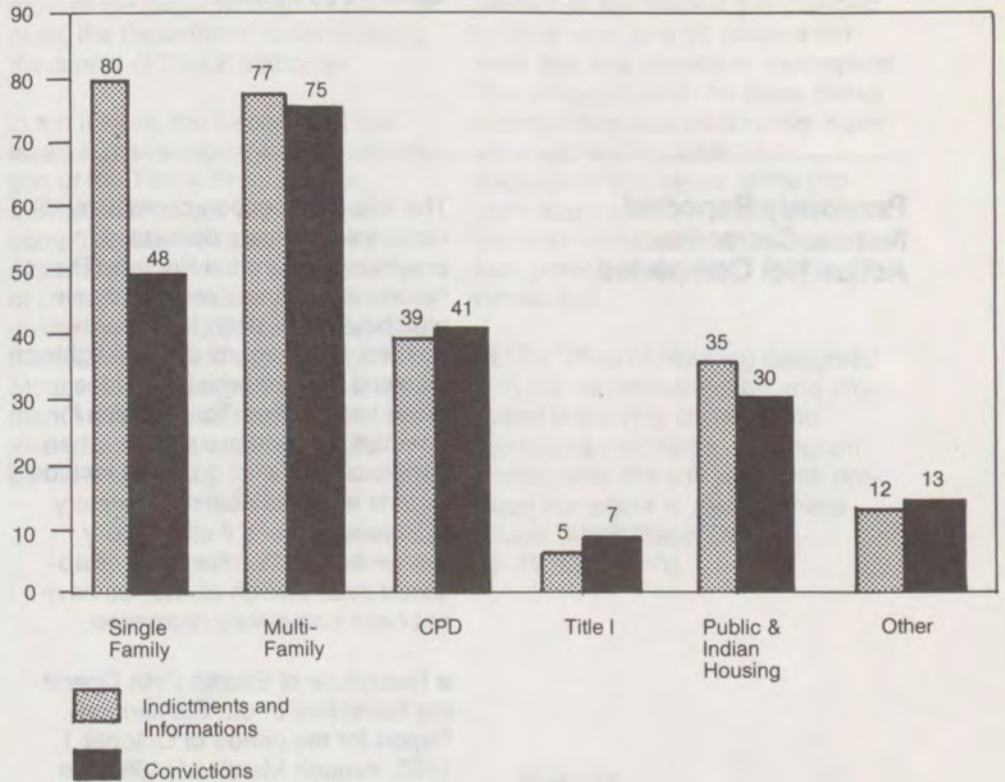
	OIG/ Joint Cases	Others Alone	4/1/86-9/30/86 Total	FY 86 Total
Cash Recoveries	\$2,800,189	\$826,618	\$3,626,807	\$5,800,741
Total Fines	\$227,819	\$466,116	\$693,935	\$815,824
Persons/Firms Indicted	131	117	248	483
Persons/Firms Convicted (Including pre-trial diversions)	123	91	214	425
Total Years Prison Sentences	48	110	158	310
Total Years Suspended/Probated Sentences	102	42	144	251

The following table illustrates the program areas in which indictments and convictions (including pretrial

diversions) occurred during the past 6 months.

Prosecutions

April 1, 1986 through September 30, 1986



Chapter 6

Audit Resolution and Follow-up

Office of Management and Budget Circular A-50 Revised emphasizes that audit follow-up is an important part of good management. Corrective action taken by management on audit findings and recommendations is essential to improving the efficiency and effectiveness of an agency's operations.

In keeping with the emphasis on audit follow-up, our office completed a trend analysis on external audit reports for use by Regional Administrators and Principal Staff. Management's actions to recover sustained amounts (through collection and offset) from program participants were summarized. This data was provided to help managers assess the effectiveness of their debt collection efforts.

Previously Reported Items - Corrective Action Not Completed

The following section contains audit reports which were discussed in previous Semiannual Reports. These reports contain recommendations which have not been fully implemented. Four reports are highlighted, followed by a list which includes these four reports. Target dates for completed action are shown, when applicable. This list does not include reports which contained monetary recommendations if satisfactory repayment plans have been established even though all monies have not been completely recovered.

■ **Recapture of Excess PHA Operating Subsidies.** In our Semiannual Report for the period of October 1, 1983, through March 31, 1984, we disclosed the results of our January 1984 audit report on HUD's payment of excess operating subsidies to 71 public housing authorities (PHAs). Under HUD's Performance Funding System (PFS), these PHAs underestimated their income projections which in turn caused the Department's PFS subsidies to be overstated. Among our recommendations was that HUD require PHAs with 500 or more units to reimburse the Department for excess subsidies received as a result of underestimating income.

Pursuant to our audit report, HUD identified millions of dollars of excess PFS operating subsidies from PHAs. As of September 30, 1985, HUD had actually recaptured several millions of dollars and had established repayment schedules to recover the remaining amounts. These amounts were not reported in prior Semiannual Reports due to the

uncertainty surrounding the exact amounts to be recaptured. (Audit Report No. 84-TS-101-0004.)

■ **Cuyahoga Metropolitan Housing Authority.** In our last Semiannual Report, we reported the results of our March 1986 audit of the Cuyahoga Metropolitan Housing Authority (CMHA), Cleveland, Ohio. This audit was a follow-up to our 1982 audit of the CMHA. We reported that the CMHA was not administering its conventional low-income housing programs efficiently and effectively. Our audit disclosed that the CMHA was experiencing a high vacancy rate and deterioration of its housing stock, in addition to having significant problems in the overall management of its operations.

On August 5, 1986, the Subcommittee on Housing and Community Development, Committee on Banking, Finance and Urban Affairs, held hearings on our March 1986 CMHA audit report. As part of these hearings, the Inspector General and the Assistant Inspector General for Audit provided testimony on both our 1982 and 1986 CMHA audit reports. (Audit Report No. 86-CH-201-1005.)

■ **Title X Land Development.** Our last Semiannual Report discussed the results of our audit of the Title X Mortgage Insurance for Land Development Program. In our audit report, we indicated that HUD's failure to meet the Title X Program's statutory objectives of encouraging the inclusion of moderate- or low-income housing and the participation of small builders in the Program, along

with the high default rate of Title X projects, raised serious concerns about the Department's continued involvement in the Program. We stated that this was especially true in light of the fact that the private sector can and does finance similar land development projects without the benefit of Federal assistance. Citing most of the major findings of our audit, the Department is considering the repeal of Title X authority.

In the interim, the Department has taken steps to improve its administration of the Title X Program. For example, it has put into effect a computer-assisted project analysis system to improve the underwriting of project proposals and issued guidance to Field Offices to improve their land valuation processing. Measures to improve the Department's oversight of the Program are also underway. (Audit Report No. 86-TS-112-0012.)

■ Title I Property Improvement Loans. In our last Semiannual Report, we highlighted serious problems in HUD's Title I Property Improvement Loan Insurance Program. We estimated that over 5,900 loans valued at \$3.5 million were poorly underwritten during our 6-month audit period. More than 53 percent of the dealers overcharged for their work and 38 percent did work that was shoddy or incomplete. The primary reason for these dealer improprieties was inadequate supervision by lending institutions. Because of the nature of the Program and the extent of the problems, we recommended that the dealer loan portion of the Title I Program be terminated.

HUD's Office of Housing disagreed with our recommendation and proposed improving controls and increasing monitoring of program participants. We will work with program managers to resolve these issues. (Audit Report No. 86-TS-122-0010.)

Report Number	Title	Report Issue Date	Target Date
82-PH-202-2270	The Philadelphia Housing Authority Philadelphia, Pennsylvania	5/28/82	1/8/
82-TS-111-0008	Management Input Into Processing Multifamily Housing Projects	7/12/82	12/31/86
83-CH-212-1028	Mid-Towne Apts., Cincinnati, Ohio	2/23/83	2/
83-AT-221-1017	Henderson Heights, Ltd.	4/7/83	7/3/
83-TS-145-0007	Lump Sum Drawdowns for CDBG Rehabilitation Financing	5/11/83	10/31/86
83-KC-241-1014	Review of CDBG Program Kansas City, Missouri	5/13/83	3/
83-CH-201-1051	Low-Income Housing Program Detroit Housing Department	8/26/83	1/
84-TS-101-0004	Income Projections Used By Public Housing Authorities Under the Performance Funding System	1/20/84	2/
84-AO-108-0003	Review of HUD's Consolidated Supply Program	3/14/84	11/30/86

Report Number	Title	Report Issue Date	Target Date
84-SE-203-1003	Housing Authority of the City of Bellingham, Washington, Section 8 Moderate Rehabilitation Program	3/30/84	12/15/86
84-AT-203-1021	Winston-Salem, NC PHA	4/18/84	1/31/87
84-TS-112-0006	Promissory Notes and Working Capital Deposits	5/8/84	12/31/86
84-PH-202-1012	Philadelphia, PA - Section 8	6/14/84	3/31/87
84-SF-201-1019	San Francisco PHA	6/20/84	3/31/91
84-AT-203-1033	Dade County, FL - Section 8	8/1/84	2/28/87
84-PH-201-2303	Philadelphia, PA - PHA	8/10/84	<u>1/8/</u>
84-PH-201-1020	Washington, DC - PHA	8/17/84	<u>5/</u>
84-TS-112-0014	Identifying Physically Troubled Projects	9/5/84	<u>4/</u>
84-TS-144-0015	Use of Escrow Accounts - CDBG	9/7/84	10/31/86
84-BO-151-0004	Monitoring of 213 Early Closeout	9/21/84	10/01/87
85-NY-241-1004	Municipality of San Juan, PR - CDBG	10/26/84	<u>8/</u>
85-SF-203-1003	Contra Costa, CA Housing Authority	11/8/84	<u>7/</u>
85-SE-111-0002	Property Taxes on Multifamily Projects	12/24/84	4/4/87
85-CH-212-1006	Multifamily Mortgage Insurance Yellowbird Limited, Xenia, Ohio	1/18/85	<u>2/</u>
85-PH-214/249-1004	City of Charleston, West Virginia CDBG	1/25/85	<u>3/</u>
85-PH-203-1005	Philadelphia Housing Authority, Section 8 Existing Housing Program	2/8/85	<u>7/</u>
85-BO-201-1004	Boston Housing Authority, Section 8 Moderate Rehabilitation Program	2/15/85	12/31/86
85-CH-212-1008	Multifamily Mortgage Insurance Program, Sections 220 and 236, Cedar Square West Apts., Minneapolis, MN	2/28/85	<u>2/</u>
85-SF-203-1008	Community Development Commission County of Los Angeles, CA, Section 8 Moderate Rehabilitation Program	3/11/85	1/15/87
85-DE-202-1003	Crow Creek Housing Authority	4/26/85	<u>6/</u>
85-AT-203-1018	Elizabethton, Tennessee Housing Development Agency Section 8 Existing Program	6/5/85	<u>3/</u>
85-AT-242-1019	Macon, GA UDAG	6/26/85	12/31/86
85-NY-241-1054	Niagara Falls, NY CDBG	7/3/85	11/30/86

Report Number	Title	Report Issue Date	Target Date
85-SE-101-0003	Development of Indian Housing - Region X	7/12/85	12/31/86
85-BO-111-0007	Property Taxes on Multifamily Projects - Region I	7/26/85	<u>4/</u>
85-SE-203-1003	Section 8 Housing Assistance Payments - Oregon State Housing Division	7/31/85	<u>3/</u>
85-PH-242-1013	Baltimore, MD UDAG	8/9/85	<u>3/</u>
85-SE-241-1005	CDBG Activities - Snohomish County	8/16/85	<u>3/</u>
85-AT-101-0006	Computation of Target Investment Income and Allowable Utility Expense Under the PFS	9/11/85	4/30/87
85-CH-214-1017	Multifamily Mortgage Insurance - Promex Midwest Management Corp.	9/19/85	<u>6/</u>
85-AO-161-0203	Audit of Section 312 Rehab Loan Program	9/23/85	4/15/87
85-BO-203-1014	Section 8 Existing Housing Program Fall River, Mass., Housing Authority	9/24/85	12/31/86
85-AO-161/111-0205	Rental Housing Assistance Fund	9/30/85	11/7/86
85-PH-101-0003	Calculation of Target Investment Income and Allowable Utility Expense Under PFS	9/30/85	11/30/86
86-NY-241-1004	Community Development Block Grant Syracuse, NY	10/28/85	10/15/86
86-TS-112-0004	Section 223(f) Coinsurance Program	11/5/85	6/30/87
86-SF-203-1002	Oakland Housing Authority	11/15/85	11/1/87
86-AO-169-0001	HUD's Implementation of OMB Circulars A-123 & A-127 & the Federal Managers' Financial Integrity Act	11/19/85	10/15/86
86-CH-242-1002	Urban Development Action Grant, Chicago, IL	11/20/85	12/13/86
86-SF-212-1003	Pittsburg Plaza Multifamily Proj., Pittsburg, CA	11/29/85	<u>2/</u>
86-SF-214-1005	The Western Group, Fresno, CA	12/17/85	10/31/86
86-SF-212-1006	Dorie Miller Manor, Los Angeles, CA	12/17/85	1/15/87
86-AT-203-1006	Sec. 8 Moderate Rehabilitation Chattanooga Housing Authority	12/18/85	7/31/87
86-CH-202-1003	Pontiac Housing Commission	1/10/86	3/31/87
86-NY-242-1019	Urban Development Action Grant & Low-Income Housing, Salem, NJ	1/21/86	<u>8/</u>

Report Number	Title	Report Issue Date	Target Date
86-PH-203-1002	Delaware County Housing Authority	1/24/86	6/30/87
86-BO-203-1004	Sec. 8 Existing Housing Program Commonwealth of Massachusetts	2/7/86	12/31/86
86-KC-211-1005	Hidden Valley Estates, Wentzville, MO	2/19/86	11/30/86
86-SE-201-1003	Seattle Housing Authority	2/21/86	<u>3/</u>
86-PH-249-1003	Urban Redevelopment Authority Pittsburgh, PA	2/26/86	5/31/87
86-FW-242-1003	Urban Development Action Grant Stilwell, OK	2/27/86	6/30/87
86-TS-122-0010	Title I Property Improvement Loan Insurance Program (Dealer Loans)	2/28/86	<u>9/</u>
86-CH-201-1005	Cuyahoga Metro Housing Authority Cleveland, OH	3/14/86	9/31/87
86-SF-203-1014	Berkeley Housing Authority	3/27/86	12/1/86
86-BO-201-1005	Housing Authority of New Haven Low-Income Housing Program	3/27/86	11/1/86
86-TS-101-0011	Development Project - Chicago Housing Authority	3/27/86	6/30/87
86-TS-112-0012	Title X Mortgage Insurance for Land Development Program	3/31/86	<u>9/</u>
86-TS-101-0013	National Report on Computation of Target Investment Income and Allowable Utility Expense Under the Performance Funding System	3/31/86	<u>9/</u>

Footnotes:

- 1/ Numerous findings were repeated in an audit report issued during a subsequent reporting period.
- 2/ Final corrective actions are pending litigation or investigation.
- 3/ Currently under review by Headquarters officials as prescribed by HUD Audits Management System.
- 4/ Promised implementation dates not met.
- 5/ Special task force evaluating PMA's outstanding problems identified in audit report. Task force report being reviewed.
- 6/ Departmental officials have agreed with findings and recommendations; however, auditee has not implemented them.
- 7/ Findings reopened.
- 8/ No repayment plan established for sustained monetary amounts.
- 9/ Findings not resolved as of 9/30/86.

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 those reports.

Internal Audit and Survey Reports

Report Number	Report Title	Issue Date
<i>Housing</i>		
86-AT-101-0003	Recovery of Residual Receipts, Region IV	07/11/86
86-AT-101-0803	Field Office Monitoring of Public Housing Agency Corrective Actions, Memphis, TN	09/08/86
86-BO-101-0803	Recapture of Comprehensive Improvement Assistance Funding	04/18/86
86-BO-11-0804	Accountability Monitoring: Property Disposition Branch, Boston, MA	05/15/86
86-BO-101-0805	Follow-up Review of Providence Field Office's Monitoring and Technical Assistance Provided to Providence, RI Public Housing Agency	09/15/86
86-CH-121-0002	Follow-up on Closed Findings - Milwaukee, WI Single Family Program	04/01/86
86-CH-123-0003	Single Family Property Disposition Program - HUD Purchase of Single Family Title Insurance	04/15/86
86-CH-101-0004	Recovery of Residual Receipts	05/13/86
86-CH-101-0005	Field Office Review of Applications for Comprehensive Improvement Assistance Program Funds	05/27/86
86-CH-112-0006	Land Valuation in Multifamily Processing	06/18/86
86-CH-129-0007	Solicitation and Selection of Fee Appraiser Review Panel, Chicago, IL Office	07/02/86
86-CH-103-0804	Accountability Monitoring - Section 8 Existing Housing Program, Michigan State Housing Authority	05/09/86
86-CH-103-0805	Section 8 Existing Housing Program - Cincinnati, OH	05/14/86
86-FW-103-0801	Accountability Monitoring - Housing Authority of New Orleans - Section 8 Existing Housing Program	06/11/86
86-NY-103-0003	Housing Assistance Payments for Non-Insured Section 8 Projects	06/11/86
86-NY-111-0004	Deposit and Use of the General Operating Reserves for Cooperative Housing Projects	06/11/86
86-PH-111-0802	Tiber Island Cooperative Homes, Inc.	07/14/86
86-PH-103-0803	Section 8 Indebtedness Due HUD	09/09/86
86-SE-103-0803	Accountability Monitoring Seattle Office	08/12/86

Internal Audit and Survey Reports

Report Number	Report Title	Issue Date
86-SE-101-0804	Follow-up Review of Portland Office's Monitoring and Assistance to the Housing Authority of Portland	09/25/86
86-SF-103-0801	Utility Allowances - Section 8 Existing Housing Program	08/08/86
86-TS-121-0015	Reactivated Section 235 Homeownership Assistance Program	05/01/86
86-TS-129-0017	National Survey Report - HUD Purchase of Single Family Title Insurance	05/19/86
86-TS-101-0018	Development and Management of Indian Housing	06/19/86
86-TS-111-0019	Deposit and Use of Reserve for Replacement and Residual Receipts Funds	06/24/86
<i>Community Planning and Development</i>		
86-AO-145-0006	Review of CPD Technical Assistance Program	08/15/86
86-AO-143-0805	Cultural District West - Urban Development Action Grant - Birmingham, AL	05/23/86
86-FW-143-0002	Internal Deficiencies in CPD Project Monitoring	05/20/86
86-KC-141-0803	Procedures for Assuring the Attainment of National Objectives - CDBG Entitlement Cities	04/10/86
86-PH-143-0801	Urban Development Action Grant - East Bank Project Reading, PA	06/19/86
86-TS-141-0020	National Report on Interim Financing (Floats)	09/04/86
86-TS-141-0816	CDBG Grantee Performance Reports	05/02/86
<i>Administration</i>		
86-AO-166-0004	Audit of Data Entry Services Contracting	07/10/86
86-AO-161-0005	Survey of Section 235 Voucher Payment Processing	07/16/86
86-AO-161-0202	Audit of Working Capital Fund	05/15/86
86-AO-169-0804	Survey of Employee Compliance with Rules Governing Disposition of Promotional Gifts from Airlines	05/09/86
86-AO-165-0806	Processing Ideas Program Suggestions	07/08/86
86-AO-163-0807	Limited Review of Billings & Performance Contract	08/18/86
86-AO-163-0808	Inspection of Office of Procurement and Contracts Closeout Operations	09/30/86
86-PH-169-0003	Effectiveness of Resolving Findings on Promised Actions	05/30/86
86-TS-161-0014	Single Family Coinsurance Program	04/17/86

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
<i>Housing</i>			
86-AT-202-1001	Housing Authority of Anderson	Anderson SC	06/19/86
86-AT-203-1008	Georgia Residential Finance Authority	Atlanta GA	04/03/86
86-AT-202-1009	Public Housing Agency Activities	W. Palm Beach FL	04/18/86
86-AT-203-1010	Public Housing Activities Metropolitan Development and Housing Agency	Nashville TN	05/01/86
86-AT-214-1013	National Coalition for Housing Partnerships, Inc.	Atlanta GA	07/02/86
86-AT-214-1014	Metric Property Services, Inc.	Atlanta GA	07/17/86
86-AT-214-1015	Bailes Realty Company	Birmingham AL	08/04/86
86-AT-202-1016	Housing Authority of Lafayette	Lafayette GA	09/02/86
86-AT-202-1803	Housing Authority of Arlington	Arlington GA	06/03/86
86-AT-202-1804	Pahokee Housing Authority	Palm Beach Co. FL	08/28/86
86-AT-201-1805	Memphis Housing Authority	Memphis TN	09/08/86
86-BO-212-1006	Princeton Village Apartments	Lowell MA	04/25/86
86-BO-201-1013	Housing Authority of Bridgeport	Bridgeport CT	07/08/86
86-BO-202-1017	Providence Housing Authority	Providence RI	09/15/86
86-BO-203-1018	Cambridge Housing Authority	Cambridge MA	09/22/86
86-BO-212-1801	Tuscan Homes	Hartford CT	04/16/86
86-BO-214-1802	Hedco, Ltd.	Central Falls RI	04/28/86
86-BO-215-1803	Reserve Realty Corporation	Boston MA	04/28/86
86-BO-221-1804	Dale Mortgage Bankers Corporation	Milford CT	07/31/86
86-CH-203-1006	Michigan State Housing Development Authority	Lansing MI	04/11/86
86-CH-219-1008	Higgins Quarter, Dundee Quarter, & Kingery Quarter	Hinsdale IL	05/08/86
86-CH-203-1009	Coshocton Metro Housing Authority	Coshocton OH	05/12/86
86-CH-212-1010	Cathedral Apartments, Inc.	Cuyahoga Falls OH	06/17/86
86-CH-203-1011	Metro Housing & Redevelopment Authority	St. Paul MN	07/03/86
86-CH-215-1012	JCT & Associates	Chicago IL	07/24/86

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
86-CH-202-1013	Public Housing Agency Activities	Traverse City MI	08/01/86
86-CH-211-1014	Merit Building Company, Inc.	Campbell OH	08/21/86
86-CH-219-1015	Lincoln Square Townhouses, Ltd.	Youngstown OH	09/05/86
86-CH-212-1016	Palmer Road Development	Westland MI	09/30/86
86-CH-202-1801	Royal Oak Township Housing Commission	Royal Oak Twp MI	08/05/86
86-CH-201-1802	Indianapolis Housing Authority	Indianapolis IN	09/24/86
86-DE-203-1004	North Dakota Housing Finance Agency	Bismarck ND	05/23/86
86-DE-212-1005	Monterey Park Apartments	Grand Junction CO	06/25/86
84-FW-203-1034	Housing Authority of Nacogdoches	Nacogdoches TX	05/15/86
86-FW-203-1005	Housing Authority of New Orleans	New Orleans LA	04/18/86
86-FW-219-1008	Arkansas Development Finance Authority	Little Rock AR	05/19/86
86-FW-203-1009	Oklahoma Housing Finance Agency	Oklahoma City OK	07/11/86
86-FW-214-1010	J. L. Watson Co., Inc.	Houston TX	08/14/86
86-FW-202-1803	Housing Authorities of the Cities of Marshall and Jefferson	Marshall TX	04/30/86
86-FW-209-1804	Hot Springs Housing Authority	Hot Springs AR	07/14/86
86-KC-204-1010	Housing Authority of Omaha	Omaha NE	06/30/86
86-KC-202-1013	Slater Housing Authority	Slater MO	08/22/86
86-KC-202-1014	Ozark Gateway Public Housing Agency	Joplin MO	09/19/86
86-KC-211-1806	River Valley Apartments	St. Louis MO	04/22/86
86-NY-203-1026	Section 8 Moderate Rehabilitation	Buffalo NY	04/21/86
86-NY-229-1028	Your Way Construction Company	Ozone Park NY	04/30/86
86-NY-219-1029	Cupey Hospital & Nursing Home	San Juan PR	05/06/86
86-NY-203-1031	Campos Plaza Housing Authority	New York NY	06/17/86
86-NY-214-1032	South Central Housing Group	San Juan PR	07/23/86
86-NY-203-1033	Section 8 Existing Housing Program	Buffalo NY	07/31/86
86-PH-212-1004	Chesapeake Apartments	Washington DC	05/30/86

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
86-PH-203-1006	Section 8 Programs of Allegheny Co Housing Authority of Pittsburgh	Allegheny County PA	07/02/86
86-PH-212-1007	Huntington Village	Richmond VA	07/14/86
86-PH-203-1009	Westmoreland Co Housing Authority	Jeannette PA	08/13/86
86-PH-203-1012	Montgomery Co Housing Authority	Norristown PA	09/22/86
86-PH-212-1801	Golden Rule Apartments, Inc.	Washington DC	09/18/86
86-PH-201-1802	Wilmington Housing Authority	Wilmington DE	09/22/86
86-SE-203-1004	Seattle Housing Authority	Seattle WA	05/16/86
86-SE-221-1005	Rocky Mountain Mortgage, Inc.	Boise ID	06/06/86
86-SE-201-1801	Portland Housing Authority	Portland OR	09/25/86
86-SF-211-1016	Olive Grove II: Oak Ridge Ltd	Riverside CA	05/06/86
86-SF-203-1018	Maricopa Co Public Housing Agency	Phoenix AZ	06/20/86
86-SF-201-1019	Los Angeles City Public Housing Authority	Los Angeles CA	07/11/86
86-SF-214-1021	Christian Church Homes	Oakland CA	07/17/86
86-SF-201-1022	Conventional Housing Program Los Angeles City Housing Authority	Los Angeles CA	09/18/86
86-SF-222-1801	Golden Desert Investment Ltd	Las Vegas NV	04/30/86
86-SF-221-1802	Thousand Hills Mortgage Company, Gold River Mortgage Company, Central Pacific Mortgage Company, & Northern California Mortgage Company	Sacramento CA	07/07/86
86-SF-201-1803	Oakland Housing Authority	Oakland CA	09/19/86
86-SF-202-1804	Yuma Housing Authority	Yuma AZ	09/29/86
86-TS-229-1029	Lake View Trust & Savings Bank	Chicago IL	04/10/86
86-TS-229-1030	First of America Bank of Detroit	Detroit MI	04/14/86
86-TS-221-1031	Mortgagebanque, Inc.	Houston TX	04/14/86
86-TS-221-1032	Guaranty Mortgage Corporation	Kensington MD	04/14/86
86-TS-229-1033	Northwest National Bank	Chicago IL	04/14/86
86-TS-221-1034	Modern Mortgage Corporation and Marathon Mortgage Corporation	Southfield MI	04/17/86
86-TS-221-1035	Great Central Mortgage Company	San Antonio TX	04/25/86

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
86-TS-229-1036	Banco de Ponce	San Juan PR	05/02/86
86-TS-229-1037	First Federal of Michigan	Detroit MI	05/05/86
86-TS-229-1038	Conner Corporation	Newport NC	05/09/86
86-TS-229-1039	Puerto Rico Internal Services	Guaynabo PR	05/13/86
86-TS-221-1040	Delta Funding Corporation	Coral Springs FL	05/19/86
86-TS-229-1041	People's Savings Bank	Monroe MI	06/04/86
86-TS-229-1042	Build-R-Ama Distributing, Inc.	Houston TX	06/10/86
86-TS-221-1043	Real Estate Financing, Inc.	Montgomery AL	06/20/86
86-TS-221-1044	Great Lakes Mortgage Corporation	Flint MI	06/24/86
86-TS-221-1045	Beverly Hills Mortgage Corporation	Tucson AZ	06/24/86
86-TS-221-1046	H.F., Inc.	San Juan PR	06/27/86
86-TS-229-1047	Long Island Savings Bank	Syosset NY	06/30/86
86-TS-229-1048	Equibank	Pittsburgh PA	07/14/86
86-TS-221-1049	Commerce Mortgage, Inc.	Cincinnati OH	07/28/86
86-TS-229-1050	Fed One	Wheeling WV	09/11/86
86-TS-221-1051	ICM Mortgage Corporation	Englewood CO	09/11/86
86-TS-229-1052	Central Federal Savings Bank	Long Beach NY	09/23/86
<i>Community Planning and Development</i>			
86-AT-248-1017	Seminole County Community Development Block Grant Program	Seminole FL	09/17/86
86-AT-248-1018	Pasco County CDBG Program	Pasco County FL	09/25/86
86-AT-248-1019	Brevard County CDBG Program	Brevard County FL	09/26/86
86-BO-242-1008	Urban Development Action Grant - Refuse Fuels Project	Lawrence MA	05/07/86
86-BO-241-1010	Hartford CDBG Program	Hartford CT	06/20/86
86-BO-241-1011	CDBG Entitlement	Cambridge MA	06/27/86
86-BO-241-1014	Survey: CDBG Program	Boston MA	07/14/86
86-BO-259-1015	Rental Rehabilitation Program	New Bedford MA	09/08/86
86-BO-259-1016	Rental Rehabilitation Program	New Haven CT	09/12/86

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
86-BO-259-1805	Survey: Rental Rehabilitation Program	Lawrence MA	09/30/86
86-CH-242-1007	Urban Development Action Grant	Pana IL	05/01/86
86-DE-242-1003	Lincoln Park UDAG, Denver Community Development Agency	Denver CO	04/15/86
86-FW-244-1802	Community Development Block Grant Sac & Fox Tribe of Oklahoma	Stroud OK	04/07/86
86-KC-241-1008	CDBG Jobs Bill	St. Louis MO	04/24/86
86-KC-241-1009	CDBG Community Development Agency	St. Louis MO	06/11/86
86-KC-241-1011	CDBG Community Development Board	Waterloo IA	07/09/86
86-KC-241-1012	CDBG Section 108 Loan Program	St. Louis MO	08/07/86
86-NY-249-1027	CDBG and Section 312 Programs	Plainfield NJ	04/25/86
86-NY-248-1034	Financial Management System Evaluation	Ballston Spa NY	09/30/86
86-NY-248-1035	Financial Management System Evaluation	Sharon Springs NY	09/30/86
86-NY-248-1036	Financial Management System Evaluation	Malone NY	09/30/86
86-NY-248-1037	Financial Management System Evaluation	Peru Town NY	09/30/86
86-PH-241-1008	CDBG Program Monitoring	Philadelphia PA	07/24/86
86-PH-257-1011	Scranton Redevelopment Authority	Scranton PA	09/08/86
86-SF-241-1020	Ontario CDBG	Ontario CA	07/16/86
86-SF-244-1017	Table Bluff Rancheria CDBG	Loleta CA	06/18/86
<i>Administration</i>			
86-AO-262-1010	Joint Center for Political Studies	Washington DC	05/01/86
86-AO-261-1011	Bush & Company	Washington DC	08/25/86
86-AO-261-1012	Council of State Community Affairs Agencies	Washington DC	09/25/86
86-AO-261-1013	Watson, Rice & Company	Washington DC	09/25/86
86-AT-261-1011	Consolidated Industries, Inc.	Huntsville AL	05/09/86
86-AT-262-1012	Community Design Center of Atlanta	Atlanta GA	06/03/86
86-BO-262-1007	National Fire Protection Assoc.	Quincy MA	04/28/86
86-BO-262-1009	Greater Roxbury Development Corp.	Roxbury MA	05/08/86

External Audit and Accounting System Evaluation Reports

Report Number	Report Title	Location	Issue Date
86-BO-261-1012	Paul Parks and Associates, Inc.	Boston MA	07/02/86
86-DE-261-1006	Green Management Corporation	Gillette WY	09/18/86
86-DE-262-1007	Utah Community and Economic Dev.	Salt Lake City UT	09/19/86
86-NY-261-1025	Opportunity Resource Institute	New York NY	04/09/86
86-NY-262-1030	Clinton Housing Development Fund Corporation	New York NY	06/17/86
86-PH-262-1005	K S Sweet Associates	Radnor PA	06/26/86
86-PH-262-1010	Virginia State University	Petersburg VA	09/05/86
86-SF-262-1015	National Housing and Community Development Law Project, Inc.	Berkeley CA	04/23/86
<i>Government National Mortgage Association</i>			
86-AO-279-1014	Combined Services Agreement with FNMA	Washington DC	09/26/86

Fraud Awareness Publications

Fraud Information Bulletins (FIBs)

- 80-1 Section 8 - Administration
- 80-2 Standards of Conduct
- 81-1 Procurement - Contract Award Process
- 81-2 Multifamily Mortgagor Operations
- 81-3 Procurement - Contract Administration
- 81-4 Rehabilitation Activities
- 81-5 Single Family - Underwriting for Mortgage Insurance
- 82-1 Departmental Efforts to Combat Fraud and Abuse
- 82-2 Single Family Property Disposition Program - Repair and Maintenance Activities
- 83-1 Accountability Monitoring
- 83-2 Travel
- 83-3 Administrative Sanctions
- 83-4 Subgrantees - Problems and Abuses
- 84-1 Time and Attendance and Leave Abuse
- 84-2 The HUD Hotline
- 84-3 Improving Internal Controls
- 84-4 Conventional Low-Rent Housing Program
- 84-5 Tenant Eligibility
- 84-6 Diversion of Funds From Multifamily Projects
- 85-1 Employee Conduct
- 85-2 Computer Matching
- 86-1 FTS Abuse

Program Integrity Bulletins (PIBs)

- P-86-1 Public Housing Agency Commissioners and the Low-Income Housing Program
- P-86-2 Asset Management
- P-86-3 Title I
- P-86-4 Mortgagee Review Board
- P-86-5 Computer Matching
- P-86-6 Rehabilitation Activities
- P-86-7 Avoid Loan Fraud

If you would like a copy of any of these Bulletins, please write to the:

Director, Fraud Control Division
Office of Inspector General, HUD
451 Seventh Street, S.W., Room 8254
Washington, D.C. 20410



**HUD EMPLOYEES' HOTLINE
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